



# 2021

## Communication on Progress

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since 1896

**TeraPlast**<sup>®</sup>

## ABOUT THIS REPORT

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Starting 2020, TeraPlast Group is a Signatory of the UN Global Compact. Thus we express our support to the Sustainable Development Goals (SDGs).

The present document is our first Communication on Progress and it presents our approach in regards to Human Rights, Labour, Environment and Anti-Corruption. Its information will also be detailed further within the annual Sustainability Report of the Group.

## WITHIN THIS REPORT

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## OUR COMMITMENT

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I am pleased to confirm that TeraPlast Group reaffirms its support to the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

Within our first annual Communication on Progress, we describe our actions to continually improve and integrate the Global Compact and its principles into our business strategy, culture and daily operations. **Taking the sustainable development into account in our medium and long-term strategy is a solid part of our Group's vision on the future.**

We also commit to sharing this information with our stakeholders by integrating it in our Sustainability Report that is to be published by the end on June this year and will cover additional details on these 4 main topics.

Our strategy and progress on these matters are also integrated in our primary permanent communication channels.

Yours sincerely,

**Alexandru Stănean**  
CEO TeraPlast



# HUMAN RIGHTS

## ASSESSMENT, POLICY AND GOALS

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TeraPlast Group undertakes that our businesses shall support and observe the protection of the international human rights and make sure that they are not part of the abuses committed in the field of human rights.

The Group complies with the international directives, norms and standards with regard to observance of human rights:

- The Universal Declaration of Human Rights - UN;
- The EU Charter of Fundamental Rights;
- The European Convention on Human Rights.

We have also developed dedicated policies regarding non-discrimination, equal opportunities and the removal of any form of human dignity infringement. **Our Group forbids any form of discrimination towards its employees, partners and collaborators or involving them.**

These principles, which are embedded within our Code of Conduct, are passed down to our employees, and are integrated in our relations with our suppliers and business partners.

The strategic document itself is available online on our website, on hand to all our stakeholders. Through the provisions and principles in our policy we assure that we are not complicit in human rights abuses and share with our stakeholders the same vision on this topic.

Description of actions

# HUMAN RIGHTS

## ASSESSMENT, POLICY AND GOALS

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The internal Code of Conduct includes provisions that define and explain the prevention and management of risk situations and the applicable rules in the areas of personal and professional integrity (harassment, discrimination, equal opportunities etc.), protection of intellectual property, principles of fair competition, rules for respecting the visual identity of brands and the relationship with the media.

For each risk situation detailed in the internal code of conduct, there is also the mechanism applicable for notifying situations that violate or risk violating the imposed provisions.

**Specific strategic objective for 2022-2023: development of a new evaluation procedure for suppliers and collaborators emphasising Human Rights vision and principles.**

Description of actions



# HUMAN RIGHTS

## IMPLEMENTATION

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All employees and contractors are encouraged to report unsafe and unethical conditions and behaviour.

**We have implemented a whistleblowing system, which can be accessed by any stakeholder online, through mail, e-mail, by phone, and using the complaint boxes in our locations.**

We collect information regarding: conflicts of interest, fraud and corruption, bribery, human rights violations, labour rights violations, private life and personal data violations, violations of company policies, procedures and regulations, violations of the company's Code of ethics and conduct, endangerment of employee's and collaborator's safety and security, endangerment of surrounding environment.

Stakeholders may complete the online form using their name or anonymous. The reports are taken over, evaluated and processed by the Integrity Manager appointed by the company's management, who ensures the complete confidentiality of the information to which he has access.

Following the evaluations, the Integrity Officer will rank the complaints and notify the Internal Integrity Committee and the company's management in case of serious charges.

The Internal Integrity Committee is comprised at least of specialists in the fields of law, labour law, integrated management systems, who, alongside the company's management, ensure the application of specific measures in order to remedy the problems.

Description of actions

# HUMAN RIGHTS

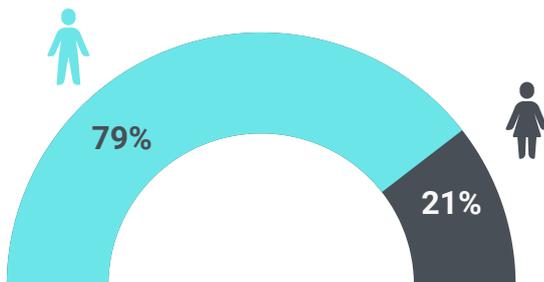
## IMPLEMENTATION

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Within TeraPlast Group we have dedicated structures and roles which monitor and evaluate, amongst other, the correct implementation of human rights principles: The Analysis Committee made of top management members (which evaluates risks and issues corrective measures), the Integrity Officer and Internal Integrity Committee (which manage all complaints related to integrity issues and develop remediation measures).

