

# CONSOLIDATED ANNUAL REPORT



**compa**  
*beyond expectations*

# 2021

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**TRANS C.A.S.**  
SRL SIBIU

transport intern si international

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# ANNUAL CONSOLIDATED REPORT - 2021



## A. RAPORTUL CONSILIULUI DE ADMINISTRATIE

### 1. INTRODUCTION

#### 1.1. LEGAL FRAMEWORK, PURPOSE AND NECESSITY OF PREPARATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

COMPAS S.A. Sibiu, whose securities are admitted to trading on the regulated market of the Bucharest Stock Exchange, applies International Financial Reporting Standards (IFRS) since 2012.

In accordance with the accounting regulations in conformity with Directive VII of the European Economic Community, COMPAS S.A. Sibiu (parent company) fulfils the conditions as per point 12. Based on point 3 of these regulations the consolidated annual financial statements have been prepared.

The set of rules of accounting recording of economic and financial operations of preparation, approval and statutory audit of the annual consolidated financial statements of companies are provided in the "Accounting Regulations in compliance with IFRS" approved by OMFP 2844/2018.

All these regulations formed the necessary legal basis for the preparation of the Group's consolidated financial statements for the year ended 31.12.2021.

The main purpose of the COMPAS Group's consolidated annual report is to inform investors and business partners of the parent company as well as affiliated companies.

The documents prepared highlight the results achieved by the COMPAS Group in 2021.

#### 1.2. APPLICATION METHODS APPLIED

In accordance with legal regulations, the consolidated financial statements are prepared by the entity, hereinafter referred to as the parent company (firm), which holds equity interests in another entity, referred to as a subsidiary or affiliated firm.

In this context, COMPAS S.A.Sibiu as a parent company has control, i.e. the share of its holdings in the share capital of affiliated companies is more than 50% in the following affiliated entities:

<b>COMPAS I.T. S.R.L.</b>	<b>100,00 %</b>
<b>TRANS C.A.S. S.R.L.</b>	<b>99,00 %</b>
<b>RECASERV S.R.L.</b>	<b>70,00 %</b>
<b>ARINI HOSPITALITY S.R.L</b>	<b>100,00 %</b>

COMPAS S.A. Sibiu, the parent company, exercises an effective power, having a dominant influence, respectively it has control over the Group companies. Given the accounting regulations as well as the existing recommendations in this field, the consolidation method used with these companies is the "*Global Integration Method*"

## 2. SHORT HISTORY

Although this chapter was presented in detail in the individual annual report of COMPA for 2020, we consider it necessary and appropriate that certain episodes in the history of the parent company be highlighted in the Consolidated Annual Report for 2020 of the COMPA Group..

**1886** - It is officially certified under industrial operation blacksmith workshop di Jozsef Datky, which produces leaf springs for carriages of weather and drop forged parts and tools.

The workshop was developed so that the products made in this family business were found at international exhibitions in the Austro-Hungarian Empire (Vienna and Budapest).

**1948** - It is the year in which private companies, such as the predecessor of Uzina Elastic, profiled at that time in the manufacture of sheet springs, helical springs wrapped hot or cold, were nationalized as a result of the installation in Romania of the communist regime..

**1969** - The Sibiu Auto Parts Company (IPAS) is established, by merging two large companies, which operated in Sibiu that year, respectively:

- Automecanica Sibiu Plant, which in turn had an impressive history, from an Arsenal of Sibiu Artillery, which ensures the repair and manufacture of weapons necessary for the defense of the Sibiu Fortress, to the construction of car equipment with advanced technology at the time of merger;

- Elastic Sibiu Plant, with a craft tradition since the founding of the Datky Workshop, which it permanently developed, making at the time of merging a varied and diversified range of lamellar springs for the manufacture of vehicles made in Romania and a wide range of springs helical, hot and cold wrapped, destined for the entire ROLLING material industry (locomotives, wagons), of the car manufacturing industry from all over Romania.

**1991** - The car parts enterprise is transformed into S.C.COMPA S.A.Sibiu, as a result of the political and economic framework created by the transition of Romania from a totalitarian communist state to a state with a market economy.

**1999** - It is the year of the privatization of the parent company, S.C.COMPA S.A. by purchasing the majority stake of the State Property Fund (FPS). This historical stage ensures the premises for the development in conditions of competitiveness and profitability of the company, for the development of business partnerships with representative companies from the world industry, on the principles of equality and competence, of fair competition.

