

2021



Sustainability report

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Message from the CEO

Dear investors, partners, colleagues,

Sustainability has become a word of the common language, it bears many meanings, but if we were to distil its meaning, we would get to the expression of “harmonious future”. It would be derived from the most used definition of sustainability, the one used by the UN Commission for Environment and Development: sustainable is that growth which meets the needs of the present without compromising the capacity of future generations to cover its own necessities.

Therefore, let's take care not to pawn the future. Or degrade it.

In 2021, TeraPlast has celebrated 125 years of tradition. It means almost five generations. We need to ask ourselves seriously what we will bequeath to those who will be here after three or five generations.

Behind the concepts must be concrete, measurable actions. At TeraPlast, we work for that sustainable future. We allocate financial and intellectual (human) resources, we concentrate efforts not because we have to, but because we feel so. It is not an external obligation, but an internal exigency.

Sustainability is not reached over the night. It is not a sprint, it is a marathon. We are realistic with regard to what we aim. We do not like to announce unattainable objectives, displayed only to strike on the image and win ephemeral applause. We are ambitious because it is in our DNA and to an equal extent we want to be responsible and proactive.

To us, sustainability means recycling, re-use, social involvement and care for employees, to which we add good governance. We have three dimensions: environment, people, ethics, without hierarchization; all of them are of the same importance.



Environment

The world, as we knew it until two years ago, changed significantly. Our priorities have changed, the relationship with everything that surrounds us has suffered mutation. At the same time, the efforts for decarbonization have intensified and we have an ambitious framework at European Union level, with an accelerated reduction of emissions by 2030 and the attainment of climate neutrality by 2050.

Our group invested more than 20 million EUR in environment-friendly solutions and we further elaborate ambitious projects. Our efforts are made on several directions, but they converge towards the same purpose, to reduce the carbon footprint.

We must assess and be aware of the impact we have over the environment and undertake the improvement of these parameters. We have chosen to take one step further, to assess our emission footprint, to identify concretely the areas where we can progress. Therefore, we integrate sustainability in the development process of the products by which we make sure that our portfolio integrates environment-friendly solutions and materials.

In 2021 we have invested in the biodegradable packaging factory, in the extension of the rigid PVC recycling capacity and the development of products that lead, directly or indirectly, to the reduction of the carbon footprint. In terms of installations, we have solutions that do not have any competition at European level as regards the consumption of materials per finished product and the utilization of recycled material, Gri(n) Pipe with up to 100% recycled PVC.

The use of recycled materials is a field where we continue to research, innovate and invest.

Message from the CEO

In parallel, we have made and make efforts to increase the share of renewable energy within the Group. We have installed, in partnership with E.ON Energie Romania, 7.000 photovoltaic modules with an installed power of 1.6MW.

We have in mind an additional capacity of 3.8MW for which we wish to access inclusively financing from the National Recovery and Resilience Plan.

As much as possible, we project our sustainability policies also on the outside and we are active in the initiatives of reforestation from our area. I would mention our partnership with Tășuleasa Social for Via Transilvanica. There is a motivated team, that believes in the power of good and together with the team and its volunteers we have planted 25.000 saplings in the county of Bistrița-Năsăud.

We want a change, but we believe that the progress is made incrementally, in realistic steps, in improvement and clear policies, and hardly ever in a disruptive manner.

People

Any sustainable development is centered on people. We believe in gender equality, equal opportunities, inclusion, and inside the Group we have promoted a culture of meritocracy. The professional success and the improved expertise of our colleagues consequently means success for the organization, because we see this success as a collective and competitive force at the same time.

We aim to share this success with our colleagues, reason for which we make efforts every year to improve the conditions of work, the increase of work safety, as well as the standard of living of our colleagues. We organize various programmes of personal and professional development within the company and we optimize ourselves constantly, depending on the context to respond to the expectations and needs expressed by our colleagues.

The pandemic has been a great challenge, but at the same time it was the exceptional situation by which we have consolidated and improved our measures for occupational health and safety, with long-term positive effects.

We promote the same values in the community as well through social and educational programmes, together with the local authorities, the educational institutions or the civil society. We support dual education and we take part in the creation of the next generation of specialists.

We undertake an active role because we are the second largest firm from the processing industry of the county and we see in that a responsibility towards the community, the obligation to give for prosperity. Even when we do not manage to do what we aim, we do not give up.

We persevere in the attempt to constantly improve ourselves in the relation with the people who make everything possible in TeraPlast.

Message from the CEO

Ethics and Governance

In 2021, TeraPlast became a Signatory of UN Global Compact, world's most important initiative in the field of responsible corporate governance, a project counting more than 13.000 companies and organizations from 160 countries. It represented nevertheless a moment of formalization of some principles and values that we have implemented within the organization and we have taken advantage of the adhesion to learn and develop within this global network.

Also, in 2021 we have implemented the Whistleblower; anyone can send notifications related to human rights, anti-corruption, giving and receiving bribe, labour rights, conflicts of interests, environment, GDPR or labour protection. We consider such actions and principles to be fundamental instruments for the consolidation of the organization, for a better future altogether.

We have received external recognition for the performances from the capital market and for the communication with the investors. They are results of the transparency which we placed as foundation of the internal and external relations of the Group.

We learn together with the market, but at the same time, we can say without modesty that we wish to be, at least a little, ahead of the wave; We like to try new things, to experience practices and get as close as possible to be an example to follow in the competitive environment where we are active and within the community of which we are part of as an employer.

We have every interest to grow, but we do not pursue the growth no matter the cost. It must bring benefits to the society of today and tomorrow. Also, it must be made respecting the shareholders, clients, suppliers, employees and the community. We strongly believe that, in order to deliver these performances, we must observe the principles of corporate governance and constantly adjust the policies of TeraPlast, to be followed within the entire organization.

- Alexandru Stănean, CEO of TeraPlast



About the report

TeraPlast Group publishes this year the third sustainability report, which transparently communicates the performance indicators related to the activity carried out between January 1, 2021 and December 31, 2021 by the companies: TeraPlast S.A., TeraGlass Bistrița S.R.L., TeraPlast Recycling S.A., TeraBio Pack S.R.L., Somplast S.A.

These five entities are included in the consolidated financial statements of TeraPlast Group. This report was made in accordance with the requirements of the framework system on reporting non-financial sustainability information: GRI (Global Reporting Initiative), GRI Core option, also taking into account the SASB (Sustainability Accounting Standards Board) reporting framework. The full list of indicators used, related to the two reporting frameworks, can be found in the index at the end of the report. Sustainability reporting is carried out annually at the end of the first semester, and the date of the last sustainability report was June 30, 2021, which included information related to the 2020 financial year.

The information presented has not been audited or ensured by a third party. In this sustainability report, no changes were made in the reporting process and no revisions of information from previous reports were made.

For further information and feedback on this sustainability report, you can reach us at



www.teraplast.ro



+40 741 270 439



alexandra.sica@teraplast.ro



1 TeraPlast Way, Sărățel village, Șieu-Măgheruș commune, Bistrița-Năsăud county, Romania



Our progress



Note:

In the statement of the amounts and quantitative data in this report, the comma was used to separate the decimals and the point to indicate the thousands, a system used officially in Romania.

	2021	Unit	
Economic	Net revenue	615,1	mIn. RON
	EBIT (profit before tax)	50,9	mIn. RON
	Net Profit <i>(does not include the exceptional profit recorded on the sale of the steel products division and the window profile line)</i>	42,3	mIn. RON
	Liabilities	288,2	mIn. RON
	Equity	591,5	mIn. RON
	Market cap (30.12.2021, average price)	2.144	mIn. RON
	Environment	Total consumption of electricity used	35.280,5
Total amount of recovered waste		3.483	thousand T
Total CO ₂ emissions (Scope 1)		2.669	tCO ₂ eq
Total CO ₂ emissions (Scope 2, market based)		22.494	tCO ₂ eq
Total energy consumption		157.865	GJ
Social	Employees (average number)	905	people
	Total training hours	4.517	hours
	Total investment in the community	1,7	mIn. RON



Our company

MATERIAL TOPICS:

- Company profile
- Corporate governance
- Risk management and conformity
- Business integrity, ethics and best practices
- Cyber security
- Value and supply chain
- Stakeholders
- Materiality analysis
- Awards, Partnerships and Affiliates

Who we are

The largest polymer processor

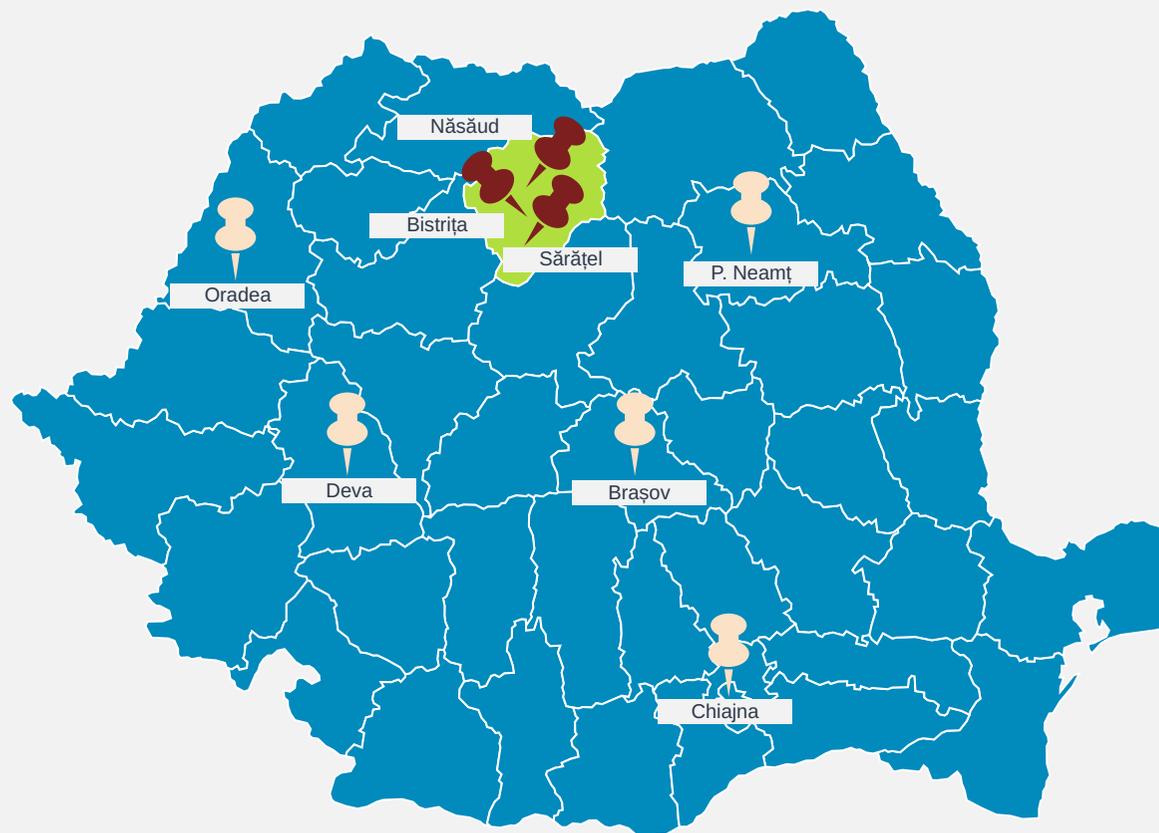
TeraPlast SA is the mother-company of the TeraPlast Group - the largest polymer processor of Central and Eastern Europe.

In the past two years, the Group structure changed significantly following the exit from the steel products business, the acquisition of Somplast and the investments in new business lines. Last year represented, therefore, a period of consolidation and establishment of the foundation of future development.

From the implemented investments, around 20 million EUR were sums allotted to investments in projects with a sustainable component - products of renewable raw materials (biodegradable and compostable packaging), the extension of the processing capacity of the rigid PVC recycling factory, the production of pipes for exterior sewage systems manufactured of 100% recycled PVC.

In 2021, the production activity of the TeraPlast Group was carried out in 8 factories located in Sărățel, Bistrița and Năsăud.

Besides our own warehouses, our Group has an extended distribution network both nationally and internationally.



 Distribution points for TeraPlast SA products (own warehouses)

 Headquarters - Sărățel
Production unit - Sărățel
Production unit - Bistrița
Production unit - Năsăud

The TeraPlast industrial park in Sărățel covers an area of 323.223 m2 and concentrates the Group's headquarters, the TeraPlast, TeraBio Pack factories and part of TeraPlast Recycling's recycling activity. TeraGlass operates in the city of Bistrița, and TeraBio Pack's polyethylene packaging production and part of TeraPlast Recycling's activity take place in Năsăud.

TERAPLAST SA, TERABIO PACK SRL, TERAPLAST RECYCLING SA
1 TeraPlast Way, Sărățel village, Șieu-Măgheruș commune, Bistrița-Năsăud county, 427301, Romania

TERAGLASS BISTRIȚA SRL
27 Târpiului Street, Bistrița, Bistrița-Năsăud county, 420062, Romania

SOMPLAST SA
147 George Coșbuc boulevard, Năsăud, Bistrița-Năsăud county, 425200 Romania

Company profile

TeraPlast Group structure



Installation
Compounds

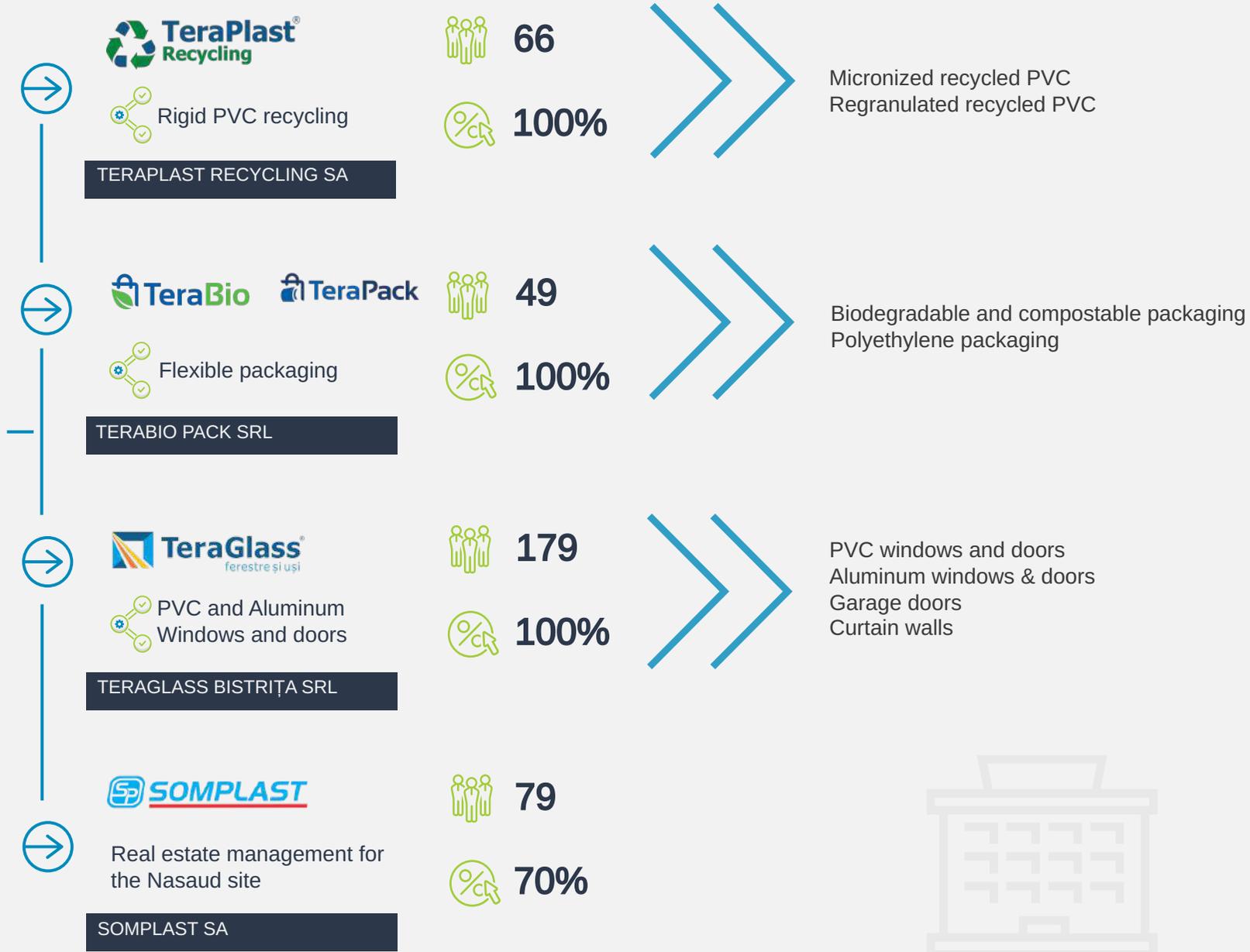
532

Parent-company of the Group.
Listed on the BSE since July 2nd, 2008.