## MEASUREMENT OF OUTCOMES

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*The total employees at Group level are divided in 21% women and 79% men.*

The composition of TeraPlast's governance structures in 2021 is 20% female members and 80% male.

The total Group employees' proportion is determined by the nature of the jobs and the interest in the market, depending on the gender. In general, in the workforce we are addressing, the availability and interest in production positions is higher among men than among women.

**Our Group applies strong principles of equality and objectivity in the recruiting process, which have to cross the specific needs of each job. Our activity is aligned with SDG5, as we promote and implement gender equality in our activity.**

Description of actions

# HUMAN RIGHTS

## MEASUREMENT OF OUTCOMES

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Within the reporting period, TeraPlast Group:

- did not record any incidents with significant impact or resulting in sanctions on: human rights violations or discrimination of any sort.
- received 1 whistleblowing case, which was evaluated and needed corrective actions.

**In 2021, the Group supported various initiatives in accordance with its CSR principles. Some of the ones directly connected to social causes are:**

- Providing necessary products (pipes, septic tanks and accessories) to a project aimed at building a proper house for 4 children that live with their grandmother in a very small house.
- Contributing to the funds needed by a paediatric hospital in Obregia to acquire equipment for brain surgery
- Supporting the medical equipment acquisition for two hospitals in Timis county, Romania, namely the acquisition of spirometers and desks for medical tools - this initiative is aligned with SDG3, as it implements concrete measures to support good health and well being for the local community.
- Partnership with POV21, a local NGO, for Comunitarium Gala where 30 students from rural areas received laptops as an award for their exceptional scholar results.
- We are one of the main sponsors of the local sports club and the handball team Gloria 2018; we supported the international tennis tournament that took place in Bistrita and a regional rhythmic gymnastics club.

Description of actions

# HUMAN RIGHTS

## MEASUREMENT OF OUTCOMES

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Since 2020, we have been also implementing a dual education project in partnership with a local high school which has the goal of providing professional training for young students, while offering each participant a monthly scholarship, transportation and a meal for each day of practical training within the company.

Also, each student benefits from the occupational medicine examinations and the necessary medical analyses, while also providing a cash prize for the most motivated participants.

**This program is aligned with SDG4, as it aims to support quality education for all.**

**These initiatives and project are aligned with SDG1 and SDG8, as they promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all, with the scope of achieving a no poverty social environment for all.**



Description of actions

## LABOUR

### **ASSESSMENT, POLICY AND GOALS**

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Within our business strategy, we aim to sustainably grow our business while adding value to our employees, partners and shareholders. Our mission is to develop effective solutions for people and the environment.

**We rely on continuous feedback flows, we take care to act responsibly towards our colleagues, our partners, the community and the environment. Our priority is to be an attractive employer for our colleagues, to ensure an ethical, safe and stable work environment.**

We take responsibility for the safety of all outsourced or contracted activities, so we have introduced processes that require contractors to operate in accordance with our standards.

Our businesses encourage the freedom of association and the effective recognition of the right to collective negotiations, the removal of all of the forms of forced and imposed labour, the effective abolition of child labour, and the removal of discrimination as regards hiring and holding a position.

**Our Code of Conduct contains written company policies to uphold these principles, which are passed down to our employees, and are integrated in our relations with our suppliers and business partners.**

Description of actions

## **ASSESSMENT, POLICY AND GOALS**

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Starting 2021, TeraPlast Group has appointed a Nomination and Remuneration Committee, which has the following responsibilities:

- provides support to the Board of Directors in identifying and /or selecting candidates for a position in the management structure;
- makes proposals on the requirements for a position in the executive management;
- performs the evaluation of the candidates in order to ensure the fulfillment of the requirements / criteria specific to the position in the executive management, if applicable;
- prepares a regular evaluation of the performance of the members of the management structure;
- develops the remuneration policy of the management structure, taking into account the long-term interests of the shareholders, the strategy, the business plan and the performance of the Company, as well as the best market practices, which are submitted to the Board of Directors and further to the General Meeting of Shareholders, for approval;
- periodically reviews / updates the remuneration policy, also preparing a description and explanation of all significant policy changes as well as a report from the last vote of the General Meeting of Shareholders on the remuneration policy;
- reviews the annual remuneration report, which sets out how the remuneration policy for members of the management structure was implemented during the reference period;
- evaluates the fulfilment of the performance criteria established by the remuneration policy;
- makes proposals on the implementation of grant of shares and/or stock options programs.