**2000** - The foundations are laid for the establishment of the COMPA Group by transforming the IT Service, which operated within the parent company with the activity of software design and internal network administration, into a separate company S.C.Compa IT S.R.L., with full capital COMPA. As a result of the establishment of this company in an economic unit with predominant activity in information technology (IT), the premises for the development of this sector of activity were created both for the realization of an integrated IT system of COMPA but also for software for other companies in outside the Compa Group.

**2001**- The second affiliated company S.C.TRANS C.A.S. LLC Sibiu, a limited liability company, with a predominant COMPA contribution, resulted from the transformation of the existing Transport Base within the parent company, into a separate company specialized in domestic and international road transport. By setting up this company specialized strictly in the transport activity, the conditions for the development of these companies were created, which provide transport services, not only for the parent company, but also for other companies in Romania and in Europe.

The company has developed a lot since its establishment, investing in the acquisition of mainly heavy trucks (TIR) used for transporting raw materials and materials from suppliers and transporting finished products, both for COMPA and for various companies in Romania but more resembles companies in Europe.

**2004** - The third affiliated company is established, respectively S.C. RE CASERV S.R.L., by transforming the activity of the COMPA canteen into a separate company in which the COMPA company holds the control position, being the majority partner.

**2021** - The affiliated company ARINI HOSPITALITY S.R.L. is established, which will carry out hotel activity, following the development of the Ibis-Mercure hotel complex construction project..

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## 3. INFORMATION ON GROUP ENTITIES

### COMPAS S.A.

Social headquarters	Sibiu, str.Henri Coandă nr.8	
Registration no. in the Trade Register	J32/129/1991	
Fiscal Code (VAT Code)	CUI 788767	
The main activity	2932 "Fabricarea altor piese și accesorii pentru autovehicule și pentru motoare de autovehicule"	
Share capital (RON)	21.882.103,8 lei	
Board of Directors	Deac Ioan	– President BoD / CEO
	Miclea Ioan	– Vicepresident BoD/ administrator
	Maxim Mircea-Florin	– Non-executive administrator
	Balteș Nicolae	– Audit committee President/ administrator
	NEACȘU Vlad- Nicolae	– Audit committee member/ administrator

**Form of ownership:** COMPAS S.A. is a company with 100% private capital. It was privatized in September 1999, by buying the majority stake in the Compa Sibiu Employees Association (PAS), which became the company's main shareholder.

In 2018, the Compa Sibiu Employees Association (PAS) was dissolved, the shares being transferred to the members of the association, depending on the number of shares held and purchased by each.

As presented in detail in the Individual Annual Report 2020, the parent company is organized on Profit Centers, integrated units without legal personality with a decentralized activity, structured to make products for a single customer or to make similar products for several customers, such as: Forging, Heat treatment, Galvanization, Pressed - stamped parts, mechanical - welded subassemblies.

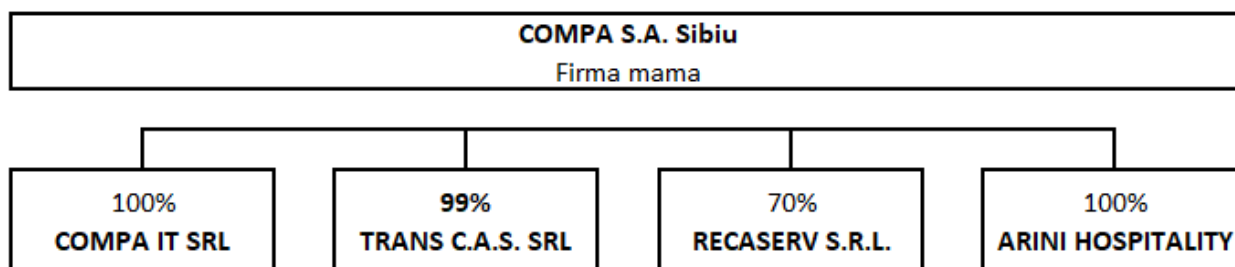
The financial investments of the parent company COMPAS, which consist of participation titles and shares, in the other 3 affiliated companies, as follows:

Ownership	Social headquarters	Value of COMPAS's holdings	% in the share capital
COMPAS I.T. S.R.L.	Str.Henri Coandă nr.8, Sibiu	200,000	100%
TRANS .C.A.S. S.R.L.	Str.Henri Coandă nr.12, Sibiu	742,500	99%
RECASERV S.R.L.	Str.Henri Coandă nr.51, Sibiu	70,000	70%
ARINI HOSPITALITY S.R.L.	Str.Henri Coandă nr.8, Sibiu	19,703,000	100%
<b>TOTAL</b>		<b>20,715,500</b>	

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Schematically, the structure of the COMPA Group is:



The management of the parent company COMPA, as well as of the entire Compa Group is ensured by the Board of Directors elected by the Ordinary General Meeting of Shareholders, for a period of 4 years.