TERAPLAST SA

Systems for interior sewage
Systems for exterior sewage
Systems for transport and distribution of water and natural gas
Rainwater management systems
Cable protection systems
Underfloor heating

Plasticized and rigid PVC compounds
HFFR compounds



SYMBOLS

Business lines

Medium no. of employees

TeraPlast's stake

LEGAL NAME

Product categories

In 2021, there was an increase in the quantities produced and sold in all business segments.

For flexible packaging, the reported data only covers the year 2021 because:

- Somplast was integrated into the Group from April 2021 (holding at that time the portfolio of polyethylene packaging)
- TeraBio Pack started its activity in Q4/2021



Production volumes 2021 vs 2020

Product	Unit	Quantity	2021 vs 2020
Pipes	linear meters	>21 mln.	+18%
Fittings & rotomolded products	pcs.	~14 mln.	+27%
Compounds	T	>19k	+11%
Recycled material	T	>13k	+43%
Flexible packaging (PE, biodegradable, recycled)	T	>1.800	n/a
Windows, doors, accessories	units	>180k	+22%

Financial performance

TeraPlast Group continued its solid performance in 2021, with substantial double-digit increases in all performance indicators. The turnover for the financial year 2021 increased by 55%, up to 615 million lei - a record result in the current structure of the Group. Net profit (which does not include the impact of exits in 2021) rose by 47%, up to 42,3 million lei. EBITDA reached 74,6 million lei, up 37% compared to the previous year. In the same period, operating profit reached 53,3 million lei, 41% more than in 2020 and triple compared to 2019.

The group continued to sell significant volumes despite rising raw material costs and a downturn in the construction sector in the second half of 2021. Engineering construction works fell 5,5% in the first 11 months of 2021 compared to the same period in 2020, which suggests an increase in the Group's sales market share in 2021 and re-certifies the quality and competitive advantage offered by the products made by TeraPlast. The context of the construction market did not allow the full transfer of the record price increases of raw materials to the market. Price pressures on electricity were successfully managed by the Group through long-term contracts. Thus, the results in absolute terms evolved excellently, both EBITDA and net profit.

Key figures*



TURNOVER

615,1 mln. LEI



EBITDA

74,6 mln. LEI



EBITDA MARGIN

12,1%



NET PROFIT

42,3 mln. LEI

Direct Economic Value Generated & Economic Value Distributed**

No.	Indicator	2021	2020	2019 restated	
1	Direct economic value generated				
	Revenue	615.111	396.180	342.816	
2	Direct economic value distributed	Operating costs	472.587	292.031	269.426
		Employee salaries & benefits	69.275	49.866	40.432
		Payments to capital providers	1.582	4.927	5.753
		Pays to government	60.154	51.171	38.589
		Community investment	1.704	227	265
	Direct economic value distributed, total	605.302	398.222	354.465	
3	Economic value retained	9.809	-2.042	-11.649	

**Values in RON, thousand

TeraPlast SA is listed on the Bucharest Stock Exchange since 2008.

Since the beginning we have declared our commitment towards the Corporate Governance Code of the Bucharest Stock Exchange through the Corporate Governance Statement.

At the same time, our objective is to bring value to our shareholders, to have an open and transparent communication with them, and to implement the best practices of corporate governance. The efficient implementation of a corporate governance based on integrity and legal compliance represents the foundation of our business development.

We consider that this status of listed company requires a thorough control of the corporate governance practices and a proactive attitude in the communication with the investors.

Our objective is to live up to the expectations of the investors and to be an example of good practices in our field of activity.

We promote good practices and we consider mutually beneficial an open relation, of dialogue with our shareholders. Thus, we ensure that the proposals of the Board of Directors and the development strategy based on which we carry out our activity intersect with the visions of the shareholders. For that we also have a team dedicated for the relation with the investors, the contact details of which are publicly available on the website. We organize, as well, frequent meetings with the shareholders, the investors and the analysts, either within own events (e.g., quarterly teleconferences and/or the Investors' Day), or within dedicated events organized by third parties (e.g., Wood & Company).

TeraPlast SA corporate bodies are the General Shareholders Assembly, the Board of Directors and the Executive Management. Following the approval of the General Assembly of Shareholders, TeraPlast has as well two advisory committees: Audit Committee and Nominating and Remuneration Committee.



Information on the structure of consultative committees and details on the members of the Board of Directors and the Executive Management are available on the website dedicated to investors, in the dedicated sections ([Audit Committee](#), [Nomination & Remuneration Committee](#), [Board of Directors & Executive Management](#), [GMS](#)).

Corporate governance

The Board of Directors is comprised of 5 members assigned by the General Shareholders Assembly, by secret vote, and the Chairman does not have an executive position. In the current structure of the Board, 2 out of 5 members are independent, and 1 of the members is an executive director, having the position of CEO of the company.

The Board of Directors appoints the executive management, the latter being responsible for the implementation of the development strategy of the Group businesses. In the current structure, the Board of Directors is formed of 1 woman and 4 men, which represents a ratio of 1:4 women-men.

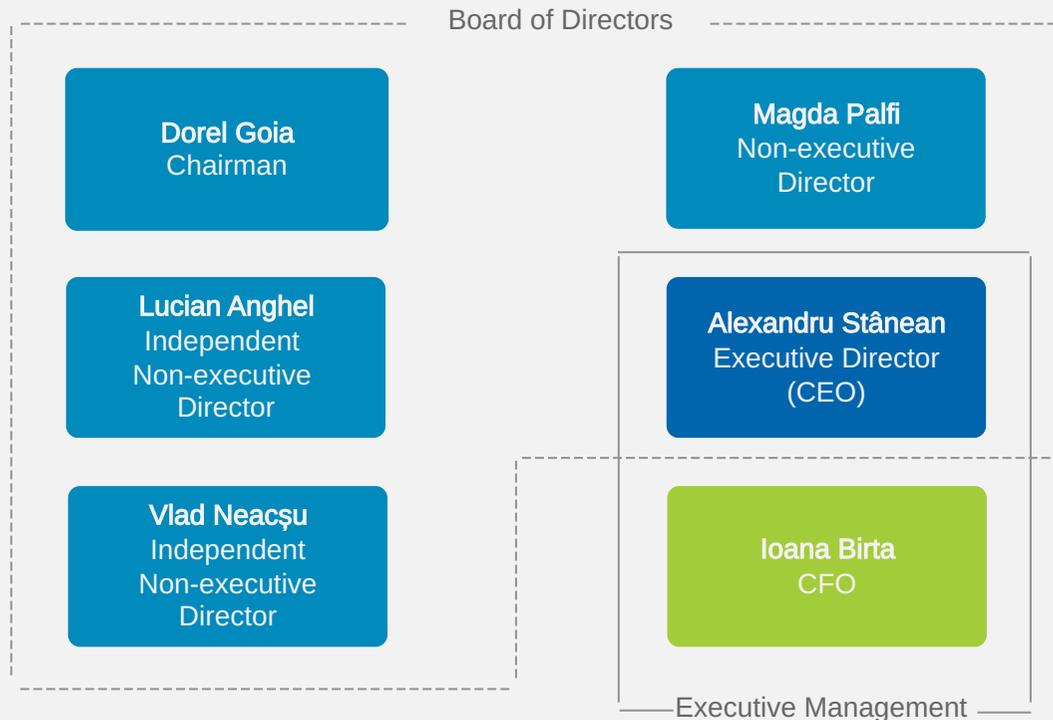
Also, to the Executive Management it is delegated as well the management of the aspects related to sustainable development, with the supervision and consultation of the Board of Directors.

The executive management is responsible for the drafting of the sustainable development strategy, for obtaining the approval for this strategy from the Board of Directors, and for implementing the strategy by delegating the action areas according to the specific of each topic.

Sustainable development is a priority for the entire organisation and all the structures and employees of the TeraPlast Group contribute to its fulfilment.

The sustainable development directions set within TeraPlast SA extend to its subsidiaries, in order to ensure a responsible development at the level of the entire TeraPlast Group.

In 2021, TeraPlast has become a signatory of the voluntary initiative of the UN, UN Global Compact, the first progress report being published in April 2022 both on unglobalcompact.com, as well as on the TeraPlast [website](#). The adhesion to this initiative is in addition to the voluntary initiative of Vinyl Plus, of which we are part since 2019, respectively which concerns the sustainability of the PVC industry, mainly with regard to the product recipes and the recycling of rigid PVC waste. At the same time, the management of the Group companies make sure that the policies of conduct and those of governance align with the mission, vision and values of the TeraPlast Group.



*Complete information regarding the Board of Directors and the Executive Management is available [at this link](#).

Our business model pursues the optimal integration of the entire value chain, the observance of the rules of ethics in business, the development of a sustainable economic and social environment and the reduction of the negative potential impact we might have on everything that surrounds us. The Code of Conduct of TeraPlast explicitly expresses the principles on which our activity is based, including with regard to corporate governance and which we wish to be complied with by all of our employees, partners and collaborators. We believe that together, by observing a set of principles and values, we can contribute to a better world. The code of conduct applies to all of the subsidiaries of TeraPlast SA.

The company shareholders are convened yearly for the annual General Assembly of Shareholders that comprises both the approval of the financial statements of the previous year and the budget for the ongoing year. They may be convened additionally during the year to vote various corporate actions, such as the distribution of dividends, the election of the members of the Board of Directors, M&A activities etc.

Number of General Meetings of the Shareholders:

2019

3

2020

5

2021

4

Online resources:

- [Whistleblower](#)
- [Code of Conduct](#)
- [Remuneration policy](#)
- [Dividends policy](#)
- [Forecast policy](#)



Both our colleagues, as well as our clients and suppliers have access, directly from the company website, to the whistle-blower, where they can anonymously report events related to business ethics, professionalism, integrity, environment protection, responsibility, loyalty and transparency.

The Code of Conduct in its entirety may be consulted publicly on our website. It is part of the internal regulation and it is approved by the company management.

In accordance with our main objective as regards corporate governance, besides the rules comprised in the Code of Conduct, we have clear policies that define our values on various topics. They are available publicly on the website dedicated to investors: The remuneration policy, the dividend policy, and the policy on forecasts. The last two (the dividend policy and the policy on forecasts) were published in the first part of the year 2022. The operation method and the standards which we apply in this area are set out in the Articles of Incorporation and the Corporate Governance Status.

Corporate governance

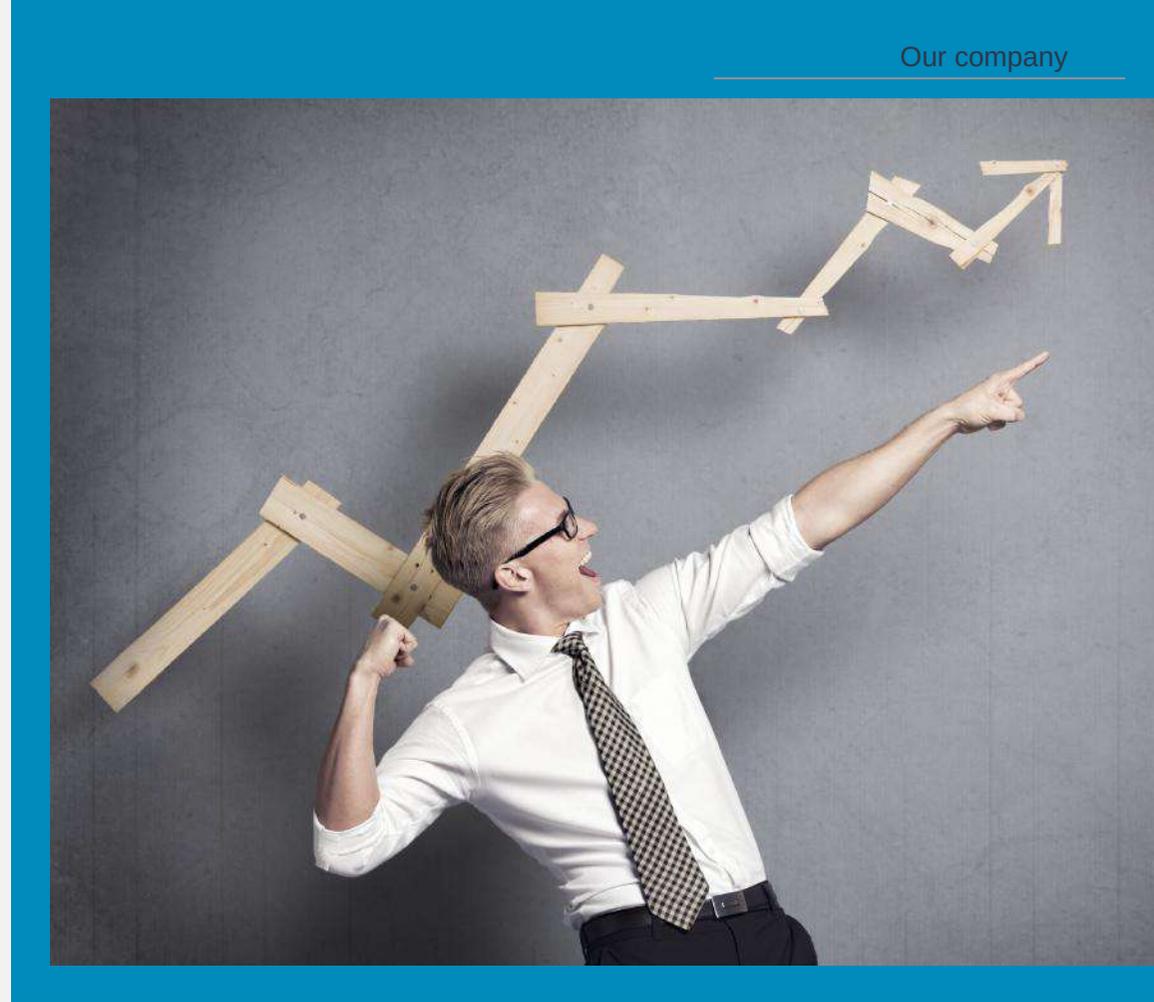
In 2021, we have also published the first complex **report of remuneration**, in accordance with Law 158/2020 amended Law 24/2017 on the issuers of financial instruments and market operations. The report is available on our website and it will be drawn up on a yearly basis.

Also last year, following the completion of the sale of the division of steel products (the subsidiaries Wetterbest, TeraSteel Romania and Serbia), the Board of Directors has submitted for approval the **distribution of dividends** from the profit recorded in the first quarter when the transaction was completed. Thus, with their approval, the shareholders have received in July 2021 a gross dividend of 0.13 RON/share.

Subsequently, the amount of RON 43.579.988,00 was distributed in view of **increasing the share capital**, following which the shareholders were allotted 1 free share for each 4 shares held.