## LABOUR

### **ASSESSMENT, POLICY AND GOALS**

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The HSSE policy highlights the commitment to the material and social working conditions of our employees.

The Group companies have implemented the Integrated Quality-Environment-Health and Operational Safety Management System, and are ISO 45001: 2018 certified by SGS Switzerland (Societe Generale de Surveillance SA) and ISO 9001: 2015 certified by SGS United Kingdom Ltd.

#### **Strategic objective for 2022:**

**increasing the percentage of women in top and middle management positions by at least 5% compared to the 2020 level and reaching a percentage of 25% women in white collar positions.**



Description of actions

## **IMPLEMENTATION**

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The safety of our employees is of great importance to us. All of our employees participate in regular training courses, in accordance with the law, to improve their awareness of security issues, to gain confidence and to develop the necessary security skills to deal with known security threats, or emergencies, incidents and crisis situations.

**In order to assure the continuous feedback flow, we have a call center that directs, according to the department/specifics of the request. We also have a back office for the sales manager responsible for customer relations, as a support for the sales team, a team dedicated to investor relations and the press.**

The members of the existing Labour Union are responsible for the connection between the management of our Group's companies and the employees regarding the rights, benefits but also the obligations of each of the colleagues in the activity carried out daily. The collective bargaining agreement covers all TeraPlast Group employees.

The union negotiates with our group the collective labour contract, so that additional benefits may be provided, besides standard benefit packages (basic salary, bonuses, meal vouchers, private health insurance) and work equipment.

The Labour Union considers all areas of activity both in terms of how to organize the activity and the personalized benefits.

## LABOUR

### IMPLEMENTATION

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All employees receive Easter and Christmas bonuses, gift vouchers for the company's annual anniversary, various bonuses and benefits (birthday, death, marriage, birth, illness), loyalty bonus, paid days off for family events, reimbursement of holiday expenses, free library access, and also shares in the company, based on performance reviews.

Our retiring colleagues also benefit from a personalized package based on seniority within TeraPlast Group.



We offer training sessions for personal and professional development for all our employees, without discrimination, on topics such as: quality and laboratory, production-specific technical qualifications, policies, standards and systems, security, soft skills (assertive, interpersonal communication). **The training sessions are designed based on employees' preferences for specific topics, and are accessible using our Learning Management System.**

Description of actions

# LABOUR

## IMPLEMENTATION

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The whistleblowing system aforementioned also addresses labour incidents and any other topic of concern to our employees.

Within TeraPlast Group we have dedicated structures and roles which monitor and evaluate, amongst other, the correct implementation of labour rights principles: The Analysis Committee made of top management members (which evaluates risks and issues corrective measures), the Integrity Officer and Internal Integrity Committee (which manage all complaints related to integrity issues and develop remediation measures).

**The health, safety and security of our employees is monitored by our dedicated Health and Safety Manager.**

## MEASUREMENT OF OUTCOMES

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Within the reporting period we have had:

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- >> reported cases of labour rights violations
- >> reported cases of private life and personal data violations
- >> cases of endangerment of employee's and collaborator's safety
- >> investigations, legal cases, rulings, fines and other relevant events related to Labour Rights

35

>> reported cases of violations of the company's internal Code of ethics and conduct, of which 26 concluded with written warning and 9 concluded with penalties.

Description of actions

# LABOUR

## MEASUREMENT OF OUTCOMES

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Within the reporting period:



our employees participated in

**26**

training sessions which accounted for 4879 hours



we hired

**324**

new employees



More than

**6**

employees were externally qualified for operational occupations



we created

**245**

new jobs

Within the reporting period, the TeraPlast Group conducted 1 review of labour practices by senior management, recorded 9 minor health & safety work-related incidents. At the same time, the Group did not record any incidents with significant impact or resulting in sanctions on: occupational safety and security or data confidentiality.

Description of actions

## ENVIRONMENT

### ASSESSMENT, POLICY AND GOALS

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Our vision in TeraPlast Group is to conduct our business in a manner which contributes to a better world for both people and the environment.