## Societatea COMP A I.T. S.R.L

The purpose of the establishment was to design and implement an integrated IT system for the parent company, to the existing international standards and to ensure the requirements imposed by the organization of profit centers of the company COMPA, as well as to ensure a computer network of computers extended throughout the company COMPA.

By implementing the integrated system in the parent company, COMP A-IT ensures the operation of this system at higher parameters, prepares reports and presents the new facilities of the system in order to capitalize at the highest possible level of opportunities that this very complex system can offer. competitive.

Social headquarters	Sibiu, No.8, Henri Coandă Streed, Sibiu County
Recording no. in the Trade Register	J32/17/2001,
Fiscal Code (VAT)	CUI 13656016
The main activity	6201 - Computer programming activities
Share capital (RON)	200,000
Sole shareholder	COMP A S.A
Administrator	Acu Florin-Ştefan

## TRANS C.A.S. S.R.L. Company

The reason for setting up the company was to outsource the car transport activity initially existing within COMPA, in order to expand and develop this activity different from the activity profile of COMPA.

Some of these vehicles are owned by the parent company COMPA S.A., rented, and some are owned by TRANS C.A.S. LLC

TRANS C.A.S. SRL currently owns a number of over 60 vehicles, of which an important share is held by Mercedes tractor trailers, with a capacity of over 20 tons payload, intended for the transport of materials and finished products for both COMPA and other customers.

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The overwhelming share of TRANS C.A.S. it is owned by international freight transport in almost all of Europe.

Social headquarters	Sibiu, No.12, Henri Coandă Street Sibiu County
Recording in the Trade Register Office	J32/633/2002
Fiscal Code(VAT Code)	CUI 14836511
The main activity object	4941 Freight transport by road
Share capital, of which:	1,500,000 RON
Shareholders: COMPA S.A.Sibiu	1,498,450 RON
Maxim Mircea Florin și Mihăilă Daniela	1,550 RON
Administrator	Maxim Mircea Florin

## RECASERV S.R.L.Company

The purpose of setting up the company was to outsource from the parent company COMPA S.A. of some activities different from its main activity profile, activities such as: public catering made through the canteen and the micro-canteens that operate inside the COMPA company.

By establishing RECASERV S.R.L. the conditions for the development of this activity were ensured by supplementing with secondary services: catering and cleaning services.

Social headquarters	Sibiu, 51 Henri Coandă Street Sibiu County
Recording no. in the Trade Register	J32/704/2004
Fiscal Code (VAT Code)	CUI 164408228
The main activity	5629 Other food service activities
Share capital, of which:	100.000 RON
Shareholders: COMPA S.A.Sibiu	70%
Boroș Daniela (individual person)	30%
Administrator	BOROȘ Daniela

## Societatea ARINI HOSPITALITY S.R.L.

Societatea ARINI HOSPITALITY SRL a fost infiintata in ianuarie 2021, aceasta urmand sa desfasoare activitate hoteliera , ca urmare a dezvoltarii proiectului de constructie a complexului hotelier Ibis-Mercure.

Social headquarters	Sibiu, Str.Henri Coandă Nr.8
Recording no. in the Trade Register	J32/77/2021
Fiscal Code (VAT Code)	CUI 43581594
The main activity	5310 " Hoteluri și alte facilități de cazare similare"
Share capital, of which:	19.703.000 lei
Shareholders: COMPA S.A.Sibiu	100%
Administrator	BAIASU Dan-Nicolae



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## 4. MAJOR EVENTS IN THE GROUP'S ACTIVITY IN YEAR 2021

**19.01.2021** - ARINI HOSPITALITY SRL is registered at the Trade Register, in which the company COMPA SA is the sole partner

**29.01.2021** - the Board of Directors approved the assignment to the affiliated company Arini Hospitality SRL of the Hotel Consultancy Services Contract dated 17.01.2020 and the addendum dated 18.11.2020 concluded between Compa S.A. as Owner and AccorHotel Services Magyarorszag Kft Budapest as Hotel Consultant.