In our vision, the TRP performance of the capital market is owed to the trust of the investors in our company, in our vision related to business development and our capacity to implement the strategy for the purpose of developing and to deliver value to our stakeholders. **We consider it normal to share our performances by rewarding the shareholders.**

We work permanently to improve the instruments that we put at the disposal of the shareholders and we implement projects for the purpose of increasing the attractiveness of TeraPlast stock. Such project, active since 2020, is the market making contract concluded with BRK Financial Group to increase the liquidity.



Also in this direction, correlated with the objectives of digitization of the company, from the second half of the year 2021, we have implemented the **eVote solution as an alternative method to take part and vote at the General Assembly of Shareholders.**

The platform offers this online solution to shareholders, in accordance with all of the protocols of security, confidentiality and complying with the regulations on the organization of the General Assembly of Shareholders.

Besides the accessibility for the participants, the platform has been as well a useful instrument in the context of the restrictions imposed by the authorities in relation with the COVID-19 pandemic.

Corporate governance

Following the implementation of good practices of governance and the activity on the capital market, the TRP stocks have been included in the **CECE MID CAP index** of Vienna Stock Exchange - index weighted according to the capitalization, formed of the most liquid stocks of the relevant companies traded on the markets from the region of the Eastern, Southern and Central Europe. At the same time, TRP was **upgraded in FTSE Russell** in the Small Cap indexes, respectively the All Cap indexes.

In 2020, the Bucharest Stock Exchange initiated a project with Sustainalytics - one of the main suppliers of ESG analyses and ratings at global level - for the assessment of the listed companies, in order to obtain **ESG scores** (Environmental, Social, Governance).

Our company was one of the issuers who have expressed their consent for the scores resulted from the assessment carried out in 2021 to be published on the BVB Research Hub portal (<https://bvbresearch.ro/ReportDashboard/ESGScores>).

The published indicators will be updated on a yearly basis by Sustainalytics.



TeraPlast is, since 2018, a founding member of the **Romanian Investor Relations Association (ARIR)**.

The Association reunites the representatives of the companies listed on the BSE, it is a promoter of the concept of Investor Relations (IR) in Romania and it states that by observing some standards of transparency, corporate governance and proactivity in the communication with the investors, the companies will benefit from added value, they can attract financing easier, they will enjoy reputation and the confidence necessary for the continuous development of their businesses.

Over time, the organization has become a facilitator of the dialogue organized between the companies and the regulatory bodies, centralizing opinions and organizing working groups. Through the lobby activity, ARIR reunited in a single voice the opinion of the interested parties from the capital market at national and international level.

For the year 2022, we aim to perform a perception study among the investors intended to represent one of the bases of the adjustment of the IR strategy of the company. Also, we propose ourselves to further participate in the events intended for the interaction between the investors and the company, as well as the maintenance within the FTSE Russell indexes.

From the objectives proposed for 2022, until the elaboration date of this report, there have been implemented the forecast policy, the dividend policy and it was implemented the methodology of the perception study.

It is very important for us to have a clear image on all of the processes that are carried out in each location of TeraPlast and its subsidiaries. The good management of these relevant aspects help us be proactive and react promptly when the situation requires so. At the same time, we know that solely through such approach, we will be able to assess the impact associated with each particular aspect.

We identify the risks and opportunities for the business and we permanently pay attention to reduce the risks both for the business in general, as well as the operational ones, which might affect the operations of the company and might influence the development of our company and resilience in crises times.

For that, we perform every year a management analysis, the purpose of which is to monitor the evolution of the processes from the activity areas of the Group and to identify early the risks that might have a negative impact on the performance of our activity. Also, within this analysis the performance indicators set in the previous year are assessed, specific to each area of activity, and new objectives are set forth where required.

The recurring performance indicators are centralized in the Risk Management Plan, and the performance assessment procedures are available in a matrix of the processes. Thus, in a standardized form, comparable in time, we monitor the evolution from one year to another, and the identification of the areas with evolution outside the margin agreed with becomes easier .

An important part in the management of the risks is understanding them in detail, and the enforcement of policies and procedures aimed to reduce to minimum the economic impact of a negative event on the Group performance.

The management of financial risks aims to establish the risk limits and to make sure that the exposure to risks remains between these limits. The operational and legal risk management activities are intended to guarantee the good operation of internal policies and procedures, in order to minimise operational and legal risks. More details about the main accounting policies applied and the financial risk management can be found in the notes to the financial statements.

For the entire group eco-system there are in force some work procedures and instructions at level of each department. They are centralized and accessible at the internal level of each employee. By their means, they are established workflows, instructions, procedures and regulations, as well as standard document models agreed with.



Within the yearly internal audit, it is assessed the implementation of the procedures, there are identified potential irregularities and risks and proposed remedial actions. In 2021 there have not been registered any significant complaints and events (with an impact in the internal processes or the commercial relations) regarding the risk management and conformity.

Risk management & conformity

Given the macro-economic climate generated by the disturbances in the supply chains as a consequence of the efforts for the management of the COVID-19 pandemic, our Group implemented since 2020 preventive and protective measures with regard to the supply and protection of employees' health.

We consider that a good awareness of the principles and policies that our group applies and promotes is both the responsibility of the employees, as well as ours in capacity of employer.

On a monthly basis, on the LCD screens of the factories and within the administrative office it is displayed and promoted the Code of Conduct. The latter was reviewed and updated in 2021 and it approaches topics such as human rights, anti-corruption, business ethics, environment, loyalty, transparency and integrity. In the reporting period no events were confirmed with regard to corruption.

From the beginning of the military conflict, in February 2022, the Group management has analysed the potential risks related to this context. So far, there is no material exposure in terms of supply and/or in commercial terms to disturb the good performance of the group activities.

With the help of the team of the Integrated Management System (IMS) department we aim to keep the risk indicators within the limits agreed with.

The Integrated Management System helps us have good monitoring of the risks, and following the analysis to ensure that the improvement measures through specific actions, procedures and/or work instructions are applied where it is most needed.



For 2022, the IMS's priorities are:

- Extending the certification of the quality-environment-HSM management system for the location of the TeraBio Pack factory in Sărățel
- Obtaining the Food Safety Management System Certification at the TeraBio Pack factory – Sărățel in accordance with the requirements of the FSSC 22000 scheme for food packaging
- Extension of the quality-environment-HSM management system certification for the TeraPlast Recycling location – Năsăud

TeraPlast promotes the implementation of good practices in the relation with all of its partners.

We build long-term partnerships with our suppliers and clients, based on trust and responsibility. We make sure that all of the suppliers who we collaborate with comply with strict rules of ethics and behavior in the business activity.

The commercial policy of TeraPlast relies on a transparent procedure, adjusted to a normal and equitable competitive environment, conceived to support the increase of sales by different economic and non-economic instruments.

Business integrity, ethics and good practices are dictating our development and the success on the business market that puts a price on this material aspect.



The presence on the capital market requires as well an ethical and upright behaviour. The trust of the shareholders in a company is influenced by the image and behaviour that the company shows in the environments where it carries out its activity.

We believe that transparency, honesty and respect are key aspects in the business relations, in the relation between the employer and the employee, and a major factor of influence on the reputation of a company.

To prevent corruption, discrimination and conflicts of interest, we have clear regulations, comprised both in the Code of Conduct of the company, as well as in the internal regulations and the individual employment contracts of the employees. As regards the fight against corruption and bribery, the programmes of internal conformity focus on the following directions: anticompetitive practices; economic sanctions and embargoes; the fight against corruption; policies on gifts; conflicts of interests.

Our group condemns and forbids at level of its companies the behaviours and/or actions that do not observe the principles and rules of the Code of Conduct. The latter is publicly available to the interested parties.

If there are found any deviations from the Code, there is at internal level a dedicated commission for integrity, that analyzes the event, reports and implements the potential sanctions that are required according to the extent and the impact of a given situation. The observance of the rules of ethics and their promotion is also the responsibility of each department leader.

The signalling of the deviations from the rules undertaken by the Group and, implicitly, by its employees and/or collaborators is possible under anonymity and through the [Whistleblower publicly available on our website.](#)

These rules apply in all of the activity areas, and where there are applicable additional rules of good practices, we take the necessary measures for compliance. An example in terms of good practices and conformity are the standards of financial reporting.

Our Group reports the consolidated financial statements according to the IFRS (International Financial Reporting Standards). Yearly financial statements are audited at the present by Deloitte. At the same time, the financial statements are audited on a yearly basis. We report the consolidated financial statements every quarter and, whenever there are any events that have an impact on our businesses, we issue current reports to the Bucharest Stock Exchange.

Additionally, we keep a constant communication on official channels and in mass media in order to ensure the visibility of public information regarding the evolution of the business, our strategy and vision. We do not contribute to and we are not affiliated politically.

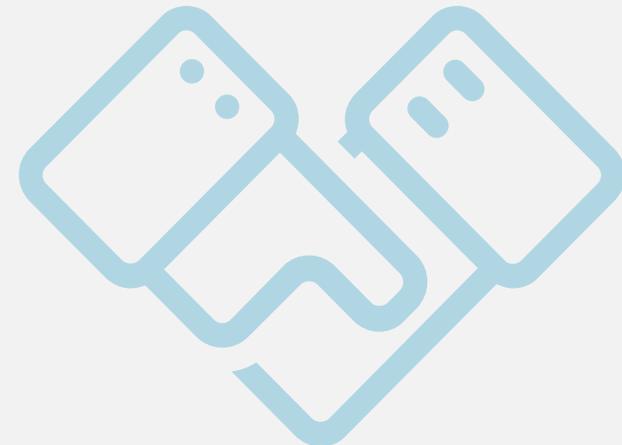
In 2021, there have not been registered any founded complaints with regard to violations of the rules on the management of personal data and losses of personal data, events of non-compliance with the regulations in force, resulting into the application of a fine/ sanction, or warning.

In this period, we have performed as well 1 assessment of the risks and a review of the current practices related to the fight against corruption and fraud.

In the same period, at Group level:

- there have not been registered any events of significant impact or having led to sanctions for: violations of the human rights or discrimination of any kind.
- we have received 1 case through the whistle-blower, which has been assessed and required corrective actions.
- In the same reporting period, we have not registered any events of significant impact or having resulted into sanctions with regard to human rights, anticorruption, discrimination, disloyal behaviour, monopoly, security and occupational security or data privacy.

For 2022 we aim to continue not having any events related to this topic, by observing the rules of ethics and goods practices for business. Also, we propose ourselves to complete the development of a procedure for the assessment of the suppliers and collaborators on topics concerning human rights, ethics and integrity, the environment.



Cybersecurity is an important aspect for our company, because it might have a highly negative impact on the image and reliability of TeraPlast, by affecting other interested parties as well. Thus, we ensure the correct administration of the databases in our case, and we comply entirely with the legal requirements in force.

The websites of the Group do not dispose of the “create an account” function, so that the data of the user can be stored in a database of the platforms and be subject to the risk of leakage of personal information. The only function by which we process such information is represented by the contact and offer request form, where the personal information is stored through the voluntary filling-in by the user.

To mitigate the risks related to the security of our websites at functionality and content level, but also at level of protection of the data belonging to the users, we monitor the performance of the security protocols and develop them accordingly, and we assess the contracted services on a yearly basis. Also, all our websites are GDPR compliant.

The IT department is responsible to ensure the software and hardware necessary to perform the activity, to improve them when needed, and to monitor the performance of the IT protection systems.

They collaborate closely with the responsible for online development the duties of whom comprise the administration and development of our company's websites.

At internal level we use software aimed to contribute to the productivity of our colleagues. We use multimodule ERP systems, such as the SAP, the Warehouse Management System (WMS), the electronic invoicing system.

With the help of the Production Planning System, we ensure the efficient workflow and a high productivity of our factories, and the controlling department uses RPA services developed by UiPath for the analysis of the customers' creditworthiness and the registration and allocation of payments.

Business intelligence instruments such as Qlik View transform gross data sets into customized knowledge for our colleagues. These are solutions based on artificial intelligence that increase the speed of work, the accuracy and cost efficiency.



In 2021, on the group websites they have been made some upgrades with regard to the offer request forms in order to limit “Spam” messages, by setting the CAPTCHA module. Also, the hosting supplier was changed, the new supplier offering security, data centres, backup copies and other functions, superior to the previous one.

Throughout the year 2021, there have not been registered any cyberattacks or events or complaints related to any leakage of data and/or violations of the rules on personal data management.

According to the proposed objectives, it was completed as well the implementation of SAP S/4 Hana for TeraPlast - upgrade to the last SAP version - a complete system of enterprise resource planning (ERP) with integrated intelligent technologies, including AI, machine learning and advanced analytical functions.

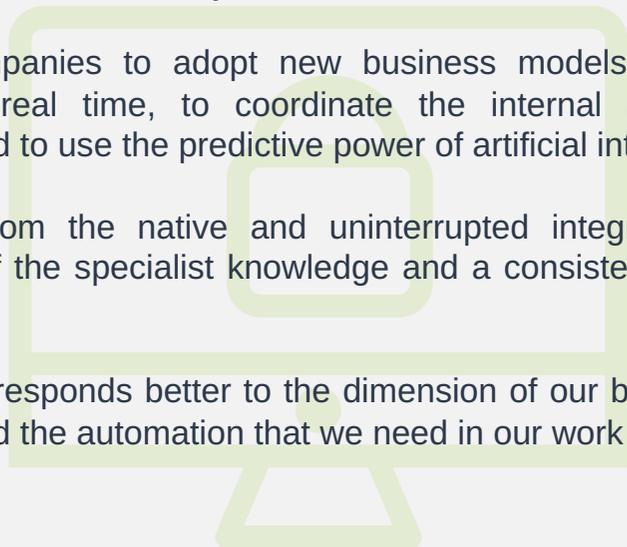
It helps companies to adopt new business models, to manage changes in real time, to coordinate the internal and external resources and to use the predictive power of artificial intelligence.

It benefits from the native and uninterrupted integration of the processes, of the specialist knowledge and a consistent in-memory data model.

This version responds better to the dimension of our businesses, to the speed and the automation that we need in our work flows.

In continuation of the initiatives and measures from 2021, in IT terms, in 2022 we aim:

- **To implement the authentication in 2 steps for email and VPN (already in force from the first part of the year);**
- **To extend the implementation of the SAP S/4 Hana to the subsidiary TeraBio Pack (project started on the elaboration date of the report);**
- **To implement YOOZ, solution for the automation of the registration of invoices received from the suppliers;**
- **To pass from a shared hosting account to a VPS account - own server - to increase protection and performance;**
- **To perform a “penetration test” in view of assessing the security of the server and the websites of the group (performed);**
- **To pass to the premium variant of the Wordfence module in order to increase firewall security, real-time access to the databases with virus signatures and real-time protection.**



Vale chain & supply chain

The value chain describes the full range of activities that companies carry out to bring a product from conception to its final use, including points where they can add value to all those in the chain, or more precisely to all stakeholders.

In the case of the TeraPlast Group, there are two categories of value chains, distributed according to the specific activity of the group companies.