Our business model aims at the optimal integration of the entire value chain, the observance of the norms of business ethics and the diminution of the potential negative impact on the environment.

The companies within our group are certified ISO 14001:2015 by SGS United Kingdom Ltd.

In line with our goal of being a sustainable company, we have set **internal goals to integrate as much recycled materials into our products as possible**, where European or local standards allow.

Our procurement team has also worked closely with colleagues responsible for developing recipes used in production to eliminate hazardous substances and identify more environmentally friendly materials.

**We are aligned in this sense with SDG12, as we strive to achieve sustainable production patterns.**



Description of actions

## ENVIRONMENT

### ASSESSMENT, POLICY AND GOALS

Environmental protection issues are managed by our in-house dedicated team, which is coordinated by our Environmental Officer. Risk assessments and action plans are undertaken by the Environmental team, which is part of the Integrated Management Systems Team, and are revised and validated by the Analysis Commission and Top Management.

**Annually, within the management analysis, we evaluate the processes that take place in each area of activity of the Group companies and the associated impact.** The analysis process shows that under normal operating conditions there are no significant environmental risks that are not already addressed by internal measures.

At the same time, the Analysis Commission meets periodically to analyse the risks including operational and environmental, based on the various scenarios.

A significant part of the annual management review includes aspects that refer to the potential impact that our activity has or may have on the environment and the necessary action plans.

The level of compliance with legal and regulatory requirements, in terms of environmental protection, is monitored annually as a requirement of the integrated quality-environment-health and occupational safety management system, audited both internally and by external bodies.

Description of actions

## ENVIRONMENT

### **ASSESSMENT, POLICY AND GOALS**

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TeraPlast is a member of **Recovinyl under VinylPlus**, the Voluntary Commitment to sustainable development of the European PVC industry. This partnership is one of our initiatives which **aligns with SDG17 as a voluntary commitment in technology that support sustainable development.**

**Strategic objectives for 2022:**

**reducing carbon emissions by another 44,000 tonnes compared to 2020 by investing in recycling and electricity from renewable sources (photovoltaic panels)**

### **IMPLEMENTATION**

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Environmental aspects are managed according to the ISO 14001 standard which is implemented and certified by recognized certification bodies.

**We develop and promote modern "environmentally friendly" technologies and products.** In line with international strategies for sustainable development and the circular economy, we are actively involved in disposing of plastic waste by recycling it.

We have implemented energy management plans in accordance with the ISO 50001 standard.

We focus on process optimization and implementation of projects that contribute to reducing our own technological energy consumption, GHG emissions.

Description of actions

## ENVIRONMENT

### IMPLEMENTATION

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In 2020, we implemented the largest **rooftop photovoltaic power plant** in Romania, consisting of 7,000 panels, totaling 12,000 square meters, which can provide us with up to 11% of the necessary electricity from renewable sources and helps us **reduce CO2 emissions by 660 tons.**

The project will be extended to the new halls in the Industrial Park as part of the investment plan, by adding 2,2 MW to the current capacity. **Our initiative is aligned with SDG13, as we are acting on climate change mitigation and striving for climate protection.**

We are striving for a **paperless culture** by using integrated electronic invoicing and warehouse management (WMS) systems, most of our invoices being emitted electronically under the SAP HANA system. Within TeraPlast, the SAP has been upgraded to the 4HANA version.

The development of the product range also integrates **objectives regarding product sustainability.** That is why we have developed over time solutions such as multi-layered PVC pipes (with recycled core) or PE 100-RC pipe (resistant to crack propagation and) with a lifespan of up to 100 years according to PAS 1075.

**Sustainability is one of the pillars at the core of our activity,** the two most sustainable portfolios being rigid PVC recycling and biodegradable packaging.

Description of actions

## ENVIRONMENT

### IMPLEMENTATION

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**TeraPlast Recycling** is the largest micronized PVC producer in Europe and since 2019 it permanently develops its third-party client portfolio. The factory processes post-industrial and post-consumer rigid PVC waste.

The finished product resulting from the recycling activity (regranulated PVC or micronized PVC) can be used by PVC processors in manufacturing processes without changing the technical or qualitative characteristics of the finished products (i.e. PVC pipes and/or window profiles).

Our new portfolio of environmentally friendly **biodegradable packaging** line is certified OK Home Compost, OK Industrial Compost and OK Soil by TUV Austria in accordance with the EN 13432 standard. It operates on a market with an accelerated growth rate, in which half of the local consumption (Romania) is covered by imported products.