**22.04.2021** - The Ordinary General Meeting (AGOA) and the Extraordinary General Meeting of Shareholders (EGM) were held in accordance with the legal regulations in force.

The AGM approved the individual and consolidated financial statements for the financial year 2020.

**11.06.2021** - The updated Memorandum and Articles of Association of the affiliated company TRAN-CAS SRL is registered at the Commercial Register, registering the decrease of its share capital from 1,500,000 lei to 750,000 lei in accordance with the decision of the Extraordinary Meeting of Shareholders of Compa SA from 12.11.2020 and the decision. Extraordinary Meeting of Shareholders of Trans-CAS SRL of 12.01.2021

**21.07.2021** - The Board of Directors takes note of the information regarding the obtaining of state aid by the affiliated company ARINI HOSPITALITY SRL in the amount of 14,859,269 lei, according to the resolution of the AGEA of 12.11.2020, state aid necessary for the development of the investment project Development of Arini Hospitality Hotel Complex.

On the same date, the Board of Directors takes note of the status of the implementation of the Innovation Norway - Solar Panels project.

Next, the Board of Directors takes note of the status of the construction works for the first two apartment blocks on Bd. Victoriei 42 - 44 and approves the start of the works to obtain building permits for the next two apartment blocks.

**20.10.2021** - Meeting on 20.10.2021, the Board of Directors of Compa SA approved the contracting of a loan between Compa SA as borrower/creditor and the affiliated company Arini Hospitality SRL as borrower/debtor , whereby the borrower/debtor is granted the amount of 1,000,000 eur (one million) Euro with a repayment period of maximum 10 years. The loan agreement is concluded on 26.10.2021

**09.11.2021** – in this Meeting the Board of Directors approved:

- individual and consolidated financial statements as at 30.09.2021
- the start of construction works of two buildings (20 apartments) on the site in Sibiu - Bulevardul Victoriei No. 42-44 based on the building permit and the signature by the authorized persons of the contracts and other documents related to the two constructions.

It also approves the start of the construction works by the affiliated company Arini Hospitality SRL of the Mercure Ibis Hotel Project according to the building permit issued by the Sibiu City Hall. The administrator of the affiliated company is empowered to negotiate and sign in the name and on behalf of Arini Hospitality SRL the contact with the general contractor and any other contracts necessary for the construction.

In addition, during the same meeting the Board of Directors by decision 115/12.11.2021 decided:

- approve the supplement of the credit ceiling in the amount of EUR 8,000,000 approved according to the AGEA resolution no. 7/12.11.2020 for the development by the affiliated company Arini Hospitality SRL of the Hotel Project Mercure Sibiu Park Arini & Ibis Styles Sibiu Park Arini, with the amount of EUR 1,500,000 of which the amount of RON 3,800,000 will be a short-term revolving credit for VAT financing related to the investment, and the amount of EUR 700,000 will supplement the investment credit in the amount of EUR 8,000,000.
- approves the guarantee of the additional loan amounting to EUR 1,500,000 to be contracted by Arini Hospitality SRL with movable and immovable property belonging to the affiliated company Arini Hospitality SRL, including the immovable property registered in the Sibiu land register no. 131805.aprobă garantarea de către Compa S.A., a creditului suplimentar în valoare de 1.500.000 euro care va fi contractat de Arini Hospitality SRL, fie în calitate de garantat fie în calitate de co-debitor, în cazul în care băncile finantatoare vor solicita aceasta.



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- approves the guarantee of the loan to be contracted by Arini Hospitality SRL for the financing of state aid, for which there is approval according to the AGEA resolution no. 80 art. 4/09.09.2021, with movable and immovable assets from the patrimony of the affiliated company Arini Hospitality SRL, including the immovable asset registered in the land register Sibiu no. 131805.
- Approves the contracting, taking into account the resolutions of the AGEA Compa S.A. no. 7 and 8 of 12.11.2020, the resolution of the AGEA Compa S.A. no. 80 art. 4 and 5 of 09.09.2021, as well as the resolutions of the Board of Directors in art. 10, 11, 12 and 13 of the decision no. 115/12.11.2021 , by the Affiliated Company Arini Hospitality SRL of some bank loans in order to finance and develop the Hotel Project Mercure Sibiu Park Arini & Ibis Styles Sibiu Park Arini thus:
  - Bank loan amounting to EUR 8,700,000 for investment
  - Revolving bank loan for a maximum amount of 7.450.000 lei for state aid financing
  - Revolving bank loan of 3.800.000 lei for VAT financing of the investment
  - as well as guaranteeing these bank loans with movable and immovable assets from the company's assets, including the real estate registered in CF 131805 Sibiu.
- approves the mandate of the administrator Arini Hospitality SRL, to sign with the financing bank, in the name and on behalf of the company, the loan and guarantee contracts
- approves the mandate of the General Manager of Compa S.A. and the Economic Manager of Compa S.A. to sign, in the name and on behalf of Compa S.A. as co borrower, according to the AGEA decision no. 80 art. 6/09.09.2021, the financing contracts concluded with Arini Hospitality SRL.