In the adjacent representation, the following can be distinguished:

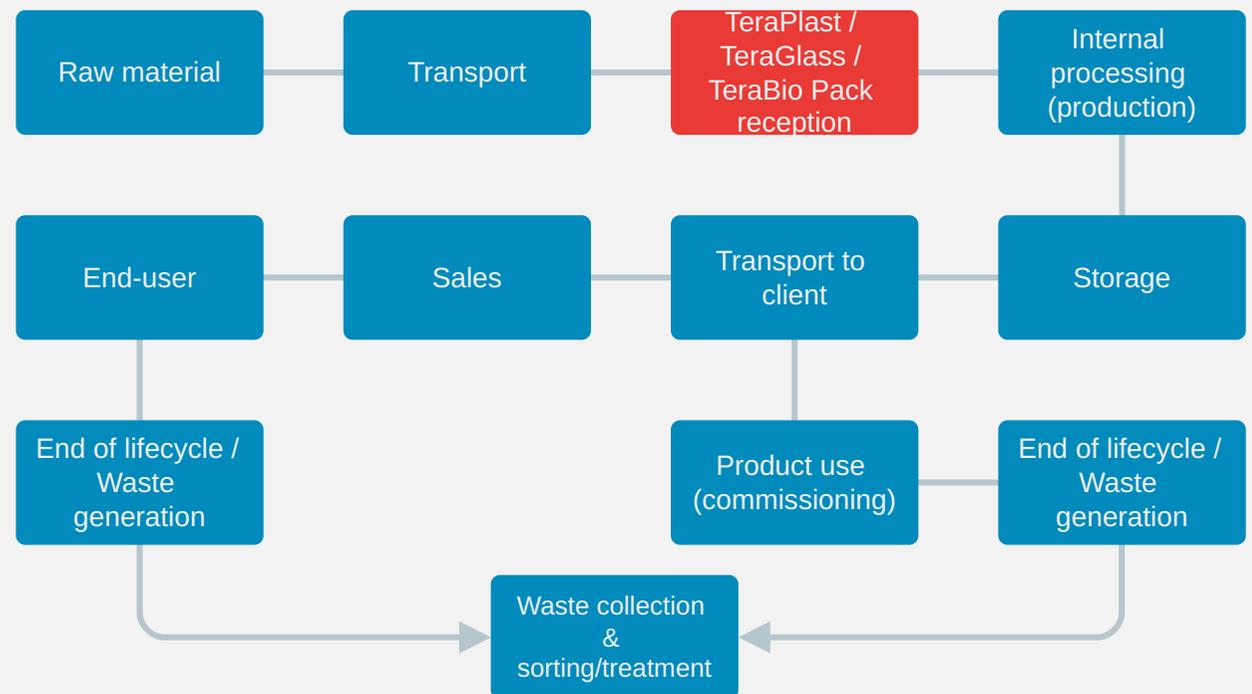
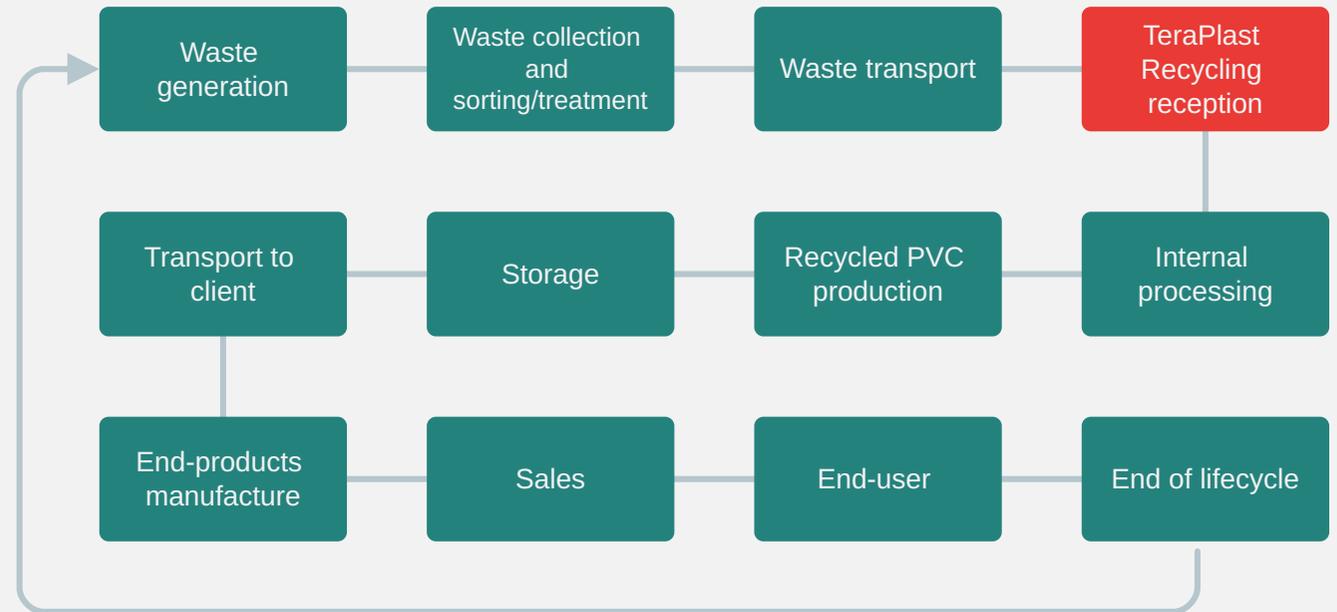
1 - the value chain related to the recycling activity (TeraPlast Recycling SA)

2 - the value chain related to the production activity of TeraPlast SA, TeraGlass Bistrița SRL, TeraBio Pack SRL

*Somplast is not found in the value chain because it only carries out real-estate management activity, the production being transferred to TeraBio Pack.

The supply chain is represented from the first point of those value chains to the reception within TeraPlast. To manage the supply chain, the Group collaborates with a number of authorized suppliers for the raw materials used in its activities.

In 2021 there were no significant changes to the supply chain, including supplier selection procedures.



Each year, representatives of the Group re-evaluate the list of stakeholders to determine any new categories, taking into account two quantitatively evaluated criteria:

- stakeholder influence on TeraPlast's business
- the impact of TeraPlast on the stakeholder

Also with annual frequency, we involve the interested parties by distributing the online questionnaire, which aims to find out the opinion of the stakeholders regarding the material aspects identified.

In 2021, no changes were made to the list of interested parties, which remained the same as in the previous year:

Internal Stakeholder

TeraPlast Group employee
TeraPlast shareholder
Top management
Executive management

External Stakeholder

Client
Investor interested in TRP shares
Supplier
NGO

For this year's report questionnaire, we received 103 responses from:

- 16 TeraPlast Shareholders / Investors interested in TRP shares
- 4 TeraPlast top managers
- 4 TeraPlast executive managers
- 61 TeraPlast Group employees
- 14 Customers
- 2 Suppliers
- 2 NGOs



Materiality analysis

The materiality analysis methodology has been updated to include the concept of dual materiality, which quantifies each material aspect determined in terms of:

- **business relevance**
- **impact on the environment and communities**

The first step was the reanalysis of the list of material aspects, in an internal meeting. Following this action, 17 material aspects applicable to the activity of the Teraplast Group from 2021 were identified. The material aspects were classified into specific categories, distributed according to the ESG (environment, social and governance) philosophy.



The resulting 3 dimensions represent the basis of our sustainability report, being chapters of the report:

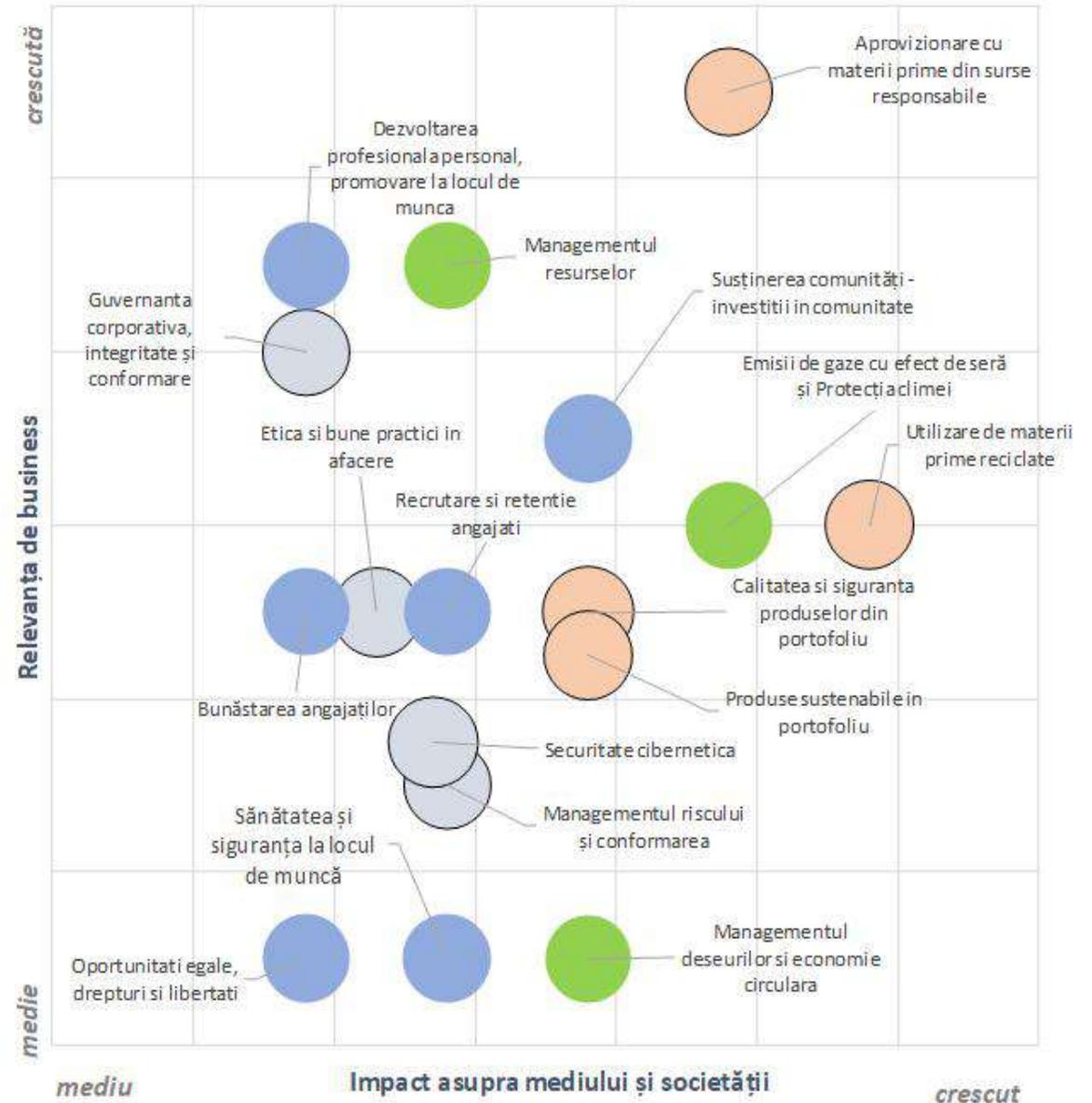
DIMENSION	CHAPTER	MATERIAL ASPECT
Governance	Our company	Corporate governance
		Risk management & conformity
		Business ethics, integrity and best practices
		Cybersecurity
	Our products	Supply chain & raw materials procurement from responsible sources
		Use of recycled raw materials
		Product quality and safety
Sustainable products within the portfolio		
	Our care for the environment	Resource management
		GHG emissions & climate protection
Waste management & circular economy		
Social	Our care for our people	Employee recruitment & retention
		Workplace health and safety
		Equal opportunities, rights & freedoms
		Employee welfare
		Professional development and promotion at work
		Care for the community

At the same time, the re-evaluation and consolidation of the list of interested parties was carried out, after which the online stakeholder consultation questionnaire was launched. Through this questionnaire, each of the 18 material aspects were quantitatively evaluated in terms of relevance for the TeraPlast business and in terms of impact on the environment and society.

The results of the stakeholder consultation, including the online questionnaire and a workshop with representatives of executive management and top management, were used as input data for the materiality analysis.



Matricea dublei materialități TeraPlast 2021



Membership:

- UN Global Compact - Signatory
- Vinyl Foundation
- TEPPFA (European Plastic Pipes and Fittings Association)
- ARIR - Romanian Investor Relations Association
- APPFE - Partnership for European Projects and Funds Association
- ASPAPLAST - Employers' Association of Plastics Processors from Romania
- AFOR - Romanian Fiber Optics Association
- ARA - Romanian Water Association
- Invest Club Transilvania
- AIIR - Romanian Installation Engineers Association
- PSC - Patronage of Construction Societies



Awards received by TeraPlast in 2021:

- *Best company in IR, retail choice* - ARIR
- *Building materials and equipment supplier of the year* - Real Estate Magazine
- *Issuer with the highest liquidity growth in 2021* - BSE
- *The best communication with journalists of an issuer in 2021, the financial press award* - BSE
- *The BSE share performance award* - Financial Intelligence
- *Award of Excellence for Substantial Investment in Polymer Processing* - Ziarul Bursa
- *Best in Capital Market* - Piața Financiară
- *1st place in the Top of companies from Bistrița-Năsăud county, category Companies with Romanian capital* - Transilvania Business
- *Alexandru Stănean distinction, Best CEO category* - Capital Gala, Excellence in Management



Our products

MATERIAL TOPICS:

Supply Chain and Responsible procurement of raw materials

The use of recycled raw materials

The quality and safety of the products in the portfolio

Sustainable products in the portfolio

Innovation and sustainability in product and recipe development



Our products

The product portfolio of the TeraPlast Group is a diversified portfolio, that addresses several markets. At the base of their manufacture stays mostly the polymer processing.

In order to ensure a good understanding and management of the structure of the product portfolio of the Group, it is represented at two levels: business lines and product categories.

Flexible Packaging business line

TeraBio Pack's product portfolio is structured into two divisions: TeraPack and TeraBio. TeraBio represents the division of biodegradable products, respectively: biodegradable foils and films, biodegradable bags and sacks. The products are certified OK Compost Home and Industrial, and the biodegradable films are certified OK Biodegradable by TUV Austria, in accordance with the EN13432 standard.

TeraPack represents the division of polyethylene products: polyethylene foils and films for industrial use, construction foils, polyethylene bags and sacks, heat-shrinkable polyethylene foil, stretch hood foil.

The portfolio addresses the packaging market in Romania and Europe, respectively manufacturers and distributors.



Installation business line

The portfolio of systems for installations offers diversity, sustainability and quality at the highest standards. It is comprised of complete systems of PVC, PP and PE, as well as a variety of accessories and fittings. The main product categories are: internal sewers, external sewers, water and natural gas transport and distribution, rainwater management, cable protection, underfloor heating. Our portfolio addresses the infrastructure market (developers, contractors), but also distributors (warehouses and DIY networks).



Compounds business line

TeraPlast is the largest manufacturer of PVC compounds in Romania. The two types of compounds manufactured are rigid and plasticized. The range of products includes as well HFFR compounds (halogen free, fire resistant). The business line addresses the market of plastic processors, mainly of electric cables, in Romania and Europe.



Rigid PVC recycling business line

Through the activity of rigid PVC recycling, TeraPlast Recycling manufactures micronized recycled PVC and regranulated recycled PVC. They may be used successfully in the manufacture of PVC products, offering an advantageous and sustainable alternative, without modifying the technical and qualitative characteristics. The finished products of this business line addresses the market of plastic manufacturers from Romania and abroad, who can incorporate recycled raw material into their production processes.



Windows & doors business line

The TeraGlass portfolio comprises of PVC and aluminum windows and doors. The aluminum profiles are appropriate for the sliding door systems of office buildings with complex architectural systems (glass units, facades, curtains). PVC products represent the optimal solution for houses and apartments or any type of residential buildings. TeraGlass products are sold predominantly on European markets, but also locally, in Romania, to distributors, DIY networks, real estate developers and individuals.



Our products

Product development

Within the Installations business line, the initiative started in 2020 regarding increasing the degree of recycled content used in production was continued, and in 2021 the Gri(n) Pipe was launched, part of the system for external sewers.



Also last year, the development of the underfloor heating system - NeoTer - began with a high degree of energy efficiency, with significant advantages, both from the perspective of consumption and environmental impact.

NeoTer by TeraPlast is a complete and modern underfloor heating system. It includes PE-Xa and PE-RT pipes, with an oxygen barrier, and sizes from 16mm to 32mm, depending on the needs of the project.