**Our growing portfolio is aligned with SDG9, as we strive to bring innovation within our industry and deliver innovative solutions for our market.**

We also closely monitor fuel efficiency for the fleet of employee cars and freight cars, taking into account the annual logistical need. In 2021, part of the car fleet destined to employees was renewed in line with our objectives of effectiveness in this area.

Description of actions

## ENVIRONMENT

### IMPLEMENTATION

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Any risks, incidents and/or violations regarding the environment principles and/or norms we guide ourselves by can be reported through the public whistleblowing system in place.

Our philosophy of social responsibility is concentrated under the umbrella Together We Build Romania, composed of 3 major pillars: Education, Social and Environment & Health.

### MEASUREMENT OF OUTCOMES

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We have **increased our rigid PVC recycling capacity** from 12,000 tons/year to 31,000 tons/year, which can lead to a reduction in CO2 emissions of up to 62,000 tonnes per year and results in our group becoming the **largest producer of micronized recycled PVC in Europe** and in the top 5 European rigid PVC recyclers.

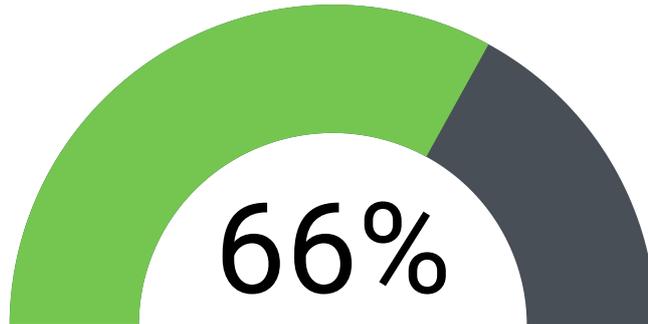
**In the past two years we have invested € 20 million in green products:** biodegradable packaging, recycling, green energy generation, Gri(n) pipe, multilayered PVC pipe with recycled core.

Description of actions

## ENVIRONMENT

### MEASUREMENT OF OUTCOMES

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of the waste purchased by TeraPlast Recycling in 2021 is post-consumer waste

In 2021, 34% of the waste purchased by TeraPlast Recycling come from post-industrial sources.

- We imported 70% of PVC waste from countries such as the Netherlands, Italy, Germany, Hungary, mainly post-consumer material.
- We purchased around 30% from the domestic market.
- 63% of the production (finished product of recycled rigid PVC) was used within TeraPlast Recycling for the production of PVC pipes
- 37% was sold to third party customers.

Within the reporting period, 26% of the total amount of PVC used in TeraPlast's PVC plant used recycled PVC as input, and our products are 100% recyclable.

Description of actions

## MEASUREMENT OF OUTCOMES

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**The number of invoices listed in 2021 is under 1% of total invoices issued.** The technological wastewater generated on our premises is 80% recirculated.

Within the reporting period, compared to the previous year, water consumption per finished product has increased by 59%, electricity per finished product has decreased by 8% and quantities of recycled waste generated on-site has decreased by 22%.

These metrics are influenced by the expansion of our activity in the past year and the ongoing changes within the group's structure and portfolio diversification.

### **Among the CSR projects supported by the Group in 2021 that address environmental aspects:**

- Partnership with Let's Do It Romania for the National Cleaning Day
- Supporting a local project for placing weather stations in Bistrita-Nasaud county, one of which was placed in our Industrial Park.
- Rehabilitation of a steam train and a narrow gauge railway to transform it into a touristic route for sight-seeing and discovering the local landscapes and tradition. **This initiative is aligned with SDG8, as it promotes sustained, inclusive and sustainable economic growth in tourism in the local area.**
- Partnership with Tasuleasa Social for Via Transilvanica (named Romania's El Camino) and for reforestation activities

# ANTI-CORRUPTION

## ASSESSMENT, POLICY AND GOALS

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Anti-corruption is a core policy within our company, as it is firmly integrated within the Business Ethics pillar of our Corporate Governance. We made sure to include it within our Code of Conduct, which is delivered to each employee, from day one of their journey within our Company.

**TeraPlast Group does not tolerate any form of corruption in its business.**

According to our Corporate Governance Status, the corporate bodies within our group are: General Assembly of Shareholders (the highest decision structure), Board of Directors and Executive Management.