The production line, fully automated, represents the most advanced technology available on the market. This results in a safe, modern and highly precise manufacturing process that ensures durability and a lifespan of over 50 years under optimal conditions of use. The system will be launched in 2022.



Also part of the Installations line and as a result of the 2021 investments, the cable protection portfolio has increased with TeraDuct – microtubes for telecommunications infrastructure. With this product, TeraPlast becomes the only Romanian manufacturer that brings to the market this type of solution from the internal offer.

TeraDuct ONE by TeraPlast is a microduct made of high density polyethylene, used to protect micro fiber optic cables. It is available in a variety of diameters and can be grouped into bundles with different configurations: TeraDuct LINE, which is a flat, linear packing of TeraDuct ONE microtubes, and TeraDuct MIX, which is a polygonal packing of TeraDuct ONE microtubes.

The solution is ideal both for moving telecommunications lines from the overhead pole-mounted system to the buried system, as well as for the expansion of the telecommunications infrastructure required in the accelerated process of digitalization of society.



The largest investment in 2021 aimed at creating a new business line – biodegradable packaging, part of TeraBio Pack's flexible packaging business line. The project involved the construction and equipment of a new factory for the production of flexible packaging from biodegradable raw material. The production process is almost 100% more sustainable than conventional technology, and the resulting films, pouches, bags and sacks align with the European goal of eliminating plastic packaging.



The supply chain and the supply with raw materials from responsible sources

The supply activity is essential to keep a high degree of quality, competitiveness and performance as regards the products we put on the market. We make sure that the raw materials used come from responsible sources, that the suppliers we collaborate with share our opinion with regard to quality and they observe the environmental and social regulations. In general, our main suppliers have implemented integrated management systems - ISO 9011.

An upright and responsible attitude reflects on the entire activity of a company. We consider that the same thing is valid as well as regards the reflection of the principles of quality and correct business relations on the products of our suppliers.

The risk management within TeraPlast Group includes the monitoring and annual analysis of the suppliers. The main criteria pursued refer to technical, commercial and quality characteristics, respectively the reaction of the suppliers to potential complaints.

Also, there are monitored as well the payment terms in view of obtaining the best conditions from the Group collaborators.

Our yearly objective is to identify new suppliers, for all of the groups of materials - raw materials, goods, packaging, materials for maintenance. A part of the suppliers contacted in view of extending the existing portfolio meet all of the criteria pursued and if there are identified raw materials that can be alternative options to the raw materials already used or goods that can be approved for resale, for the purpose of completing the range of products already tendered, they are added to the portfolio of supplier who we already collaborate with.

It is pursued the permanent negotiation with all of the suppliers known, the main objective being to obtain a package of commercial conditions which is advantageous as possible, the quickest delivery terms, corroborated with quality both for raw materials, as well as for goods.

By observing some clear directions, criteria and standards in the selection and collaboration with our suppliers, we make sure that the supply process creates value for both parts and create sustainable production models.

TeraPlast is a member of Recovynl under Vinyl Plus, the voluntary commitment for the sustainable development of the European PVC industry. At the same time, we are a TEPPFA member since 2021 (the European Plastic Pipes and Fittings Association). Thus, we are permanently connected to the last tendencies of the industry and we involve actively in European initiatives from this area.

The good performance of the activity of supply and the selection of the sources of raw materials and materials lies with the Procurement Department. It pursues a supply strategy to ensure the continuity of the businesses, to allow an optimal production and delivery flow, in accordance with the market demand. Also, we pay attention to ensure the stocks for materials with major impact in production, the levels being established according to the length of the supply chain.

At the same time, we focus on diversifying and securing the sources of materials that we use, even if this means to supply ourselves from Asian regions and the United States. When we identify a possibly new supplier there are a set of delivery and quality criteria to be met before having the capacity of approved supplier. It means the testing and the approval of the samples of raw material by own laboratory and the technical department.

The supply chain and the supply with raw materials from responsible sources

Key figures on supply

TERAPLAST

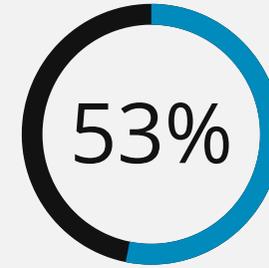
	Unit	2019	2020	2021
Other materials	T	14.784	16.423	18.008
Basic polymers (PVC, PE, PP)	T	38.873	44.171	45.529
Total	T	53.659	60.596	63.538

	Unit	2019	2020	2021
Auxiliary materials	PCS	13.973.432	17.378.685	21.458.067
	M2	168.809	145.864	13.989

TERABIO PACK

	Unit	2021
Other materials	T	19,44
Main polymers (PE, Granule Bio)	T	1.146
Total	T	1.166

	Unit	2021
Auxiliary materials	Pcs	151.794
Auxiliary materials	Punga	137



Local supply of the Group*

TERAPLAST RECYCLING

Supplier type	Unit	2019	2020	2021
Manufacturer	T	2.355	1.895	3.024
Recycler	T	43	630	1.157
Trader	T	1.357	735	606
Collector	T	4.693	6.041	8.936
Total	T	8.449	9.301	13.722

TERAGLASS

	Unit	2019	2020	2021
Glass	M2	106.951,1	133.429,6	139.508,8
Profiles (PVC & Al)	Linear meters	1.249.314,8	1.468.995,9	1.726.309,2
Fixtures	Linear meters	1.654.279,5	1.527.001,9	847.592,8

*Local = on the territory of Romania, commercial relationship with companies registered in Romania

Use of recycled raw materials

For us, the efficient use of raw materials is important both in economic terms, as well as in terms of impact on the environment, existing a global need to use the resources in a more efficient manner. Our business is built on this material aspect, and the entire development of our business depends on it. The use of recycled raw materials is part of our development strategy for more than 5 years, both as regards own production, as well as the availability of quality recycled raw materials on the market.

We consider that the use of recycled raw materials is a basic pillar in taking action towards a sustainable development of economy, and the use of products made of recycled materials or containing recycled materials starts as well from the developments of the manufacturers.

All of the products of the TeraPlast Group are recyclable and we encourage on every occasion a responsible attitude in this respect. We have invested more than 5 million EUR in the rigid PVC recycling factory.

Today we have a processing capacity of 31.000 tons of rigid PVC per year. This places the TeraPlast Recycling subsidiary as the largest manufacturer of micronized recycled rigid PVC from Europe and in top 10 European recyclers of rigid PVC. A part of the finished product of the recycling factory is used in the production of pipes for external sewage systems within the business line of Installations. Thus, we optimize the costs and we align to the objectives of development of sustainable products.

In terms of recycled raw materials, at group level we supply ourselves according to the needs with micronized and regranulated PVC, regranulated polyethylene and polypropylene, rigid PVC waste for recycling purposes and regranulated polyethylene for the line of flexible packaging.

We are constantly researching and innovating to increase the amount of recycled materials in our products.



TeraPlast commits to offer products and services of the best quality to meet the requirements and expectations of our clients. Because our business depends on the quality and safety of traded products, we ensure the observance of the quality and safety standards of the products.

Our products are accompanied, depending on the specificity of each of them and the regulations in force, by technical sheets, commissioning instructions and guarantees. The certifications and conformity statements depending on the international standards of the products guarantee the quality of our portfolio. In case of TeraBio Pack products, they are certified OK Compost Home and Industrial, respectively OK Biodegradable by TUV Austria.

There is a constant collaboration between the Laboratory, Quality and Technical departments to ensure the conformity of the products, the testing of the batches and their continuous improvement. In 2021, at TeraPlast, we did not have any complaint with regard to the quality of the products from our customers, similarly to 2020. Non-compliant products are recovered by recycling or delivery to specialised collectors, and in the reported period, the weight of non-conformities in the total production was under 1% for TeraPlast.

At TeraGlass, non-conformities found and solved in 2021, by reference to the total production was approximately 5%. None of the referrals received entailed any warning, sanction or fine.

Every year, the aspects related to product quality and safety are monitored through the management analysis by reference to the targets approved by the responsible persons of this activity area and, where required, they are applied action plans for improvement purposes. At the same time, no toxic substances are used in the product recipes.

TeraPlast has its own testing laboratory, accredited by RENAR (full information on our website), and in 2021 there have been performed 2243 tests for batches and counterevidence. Following these, our colleagues issue reports and, where applicable, an analysis of the causes and recommended solutions in case of non-conformities.

During the monitored period, there have not been registered any events of violation of the regulations or voluntary rules related to information on products, labelling, related to marketing communications, publicity, promotion, sponsorship or the impact of the products and services on health and safety, aimed to entail sanctions, fines or warnings.



Sustainable products included in the portfolio / Innovation & sustainability in developing products & recipes

The economic activity sectors develop together with the society we live in. Beyond the projects carried out, people pay more and more attention to the impact that the products in general have on the environment, as well as on the consumption of resources. The principles of continuous development, innovation and sustainability are part of the strategical objectives of the Group.

The developments of products from TeraPlast have an important component which addresses sustainability. In our opinion, it is a direction that shall transpose in the future in standards to better cross with the principles of the circular economy.

By its nature, the polymer industry is subject to the evolution of the materials and the recipes, and the responsibility towards the reintroduction in the value chain of the recyclable materials that are no longer used lies to the same extent with the consumers and the manufacturers. At the same time, such approach in the daily activity and the strategy of development brings benefits/cost optimization for the manufacturers.



Over time, TeraPlast adhered to initiatives and commitments regarding the sustainable development of the polymer industry. The most important are TEPPFA and Vinyl Foundation.

TEPPFA reunites the major European manufacturers and the associates within the field. The activity of the association pursues the contribution of the industry to the objectives of circular economy, which implicitly assumes as well the development of practices, sustainable products and processes, as well as the unification of the industry position in the dialogue with the European regulatory bodies.

Vinyl Foundation is the voluntary commitment in the same direction of the sustainable development. Started in 2000 and reviewed in the form of the Vinyl 2030 Commitment, it targets 3 major directions:

- Scaling the circularity of the PVC value chain
- Development towards the reduction of the carbon footprint and the minimization of the impact on the environment.
- The creation of global partnerships under the umbrella of the Sustainable Development Goals of UN Global Compact)

Also, as part of the Vinyl Plus commitment, the industry of manufacturers of PVC systems has eliminated for many years the use of lead in the stabilizers used, for the purpose of increasing recyclability and to reduce the carbon footprint of these products.



Sustainable products included in the portfolio / Innovation & sustainability in developing products & recipes

Our company takes part in discussion with regard to the future of the sustainable industry of polymers, we analyse the trends and the good practices at international level and we prioritize their implementation in our businesses.

The portfolio of Installations currently comprises 3 products intended for PVC external sewage systems, that have recycled PVC in their composition:

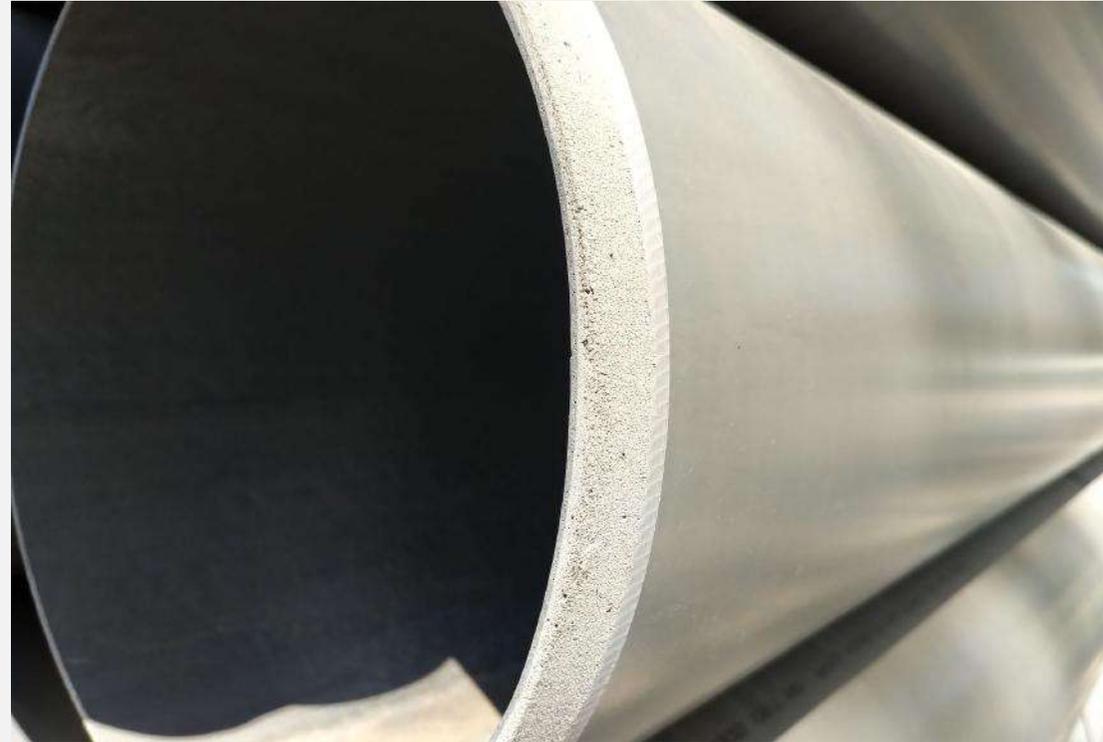
- PVC pipes with multi-layer structured wall, with expanded core of 100% micronized recycled PVC, with the outer walls of virgin raw material (50% recycled content);
- PVC pipes with multi-layer structured wall, with compact core of 100% recycled PVC and outer walls of virgin raw material (55% recycled content);
- PVC pipes with multi-layer structured wall and expanded core, made of 100% micronized recycled PVC both in the core, as well as in the compact layers.

Additionally, the development strategy of the product portfolio in the direction of sustainability included in 2021 also the investment in the factory of biodegradable packaging.

The raw material used in the production of this packaging, respectively the polylactic acid and the potato starch, is classified by the EU taxonomy as renewable raw material. The bags, shopping bags and plastic bags manufactured by TeraBio Pack from renewable raw materials are certified OK Compost Home and Industrial by TUV Austria, in accordance with the standard EN 13432. We hold, as well, the certification OK Biodegradable SOIL issued as well by TUV Austria, for biodegradable foils intended for the agricultural use.

Our objective with regard to this material topic is to keep an optimal level of compliance with the national and international law on the use of renewable materials and recycling, while we continue the activity of analysis of the areas where, either through the development of the product portfolio, or through the development of the business, we contribute to the objectives of sustainable development.

Also, we intend to actively participate in the visibility of the benefits of the development of sustainable products in the industry of polymer processing and to initiatives aimed to standardize the use of recycled and renewable raw materials.





Our care for the environment

MATERIAL TOPICS

Resources management

Greenhouse gas emissions and climate protection

Waste management and circular economy

The efficient resource management has a particular importance in the activity of TeraPlast, because this aspect affects directly the yield and cost of all of the processes within the company. We make efforts to reduce the consumption of resources, to improve the efficiency of all of our operations, through the inclusion of this aspect in our strategies and action plans.

The energy management plans are implemented in accordance with the standard ISO 50001, and the aspects related to the environment are handled according to the standard ISO 14001, implemented and certified by renown certification bodies. We monitor as well the consumption of water and the management of process water.

All of these aspects are correlated as well with the evolution of the group operations. An increase in the capacities of production through new units and lines of production entails as well an increase in the number of necessary resources for production. At the same time, the consumption of resources is influenced as well by the volumes manufactured and, to a certain extent, by the climate changes.

The level of compliance with legal and regulation requirements, with regard to environment protection, is monitored yearly as a requirement of the occupational quality-environment-health and operational security integrated management system, which is audited internally, as well as by external bodies.

We invest in the responsible management of resources for the purpose of optimizing our consumption. We look, as well, to implement solutions of renewable energy. A reduced carbon footprint is beneficial for the environment and communities in the long term.