The proposals submitted to the General Meeting of Shareholders, in the case of the members of the Board of Directors and the executive management, take into account criteria regarding professional experience relevant to the position they hold and, where applicable, the activity of the previous term.

At the same time, aspects related to potential conflicts of interest, aspects of ethics and anti-corruption are analysed, according to the provisions of the internal code of ethics and conduct as well as the corporate governance code.

**Our group is committed to following fair competition practices**, while carrying out our activities according to the Treaty on the Functioning of the European Union (TFEU), without taking any part or supporting fraud and corruption practices.

## ANTI-CORRUPTION

### ASSESSMENT, POLICY AND GOALS

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In our activity we focus on the constant improvement of the materials we use and processes through which we interact with the interested parties.

Our group is included in the BET reference index of the Bucharest Stock Exchange and in the SmallCap and AllCap indices of FTSE Russell. In our view, this demands special attention to the observance of the shareholders' rights and to their unitary and correct information.

In addition to mandatory periodic reporting, we maintain constant communication on official channels and in the mass-media to ensure the visibility of public information about the evolution of our business, strategy and vision.

TeraPlast does not contribute to, and it is not affiliated with political groups.

**Specific strategic objective for 2022-2023:**

**development of a new evaluation procedure for suppliers and collaborators including the environment related principles they apply.**

Description of actions

# ANTI-CORRUPTION

## IMPLEMENTATION

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**The internal Code of Conduct addresses our entire business.**

TeraPlast Group employees must abide by its provisions and behave in a professional manner, based on a set of principles. At the time of employment, our colleagues are presented with this code, which is available for permanent consultation and in the cloud storage locations used by the group.

**The whistleblowing system is one of the instruments stakeholders can use to report any misconducts and/or violations with regard to anti-corruption matters.**

As previously stated, it can be accessed by any stakeholder online, through mail, e-mail, by phone, and using the complaint boxes in our locations. The notifications can be completed by using the claimant's name or anonymous. In case of serious charges, the Integrity officer will notify the Internal Integrity Committee and the company's management if applicable.



Within TeraPlast Group we have dedicated structures and roles which monitor and evaluate, amongst other, the correct implementation of anti-corruption principles, which include but don't resume to the Analysis Committee and the Internal Integrity Committee.

Description of actions

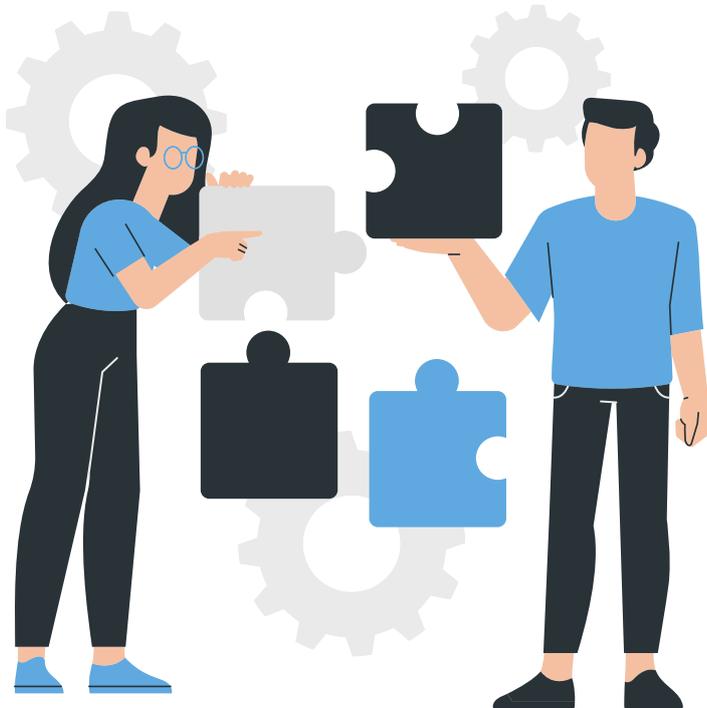
# ANTI-CORRUPTION

## MEASUREMENT OF OUTCOMES

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Within the reporting period, the TeraPlast Group did not record any incidents with significant impact or resulting in sanctions on human rights, anti-corruption, discrimination, anti-competitive behaviour, monopoly, occupational safety and security or data confidentiality.

During this period, we also conducted 1 risk assessment and revision of current practices related to anti-corruption and anti-fraud.



Description of actions

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To provide feedback and comments  
on our CoP, reach us at:

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