Problems related to environment protection are handled by our dedicated internal team, which is coordinated by our environmental officer. The risk assessments and action plans are conducted by the Environmental Team, which is part of the Integrated Management System, and they are reviewed and validated by the analysis commission and the top management.

Besides the initiatives from the area of utilization of raw materials from responsible sources, we have invested as well in renewable sources of energy.

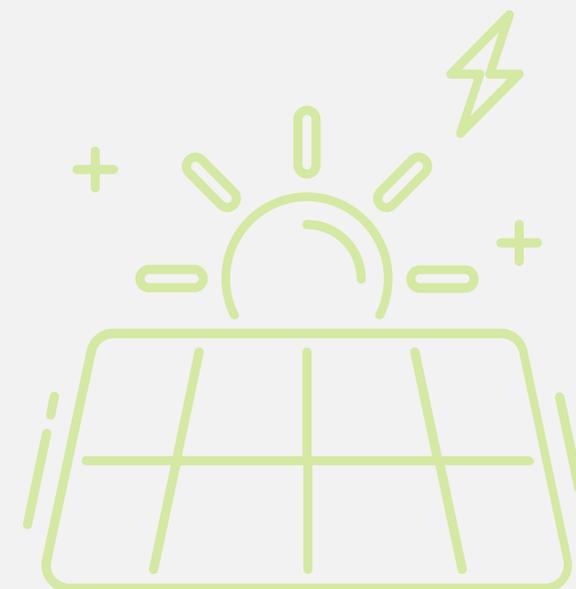


Resource management

At the time of the opening (June 2020), the photovoltaic plant was the largest photovoltaic plant installed on roof in Romania. It is comprised of more than 7000 modules placed on the production halls and the buildings from the Industrial Park from Sărățel, Bistrița-Năsăud County.

The systems have a rated power of maximum 1,936kWp power installed constant voltage and 1,600kW power installed alternating voltage. In relation with our supplier of electricity we also pay attention to the sources of the energy supplied.

The investment plan from 2022 comprises as well a new photovoltaic plant in the industrial park, in accordance with the objective to increase our quantity of energy used from renewable sources.



In the extension of the industrial park following the investments from 2021 it was taken into account the distance from the ȘIEU-BUDAC site, code ROSCI0400.

From the environmental analysis and endorsements obtained from the competent authorities for the construction of new factories, it results that our activity does not influence in a negative manner, nor it endangers the protected species from the site.

The climate changes have a significant impact in all of the economic activities from all over the world, and for our Company this aspect influences directly the costs of acquisition of hydrocarbon-based raw materials, the utility costs and they can lead to the disturbance of the activity due to extreme phenomena. To contribute to the reduction of climate changes, we are involved in action that take into account environment protection, and we make efforts to handle correctly the impact that our company might generate on climate.

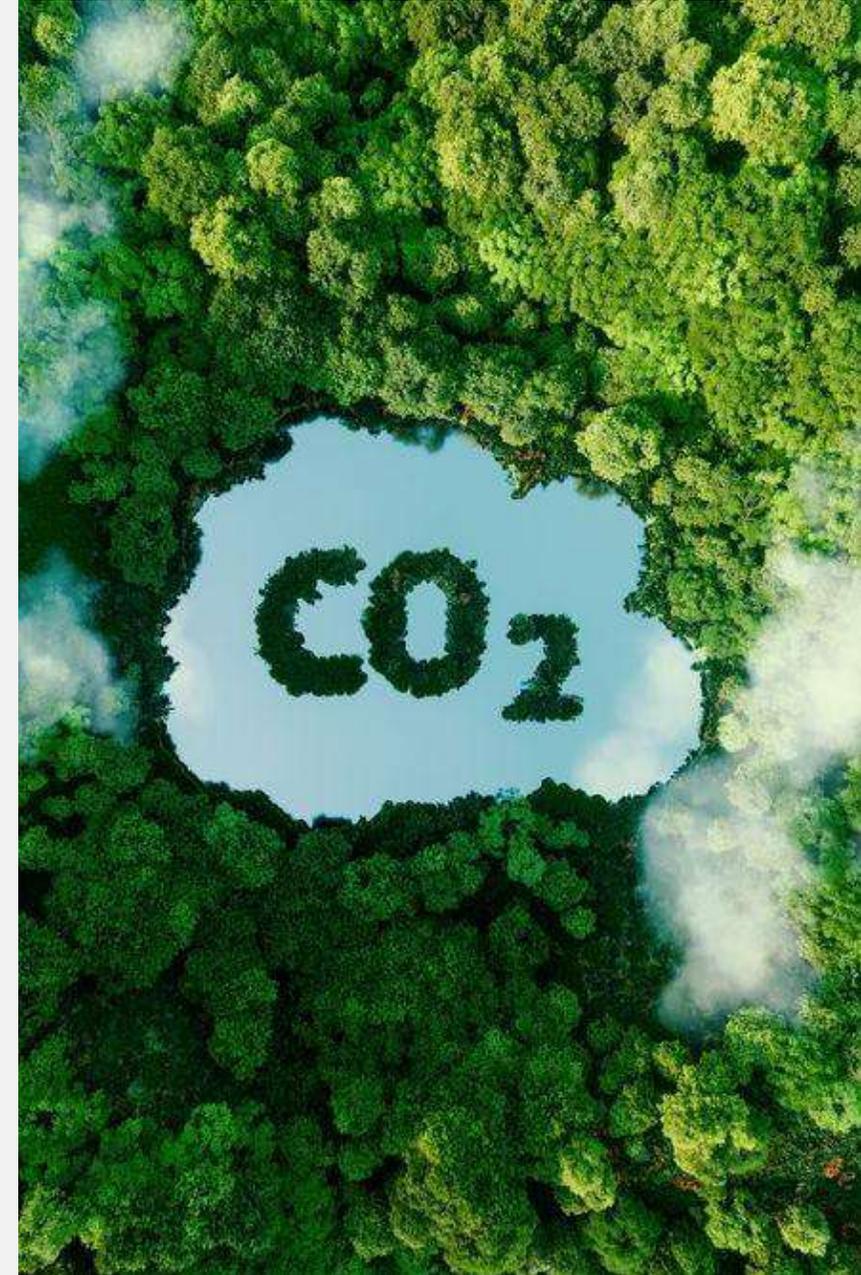
We focus on the optimization of the processes and the implementation of the projects that contribute to the reduction of own consumption of energy and the efficient management of GHG (greenhouse gas) emissions.

We aim for a paperless culture through the utilization of integrated electronic invoicing systems and warehouse management systems (WMS), the majority of our invoices being issued electronically under the SAP HANA system.

Also, we monitor closely the efficiency of the fuel for the car fleet for employees and goods vehicles, taking into account the annual logistic need. In 2021, a part of the car fleet for employees has been renewed in accordance with our objectives of optimization in this field.

Through energy efficiency, investments in last generation equipment, automation, digitization and responsible waste management, we act 360 in the direction of reduction of the carbon footprint.

For the detailed identification of the areas that require intervention and their hierarchy with regard to this material topic, we have initiated in 2021 discussion in view of assessing the carbon footprint of the group. The study is carried out in the first part of the year 2022, and the results will be published on our website. This assessment helps us set more clearly the objectives of sustainable development and the reduction of the carbon footprint in a coherent strategy to really generate a positive impact.



In 2021, we have contracted a green financing package, in value of 12.7 million EUR. For the construction and equipment of the production unit for the manufacture of biodegradable packaging, plastic bags and bags, according to law 181/2020 on the management of non-dangerous compostable waste, in line with the compliance criteria for biodegradable waste (90% biodegradable materials and OK compost certification).

The project benefits from mixed financing, which includes the contribution of the shareholders, the bank loan in accordance with the principles of green financing and a state aid, that covers 50% of the eligible costs.

As part of this financing package, it was assessed the carbon footprint of the technology of production of biodegradable packaging compared with the footprint of the conventional technology (using materials such as HDPE, LPDE, MPDE). Following the study, the technology of the TeraBio Pack factory has a carbon footprint over 95% smaller than the analysed conventional technology. This proves that the products made of biodegradable material are the solution to reaching CO2 neutrality.

We aim for the period 2022-2023 to outline a strategy regarding the management of GHG emissions, explain our approach to climate change and how the objectives set by this strategy will translate into our business development plan.



Greenhouse gas emissions and climate protection

Wanting to understand the impact that our companies' activities have on the environment, starting with the data for 2021 we calculated the carbon footprint of our factories and warehouses. For this, we quantified direct emissions (Scope 1) and indirect emissions related to electricity consumption (Scope 2) in tCO₂eq. (tons of carbon dioxide equivalent), in accordance with the requirements of the GHG Protocol - A Corporate Accounting and Reporting Standard.

For the calculation of emissions related to Scope 1, the following consumptions were taken into account:

- The amount of diesel fuel used by company cars as well as by electricity generators;
- The amount of petrol used by the company's cars;
- The amount of natural gas used for space heating as well as that used in production;
- The amount of refrigerant (R407C and R410A) loaded in air conditioning or chiller systems, in 2021.

To calculate the emissions related to Scope 2, the amount of electricity used by the company, procured by the TeraPlast Group, as well as that produced by the photovoltaic panels located on the factory buildings was taken into account.

Scope 2 emissions were calculated using both approaches of the GHG Protocol standard, namely:

- The emissions related to Purpose 2 (location based) were calculated using the emission factor of the national electricity network;
- Issues related to Purpose 2 (market based) were calculated using the emission factor of the electricity supplier.

Emissions related to Scope 3 were not calculated because the activities related to it are carried out by entities external to the TeraPlast group.

The total carbon footprint of the TeraPlast Group, in 2021, was **25.163,577 tons CO₂eq** (Scope 1 and Scope 2 market based).

The main source of emissions is the electricity procured and used within the operational activity. This represents more than 80% of the carbon footprint of the entire TeraPlast group.

<i>in kg CO₂eq.</i>	TeraPlast Group	TeraPlast	TeraPlast Recycling	TeraBio Pack	TeraGlass	Somplast	HQ TeraPlast	Somplast
Scope 1 emissions								
Diesel	542.128	337.455	62.169	3.991	56.047	30.166	0	52.300
Petrol	8.650	0	0	0	7.684	967	0	0
Natural gas	1.762.440	1.342.125	0	0	243.213	100.689	83.340	2.074
Refrigerant R407C	125.048	125.048	0	0	0	0	0	0
Refrigerant R410A	230.820	230.820	0	0	0	0	0	0
Scope 2 emissions								
Procured electricity (location based)	11.534.088	8.732.517	1.360.046	248.823	294.579	749.092	90.377	58.654
Procured electricity (market based)	22.494.490	17.030.694	2.652.446	485.271	574.506	1.460.926	176.258	114.390
Photovoltaic electricity	0	0	0	0	0	0	0	0
Total Scope 1 emissions	2.669.086	2.035.448	62.169	3.991	297.943	131.822	83.340	54.374
Total Scope 2 emissions (location based)	11.534.088	8.732.517	1.360.046	248.823	294.579	749.092	90.377	58.654
Total Scope 2 emissions (market based)	22.494.490	17.030.694	2.652.446	485.271	574.506	1.460.926	176.258	114.390

Waste management represents one of the basic activities of the TeraPlast Group through the activity of recycling.

Our company recognizes waste management as an aspect of high importance, both through its implications of legal conformity, as well as through the responsibility undertaken towards the environment.

We have within our team dedicated specialists who ensure a good monitoring of the generated waste, the implementation of solutions for the collection and recycling of waste, both the waste generated by our operations, as well as the waste used as raw material in our workflows.



The alignment and contribution to the principles of circular economy are a central component of the vision on the future of polymer processors. Beyond that, the selective collection and the efficient waste management are a civic responsibility in the first place.

The impact of our activity on the environment is measured at several levels. A mismanagement of waste entails the increase of the negative impact that the collective and the factories of the Group, through the daily activity, have on everything that surrounds us. With the help of the internal team responsible for environment-related aspects, we monitor permanently the generation of waste and its efficient management.

Circular economy, on the other hand, is a common effort. In our industry, it translates the best into actions that have as purpose the reintegration of the materials in new products. We have, in this respect, multiple developments in the past 5 years.

Our business model concerns the optimal integration of the entire value chain, the observance of the rules of ethics in business and the reduction of the potential negative impact on the environment. Waste management is monitored yearly within the management analysis.

In 2021 we collected and delivered to ROREC (the Romanian Association for Recycling) approximately 100kg of electronic waste.

<i>in tons</i>	TeraPlast		TeraPlast Recycling		TeraGlass		Somplast/ TeraBio Pack
	2020	2021	2020	2021	2020	2021	2021
Waste generated by the organisation							
paper	93.519	109.325	0	0,28	4.132	5.460	14.145
plastic	13.198	181.746	6.905	13.545	1.556	1.190	72.278
wood	849.008	572.705	12.018	18.200	0	0	
hazardous waste	9.280	8.276	0	0	0	2.620	6.095
non-hazardous waste	701.588	852.902	679.273	1.036,43	31.372	40.444	343.344
Recovered waste							
paper	0	0	0	0	0	0	0
plastic	0	0	0	0	0	0	0
wood	715.824	236.229	0	0	0	0	0
hazardous waste	0	0	0	0	0	0	0
non-hazardous waste	0	0	0	0	0	0	0
Hazardous waste disposed							
incineration	9.280	8.276	0	0	0	2.620	0
storage	0	0	0	0	0	0	0
others	0	0	0	0	0	0	6.095
Non-hazardous waste disposed							
incineration	387.525	263.050	0	0	0	0	0
storage	264.200	500.580	679.260	1.002,58	29.260	36.660	0
others	-	-	-	-	-	-	343.344





Our people

MATERIAL TOPICS

- Employee recruitment and retention
- Health and safety at work
- Equal opportunities, rights and freedoms
- Employee welfare
- Professional development and promotion at work
- Caring for communities

Caring for our employees

TeraPlast Group believes in the power of collaboration, in common objectives, in the contribution of each employee to the success of the company. The Group employees are selected in the light of their competence and motivation to contribute to the objectives of the Group.

The employees are encouraged to develop, to initiate new projects, to contribute to the growth of the quality of the solutions offered, respectively of the performance of the Group.

We promote a culture of constructive feedback, where employees, partners and collaborators are consulted in the process of development and improvement of the results. We believe that the success is obtained through vision, ambition, collaboration and mutual trust.

TeraPlast Group commits to respect and promote integrity in all of its companies, as well as in the relations with its partners and collaborators. By integrity we refer to the conscious attitude, oriented towards dignity, fairness, honesty, lawfulness.

The general principles on which the Integrity Policy of TeraPlastit is built on, are: creditworthiness, objectivity, good faith, safety and confidentiality.

By ensuring a trustworthy environment among its employees, shareholders, customers and suppliers, TeraPlast encourages the reporting of any illegal, immoral facts or facts that are likely to prejudice the physical and mental integrity of some people or the company prestige.

In this respect, TeraPlast has created the Whistleblowing system by which it encourages people who hold, in a professional context, objective information related to the violation of the laws or the rules of integrity by the company, its employees or collaborators, to report these non-conformities through the reporting channels put at their service.

Details on the whistleblowing system, the reporting channels and the anonymous referral form for non-conformities are available on the website www.teraplast.ro - section Referral of non-conformities from the Contact area.

TeraPlast Group complies with all of the regulations in force at national level with regard to the employer-employee relation, and commits at the same time to observe and promote the fundamental human rights, the civil rights and the free movement of the people in every company and in all of the business relation that it carries out.

We comply with the directives, rules and international standards with regard to the observance of the human rights:

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

Caring for our employees

In our vision, diversity is the key to a performant organization. Among our employees and collaborators, we promote an open attitude, of acceptance of interhuman differences and we search to recover the uniqueness of the persons around us.

In order to develop a culture that encourages diversity and inclusion, the Group continuously provides information and training with regard to diversity and inclusion for its employees and initiates at the same time internal and external actions to support a varied and performance work force.

We consider that the integration and retention of employees with different experience, values, principles and attitudes will create a competitive advantage.

The code of conduct applies to all of the employees of the TeraPlast Group and its partners. It is communicated on the TeraPlast website and put at disposal on the Intranet to be consulted any time, by any employee or collaborator.



The Ethics and Integrity Commission is responsible to define, update and explain the principles of the code of conduct to all of the interested persons. Any employee or collaborator who has difficulties or questions with regard to the delimitation or enforcement of these rules, may address to the commission at the email address avertizareintegritate@teraplast.ro.

The Integrated Management System Department, together with the persons responsible for the processes, make sure that all of the processes, procedures and instructions of work within TeraPlast Group are in accordance with the provisions of the code.

The Human Resources Department together with the leaders of the operational and functional directorates of TeraPlast Group are responsible for the communication and correct understanding of the present code by all of the employees of the TeraPlast Group.

In 2021, compared to 2020, the total number of employees increased by 17% at level of the TeraPlast Group. The factors of influence for these evolutions are owed mainly to new employees of the TeraBio Pack and Somplast companies that have not been part of the TeraPlast Group until last year.

For the rest of the companies, the personnel structure remained mostly the same. By gender, at Group level, the ratio of women increased. For the reported period there have not been any interruptions of activity caused by abnormal situations in any of the group companies.



	TeraPlast Group			Evolution '21/'20	TeraPlast			TeraGlass			TeraPlast Recycling			TeraBio Pack	Somplast
	2019	2020	2021		2019	2020	2021	2019	2020	2021	2019	2020	2021	2021	2021
Number of employees	717	771	905	17%	526	548	532	140	172	179	51	51	66	49	79
<i>women</i>	141	135	187	39%	98	96	92	34	32	36	9	7	10	21	28
<i>men</i>	576	636	718	13%	428	452	440	106	140	143	42	44	56	28	51
Full time	676	744	857	15%	512	543	521	124	159	164	40	42	56	44	72
<i>women</i>	114	117	160	37%	90	92	86	22	23	27	2	2	4	18	25
<i>men</i>	562	627	698	11%	422	451	435	102	136	137	38	40	53	26	47
Part-time	36	27	47	74%	9	5	11	16	13	15	11	9	9	5	7
<i>women</i>	26	17	27	59%	7	4	6	12	9	9	7	4	6	3	3
<i>men</i>	10	10	20	100%	2	1	5	4	4	6	4	5	3	2	4
Indefinite period of employment	708	761	877	15%	517	539	520		171	175	51	51	55	48	79
<i>women</i>	139	132	181	37%	96	93	88	34	32	35	9	7	10	20	28
<i>men</i>	569	629	706	12%	421	446	432	104	139	140	42	44	55	28	51
Age groups															
<30 years old	15%	14%	14%	-3%	14%	14%	14%	13%	15%	17%	24%	8	11%	14%	13%
30-50 years old	58%	58%	52%	-11%	59%	59%	51%	58%	55%	53%	57%	33	62%	51%	38%
>50 years old	26%	27%	34%	25%	26%	27%	35%	29%	30%	30%	20%	10	27%	35%	49%

Caring for our employees

Objectives



The qualification of 100 unskilled workers from the TeraPlast Group, 50 through the completion of the Plastics Operator qualification course through the Learning Workshop project and 50 through the skills assessment for the CNC Operator occupation.



Increasing diversity by hiring 40 non-EU nationals: recruiting, hiring and integrating 20 Asian workers for TeraPlast and 20 for TeraGlass.



Training of 50 employees on D&I and CSR topics by creating and implementing the ValueUp program in the E-Learning platform that contains the CareUp module with topics in the area of diversity and inclusion, CSR.



Implementation of a leadership development program, with the participation of 75% of top and middle management members.



Our entire activity relies on qualified and competent personnel, and in this respect the TeraPlast Group makes all efforts to recruit and retain people who are appropriate for our company, because this is the only way in which we can carry out our activity under optimal conditions.

Diversity is one of the criteria taken into consideration in the recruitment process. In the analysis of work, we take into account both the appropriateness for the job, as well as the added value that the future employee will bring to the team in which he/she will be part, through its new and distinctive character. We see the performant team as a puzzle, where each piece, unique and distinctive, completes the overall view and contributes to the final result.

Depending on the offer from the labour market, the objective of recruitment is to balance the Group teams by creating a mix in terms of age, gender, culture, personality, competences, passions and various professional experiences.

Last year, 444 new employees joined the TeraPlast Group, of which 102 women and 342 men.

Out of these, most of them, 41% are part of the age group of 30-50 years old, followed by the category under 30 years with 32%, the rest of 16% being aged above 50 years old. In the centralization of the information, they have been taken into account all of the hires made in our Group in 2021.

ITEM	GENDER	NUMBER
No. of employees who were entitled to parental leave	women	7
	men	2
No. of employees who were on parental leave	women	7
	men	2
No. of employees who returned to work after parental leave	women	7
	men	2
No. of employees who returned to work after parental leave and were still employed 12 months after returning	women	6
	men	2

In the same period of time, 343 persons have ended the work relations with our Group, 76% men and 24% women. This data includes employees transferred following the exits (e.g., the business line of window profiles and the division of steel products), those transferred to other companies of the Group, retired (22 persons) and employees who have terminated the work relations for independent reasons. By age groups, the majority of them (26%) are under 30 years old, 25% are above 50 years old, and 13% are aged between 30-50 years old. The total number of resignations in 2021 was 122. In the same period, 12 colleagues have been promoted. We consider that our employees are the main promoters of our brand as an employer. We offer recommendation bonuses to the colleagues who contribute to the growth of our team. In 2021, 61 such bonuses have been granted.

The personnel turnover rate, without including the independent reasons, was 20% in 2021, influenced mainly by the ramp-down strategy applied for the Somplast subsidiary, where the employees who have left have not been replaced anymore.



Employees' health and safety is one of our priorities, this aspect having a direct impact on the yield of the whole activity. Thus, ensuring the health and safety of our employees is the first step to ensure an optimal work environment to allow the activity to be carried out at a good performance.

TeraPlast Group undertakes to offer to all of its employees a safe work environment and to take all of the measures necessary to create favourable conditions to maintain occupational safety, health and security in all of its companies.

The main strategic directions for the management of occupational health and safety that the Group targets and undertakes to achieve are: the removal of dangers and the reduction of OHS risks, the ensuring of healthy and safe work conditions to prevent traumatism and diseases caused by work, the continuous improvement of occupational health and safety performance, as well as the consultation and involvement of all of the employees to achieve the proposed objectives.

The Group is certified and complies with the ISO standards 45001 - that represent a work model for the organizations that wish for a better control of the professional risks and rely on explicit requirements for a more efficient management of professional risks and the creation of a preventive culture among employees. The Group has an internal department of Occupational Health and Safety - OHS, with competent and specialised personnel, responsible for the training of the employees, the implementation of the OHS rules, respectively of the rules for fire prevention and extinction, as well as with the verification of their compliance.

Health and safety at work

All of the employees benefit from the OHS and FPE training on their first day at the place of work and periodically, at least yearly, according to the labour code and the legislation in force. The employees have the obligation, according to the internal regulation, to wear working and protective equipment according to their job and to comply with all of the rules for OHS with regard to which they have been trained and are displayed at the place of work.

In 2021 the OHS component of the integrated management system has been recertified, and the measures established according to the new ISO standard 45001/2018 have been improved.

Throughout the year it was ensured the equipment of the personnel with OHS materials appropriate for the activity area and it was carried out the instruction of 824 employees with regard to specific dangers and risks, according to the rules in force on instruction and assessment.

Within the examination and monitoring of the health condition of our colleagues, no occupational illness was recorded. In the same period, 567 persons have taken part in internal authorization processes and courses in the area of production for the utilization and handling of the equipment necessary to carry out the activity according to the job description.

In the reported period, they were not recorded any violations of the labour right, cases of endangerment of the safety of the employees and collaborators, nor any investigations, legal causes, decisions, fines and other relevant events of the labour right.

There have been registered 9 slight work-related accidents in 2021 at group level, caused mainly by the lack of attention and the failure to comply with the OHS instructions or the failure to wear the protective equipment.



In the area of occupational health and safety, the priorities for the year 2022 are:

- The improvement of the measures established according to the standard ISO 45001
- The continuous improvement of the knowledge level of the personnel with regard to OHS, Fire Prevention and Extinction and the provision of the first aid.
- The ensuring of the health condition of the employees
- The continuation of the process of revision of the risk assessment and the improvement of the awareness of the dangers and risks, through training
- The continuous updating of the documentations related to OHS and Fire Prevention and Extinction-Emergency Situations for all of the sections of production and warehouses
- The continuation of the elaboration of training materials in view of simplifying the assimilation of own OHS instructions.



We promote diversity and equal opportunities within the Group and we protect the rights and liberties of the employees at the place of work, irrespective of the age, gender, ethnicity, religion, social class or belonging to vulnerable groups.

This aspect is definitory for the creation of an organizational culture that allows us to develop our business in a sustainable manner, to protect the values and the culture of the organization, but also to create trust between all of the parties concerned.

Each person has the right to professional and business relations void of acts of harassment. The Human Resources Department makes sure that equal opportunities and treatment are applied and observed by all of the managers and/or other persons authorized to make decisions in the processes of recruitment and selection, promotion, access to training and development programmes, access to information, access to the events organized by the companies of the Group.

TeraPlast Group undertakes to observe the right to private information and to observe the legal rules and regulations in force with regard to the management of confidential information, of personal data and privileged information in relation with its employees, partners and collaborators.

TeraPlast is a company listed on the Bucharest Stock Exchange. Therefore, the precise information, which refers directly or indirectly to TeraPlast or one or more financial instruments, and which, if it was made public, might influence significantly the price of the shares of TeraPlast and the decisions for the trading of the TRP stocks on the market, is considered to be a privileged and strictly confidential information.

In all of its activities, the Group observes the right to human dignity, the right to freedom and safety, and it respects private and family life.

The Group supports diversity, promotes the freedom of thought, of conscience and religion and it encourages the free expression of the opinion of each employee or partner.

We promote fairness and equal opportunities and treatment; we support and demonstrate a solidary behaviour. For its employees, the group undertakes to respect the right to a standard of living aimed to ensure their health and wellbeing and their family's health and wellbeing, as well as to ensure the necessary social services, according to the law.

We respect the right to information, consultation and association of the employees and we promote civil rights.

The Whistleblower is an instrument by which our employees and collaborators may denunciate incidents inclusively on topics related to discrimination and the violation of rights and liberties. We encourage the reporting of unsafe and unethical conditions and behaviours.

The reports received are taken over, assessed and processed by the Integrity Manager designated by the company management, who ensures the full confidentiality of the information to which he or she has access. Following the assessments, the Integrity Officer shall classify the complaints and notify the Internal Committee for Integrity and the company management in case of serious allegations.

Throughout 2021, through the whistleblower we have recorded 1 referral that led to the immediate remediation of the signaled situation. In the same period of the time no incidents related to discrimination were recorded.

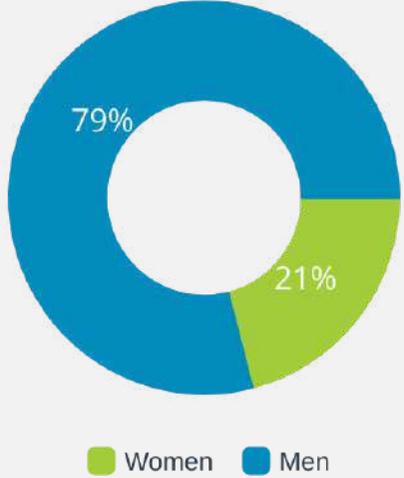
The Internal Committee for Integrity is formed at least of specialists in the fields of law, labour law, integrated management systems, which, together with the company management, ensure the enforcement of the specific measures for the remediation of the problems.



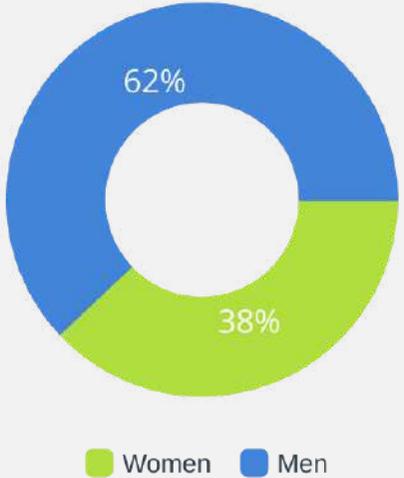
Equal opportunities, rights and freedoms

Diversity

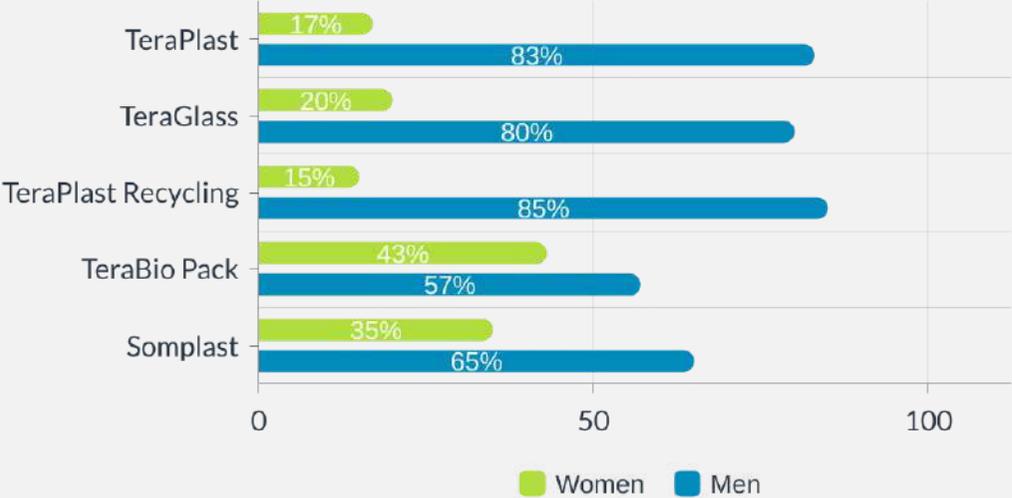
Diversity within TeraPlast Group



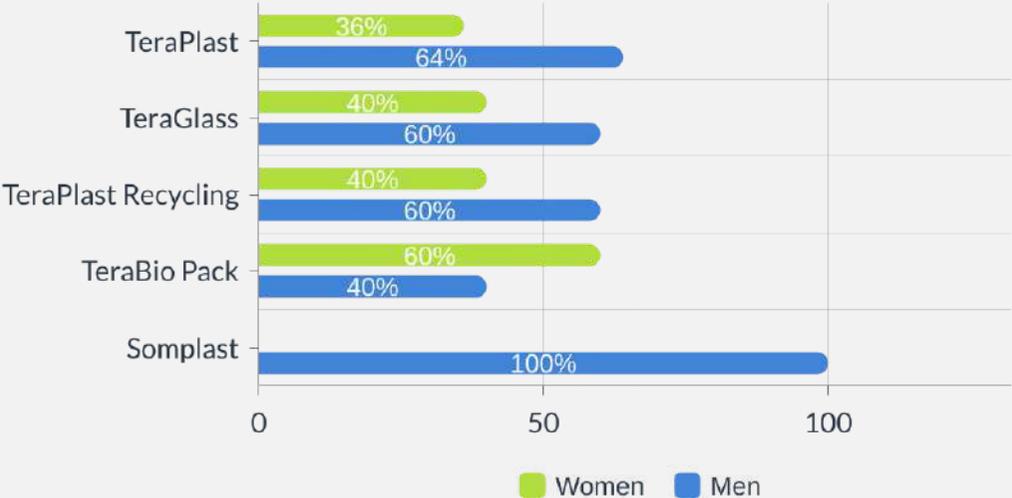
Diversity within Group's management



Diversity within the Group's companies



Diversity within management at Group level



Employee welfare

The wellbeing of our employees represents a crucial aspect for our Group, because their state dictates the degree of their involvement in the activities carried out, which influence directly the efficiency and the productivity. It is our duty to ensure the wellbeing of all our employees.

The Group does not tolerate from its employees, partners and collaborators any active or passive behaviours that favour or disadvantage - through the effects they generate - in an unjustified manner, or exercise an unfair or degrading treatment on a person, group of persons or community, in relation with other persons, groups of persons or communities.



We do our best to provide our colleagues with a safe work environment, where the feeling of physical, mental and emotional safety prevails.

Any income and other extra-salary benefits will be granted solely on objective and transparent criteria, with the observance of equal opportunities and treatment.

The Ethics and Integrity Commission may perform audits and internal verifications to ensure the compliance with these principles. The internal regulation details the behaviours expected from the Group employees, as well as the sanctions applied for the failure to comply with these principles.

We respect the freedom of collective association and the right of the employees to establish or adhere to a union, according to the Labour Code and other regulations in force. We support the employees in the election of representatives, providing the administrative framework and resources necessary for the organization of the elections. The group management does not involve and will not be biased in any way in the election of the representatives.

At the same time, we undertake to observe and take into consideration the opinion of the employees by means of its representatives.

Together with the union or the representatives of the employees, the Group performs consultations and successive collective negotiations, whenever required, but at least once every 2 years. Where applicable, they will be integrated in the Collective Employment Contract. It will be sent to the Territorial Employment Inspectorates and it will form the basis for the internal regulation and the individual employment contracts.

As regards the decisions likely to affect significantly the rights and interests of the employees, the Group shall consult with the Union, or, as the case may be, with the representatives of the designated employees.

The results of the negotiations/consultations with the union or, as the case may be, with the representatives of the employees, will be communicated to the employees within maximum 24 hours.



The Group rewards the loyalty of the employees through loyalty programmes and benefits granted for the years of work within the Group. At the same time, we support the involvement of the employees in the fulfilment of the company objectives and we reward their dedication. The benefits are put at the disposal of the employees through the Collective Employment Contract of the companies from the Group. Also, with the approval of the General Assembly of Shareholders, TeraPlast rewards the performance of the employees also through the stock option plan which assumes the allocation of TRP shares. At level of executive officers and the board of directors, the structure and criteria of the packages of benefits are provided for by the Remuneration Policy, approved by the General Assembly of Shareholders, the content of which is available on the company website.



Among the benefits that our employees enjoy, we mention the meal tickets, vouchers, culture tickets, Easter and Christmas prizes, prizes on the anniversary of the TeraPlast Group, on their birthday, the settlement of rest & treatment, aid at childbirth, death and marriage, life insurance - risk and accidents, transportation/ fuel, E-learning and Bookster virtual library.

These benefits apply both to part-time and full-time employees. The latter also benefit from prizes for the results achieved and a bonus for attendance.

The employees of TeraPlast, TeraGlass and TeraPlast Recycling are covered in a rate of 100% by the provisions of the collective employment contract, while the employees of TeraBio Pack are covered by the provisions of the Internal Regulation, following to be implemented as well the collective employment contract.

This is owed to the fact that TeraBio Pack is a new company of the Group, that started its activity in December 2021.



Motivated employees, willing to develop themselves are essential for our Group. Once with the development of our employees it comes the development of our business, because they can bring added value to the company.

Consequently, we promote the potential and the skills of our employees and we focus to offer opportunities for professional development through training programmes. We undertake responsibility for the continuous development and training of our employees.

We promote a process of continuous improvement intended to reach to every company and every employee of the Group. From the presence of the suggestion boxes in the production areas to the organization of internal contests on different topics, we encourage the employees to send the ideas related to the improvement of the work conditions, to the optimization of the processes, optimization of the resource consumption or opinions regarding the development of the business, which are analyzed in the light of their integration in the Group strategy.

For the development of certain competences, TeraPlast supports the organization of the development groups and the mentoring programmes by allotting a specialised mentor to pass on the know-how and guide the participants towards the achievement of the desired level of competence. Also, our Group puts the necessary technology at the disposal of its employees, such as the MS Teams application, for the creation of thematic networking groups, for the exchange of ideas and information, but also for support.

Every year, the coordinators of the departments and the production can send to the human resources department the training needs for their colleagues, either by proposing specific courses, or by soliciting the identification of some trainings on the basis of the topic and the competences pursued. Additionally, the facilitation of the continuous professional training is one of the priorities of the human resources policy of our Groups.



In 2021 there have been covered 47 training topics at Group level, with a growth by 47% compared to 2020, and there have been registered 4.517 hours of training, at group level, which mean 5 hours of training/ employee, with an increase by 254% compared to 2020.

The increase is owed first of all to the group strategy to intensify the training and development programmes. We have undertaken the objective to increase the number of trained employees by 10%.

The development direction was cascaded into concrete actions, that have started in 2021 and continue in the following years.

Secondly, the increase is owed as well to the implementation of the E-Learning TeraPlast.IknowLMS platform, which allows employees to run over 550 training modules individually, anywhere and anytime, on electronic devices.

Third, in 2021 the TeraPlast Group joined as active part of the Learning Workshop project, along with CCIABN and the association Inceptus.

Our main direction in this project is to certify 50 unskilled workers in the profession of Plastic Product Operator, but also to develop internal trainers and training materials, for this programme to be continued within the Group.

Last but not least, the implementation of electronic means of communication through the LCD screens present in every factory, warehouse, as well as in the administrative headquarters, has facilitated the transmission of information and the digitized presentation of training materials to employees, especially blue-collars, without requiring taking them out of the factories and into a training room.

In 2021, 3 engineers were certified for the Training Instructor occupation and created the training plan and training materials for the internal courses. In the 1st semester of 2022, the first group was closed by certifying 24 TeraPlast operators and the organization of the 2nd group at TeraBio Pack began.

In 2021, the main instruction topics have been:

- 1. Technical qualifications specific to production**
- 2. Policies, standards, systems**
- 3. Environment - waste collection**
- 4. Security**

Being given the production specificity, in 2021 the accent was put as well on the development of the technical competences, in the area of the workers from the sections of production and warehouses.

These are the categories of personnel that have a direct contact with the products and bring added value to the client through the quality and efficiency of their work. Thus, we have attested in 2021, 36 workers for the occupation of “Forklift Operator” and we have started the project of certification of 50 workers for the occupation of “Plastic Product Operator”.

At level of the engineers, shift managers, personnel from the quality control department and the colleagues involved in the training of the personnel, we have aimed to develop the knowledge applied with regard to Kaizen methodology. Thus, 18 colleagues have taken part in 2 trainings organized by the Kaizen Institute: Muda and 5S, respectively SMED sites.

At level of policies, standards and systems, the Group direction is to make sure that all of the employees, at all levels and from all of the departments know and act in accordance with the group policies and standards of quality and ethics.

Thus, we have an Integrated Management System department in charge with the revision and regular updating of the standards and also with the training of the personnel with regard to the relevant novelties of the work procedures and standards ISO 9001, ISO 14001 and ISO 45001. In the integration team, each employee is trained with regard to these standards.



The environmental protection is a priority for the TeraPlast Group and we wish that all of the employees show a responsible behaviour toward the environment.

At Group level, we have trained internally 50 employees on topics related to the selective collection of waste, the treatment, storage and transportation of dangerous substances, as well as ECO-instructions at the place of work.

The security of the processes, of the employees and the information represents further a strategic direction of the TeraPlast Group. In 2021 we have continued the development and training of the internal teams in charge with the security and access control, as well as for video monitoring dispatchers.

The employees of the Security Department have benefitted from an external development programme with a duration of 20 hours, to which they were added punctual internal trainings, throughout the year. Plus, we have one more employee certified as Risk Assessor and OHS Auditor in 2021.

As regards information security, 1 employee of the IT Department attended in 2021 a specialising programme of 300 hours from the category of Network and Database Administration.



	Group		2020/2021 Evolution
	2020	2021	
No. of total training topics	32	47	47%
Training hours, total	1.088	4.517	315%
Training hours/employee	1,41	5	255%
No. of trained persons	203	351	73%
of which women	50	143	186%
of which men	153	208	36%
Managers	14	23	64%

Professional development and promotion at the workplace

Assessment

2021 keeps the direction of the Group towards the digitization of the assessment process and the passing to an assessment system oriented towards the development of the skills.

In February 2021 we concluded the Leadership@360 process started in 2020. Thus, there have been completed the 360 assessments for the middle management (29 persons, of which 13 women).

For each of the persons assessed, the external consultants have provided comprehensive feedback, focused on 8 competences: personal approach, leading people, motivating people, planning and organization, analytical and forward thinking and change management. More than the result of the assessments on these competences, there have been proposed as well ideas and concrete plans of development, customized for each employee.



Starting from these results as well, in the period between 2022 and 2023, we aim to implement a **programme for the development of the leadership within the Group**. In the selection of the period, we shall also take into consideration a period of integration of the new leaders of the Group accepted following the development projects.

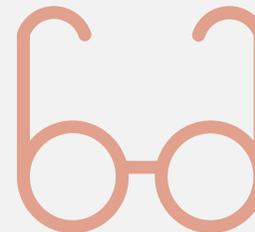
For specialists and the administrative-support personnel we are currently implementing the electronic system for the assessment of performance. It is lengthy process, which assumes the analysis of a large range of solutions existing on the market for the adoption of the optimal decision, in terms of quality, efficiency and price.

We have completed this stage and we dispose of the appropriate solution for assessments.

In parallel, we carry out a competence mapping process at level of the TeraPlast Group, which is in a continuous transformation in this period. Our objective is the completion of this process and the implementation of the new electronic solution for the assessment of performance.

As regards the blue collars category, in 2021 we have started a process of transformation of the assessment process, through the introduction of the qualification and performance matrix for a job. It comprises a set of cross/general competences (e.g., team work, discipline, communication) and a more complex set of competences specific for the job.

As a novelty, this assessment method allows, besides the individual assessment, the assessment of the competences and performance at team level. This can represent, first of all, a continuous source of motivation towards the achievement of performance, and secondly, it allows easily the matrix visualization of the competences of all of the employees, for all of the duties corresponding to each job. This is particularly useful for the introduction of shift rotation, versatility and quick replacement of temporarily absent persons, without existing a significant decrease in the quality of the products, respectively in the delivery time to the customer.



By this method, in 2021 we have assessed 72 employees (of which 35 from TeraPlast and 37 from TeraPlast Recycling). In the first semester of 2022 we have assessed the TeraGlass production team, respectively 128 persons. Our objective is to complete by the end of the year 2022 the assessment of the entire personnel from the blue-collars category of the TeraPlast Group.

Dual education

Our vision is to be a sustainable group, which reflects as well in our involvement within the community.

Starting 2020, we have started a dual education project in collaboration with the Grigore Moisil Technological High School from Bistrița and the Bistrița City Hall for the professional training of 21 pupils for the position of "Numeric Command Machine Operator". This group of pupils shall graduate in the summer of 2023 the technological high school and we have signs that 50% of them will wish to work in our group, being given the number of requests received from them during the summer.

In 2021 we have continued the project for the second group of 12 pupils who will benefit from practical training through the dual educational system within TeraPlast. Also, for the school year 2022 we have solicited a third group of pupils for dual education at TeraGlass.



Each project will be carried out for a period of 3 years, during which TeraPlast will make sure that the pupils have an adequate environment for acquiring certified qualification, by access to the company's knowledge, by the guidance and direct supervision of the practice guardian and experienced colleagues, but also by providing machines, materials, tools, work equipment and all the resources necessary for the good development of the activity of Numeric Command Machine Operator.

Also, the company offers every pupil a monthly scholarship of RON 200 net, transport and one meal for each day of training within the company. Each pupil also benefits from occupational medicine examinations and necessary medical tests according to their activity area, and insurance in case of accidents, damages or bodily damages during practice.

In order to motivate the pupils, every year, 3 of the most involved will benefit from a performance award in the amount of RON 500.

It is certain that the graduates of dual education will have a significant competitive advantage in occupying open jobs in TeraPlast and in other similar companies from the county, and that their training will bring plus value to employers.

Dual education is one of the solutions with a real chance to create a major positive impact in fighting the crisis of qualified labour force, by improving the collaboration between economic operators and educational units.

One of the objectives of the TeraPlast Group is the improvement of life quality in the communities where we are active, because our business may grow in terms of sustainability only if it is active in sustainable communities. We support excellence, performance and the initiatives aimed to gradually create a better world. We believe that the long-term development assumes some sustained action plans in the fields of: education, social, health and environment.

We encourage the involvement in actions of social responsibility, as well as the participation of the employees in various volunteer activities.

The assessment of the projects proposed for being sponsored rely mainly on, but they do not limit to:

- The impact of the project on the wellbeing of the local community,
- The diversity of educational, sports or leisure means which it creates;
- The impact of the project on education, the direct benefit that the target public of the project (pupils, students) has;
- The usefulness and accessibility of the projects from the sports area, the facilitation of the access to sports, and the increase in the attractiveness of sports activities;
- The past results of the project and/or of the project beneficiaries (as the case may be).

At the same time, we pursue meeting the principle to not cause any prejudice through own activity, as well as the compliance with the rules regarding the activity of the associations/organizations in sponsored activities.



The proposals for sponsorship projects reach in a first stage to the attention of the marketing department, respectively to the sustainability and CSR officer. After a first assessment of the proposal, it submits the project for a more thorough analysis with the representatives of the top management in order to ensure an informed and impartial decision, which complies in full with the applicable principles.

In 2021, our Group supported CSR projects allocating over 1.7 million lei in total.



In 2021, we have supported over 30 projects, in accordance with the CSR principles that we promote. Some of the most important were:

- The supply of the products (pipes, septic tanks and accessories) necessary for a project which concerns the construction of a house adequate for 4 children who live with their grand-mother in a very small house in the Southern part of Romania;
- The contribution to the funds necessary for a children's hospital from Obregia, for the purchase of equipment for brain surgeries;
- The supporting of the acquisition of medical equipment for two hospitals from Timiș County, Romania, namely for the acquisition of spirometers and tables for medical instruments;
- Partnership with POV21, a local NGO, for the Comunitarium Gala, where 30 pupils from the rural environment have received laptops as a prize for their exceptional results;
- We are one of the main sponsors of the local sports club and the handball team Gloria 2018; we have supported the international tennis tournament that has taken place in Bistrita and a regional rhythmic gymnastics club;
- Partnership with Let's Do It Romania for the National Cleaning Day;
- The supporting of a local project for the placement of weather stations in Bistrița-Năsăud County, of which one was placed in our Industrial Park;
- The rehabilitation of a steam train (Mocănița) and a railway with narrow gauge to transform it into a touristic route for the visiting of the tourist attractions and the discovery of the local tradition and landscapes;
- Partnership with Tășuleasa Social for Via Transilvanica (called El Camino of Romania) and for reforestation activities. The reforestation scheduled for the month of November 2021 was postponed due to sanitary restrictions in the pandemic context. It has taken place in March 2022 in Sânmihaiu de Câmpie Commune from Bistrița-Năsăud County, where the volunteers of Tășuleasa and the employees of TeraPlast have planted 25.000 saplings on 5 hectares. In the autumn of the year 2022, the area was assessed for the analysis of the degree of success of the action (how many saplings went well and whether it is necessary to add more).
- The supporting, upon the call made by the Town Hall of Bistrita, of an antidrug campaign carried out in the schools of the town.

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 www.teraplast.ro

 1 TeraPlast Way, Sărățel village, Șieu-Măgheruș commune, Bistrița-Năsăud county, Romania