**19.11.2021** - Following the decisions of the Board of Directors on 09.11.2021, on 19.11.2021 3 credit agreements are concluded between BRD Groupe Societe Generale S.A. and Arini Hospitality SRL, as follows:

- credit ceiling contract in the amount of EUR 8,700,000, secured by assets of Arini Hospitality SRL. Compa is co-obligor for this loan.
- bridge loan contract in the amount of 7,450,000 lei for the financing/financing of the construction costs of the Hotel Project,
  - secured by assets from Arini Hospitality's patrimony.
- a ceiling loan contract on the amount of RON 3,800,000 for VAT financing, secured by assets belonging to Arini Hospitality.
- We mention that the Individual Annual Report for 2021 contains a detailed presentation of the events recorded in the activity of the parent company, Compa.

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## 5. INTRA - GROUP TRANSACTIONS IN THE PERIOD 2019-2021

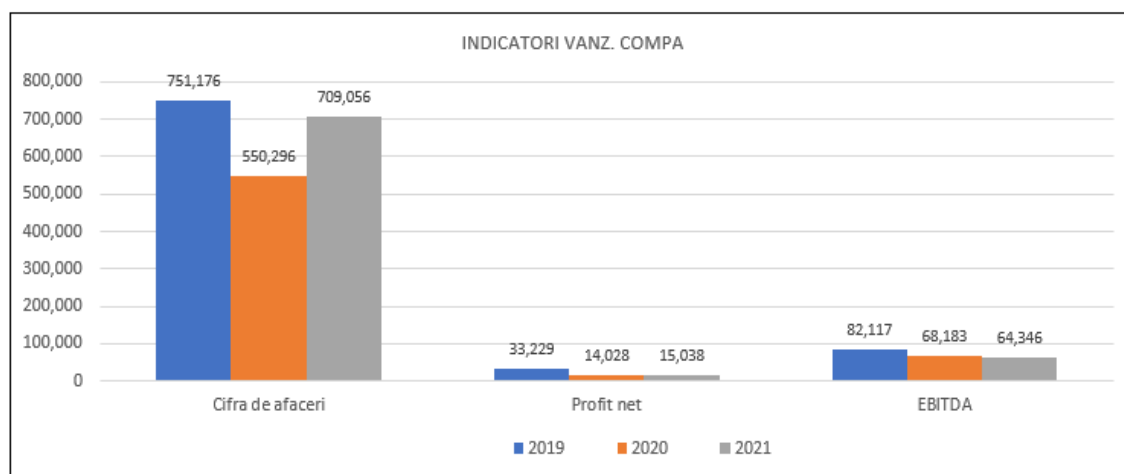
The transactions carried out in 2021 and 2020 between the group companies were as following:

Explanation:	2021			2020			2019		
	LOAN GRANTED TO AFFILIATES	PURCHASE OF GOODS AND SERVICES	SALES OF GOODS AND SERVICES	LOAN GRANTED TO AFFILIATES	PURCHASE OF GOODS AND SERVICES	SALES OF GOODS AND SERVICES	LOAN GRANTED TO AFFILIATES	PURCHASE OF GOODS AND SERVICES	SALES OF GOODS AND SERVICES
TRANSCAS S.R.L.	0	16,767,657	453,461	0	13,123,015	463,161	0	18,268,690	420,995
COMPA IT S.R.L.	0	2,846,123	47,365	0	2,638,111	42,312	0	2,983,330	42,985
RECASERV S.R.L.	0	1,299,848	12,578	0	1,100,203	50,566	0	1,629,561	58,696
ARINI HOSPITALITY S.R.L.	500,887	0	832,699	0	0	0	0	0	0

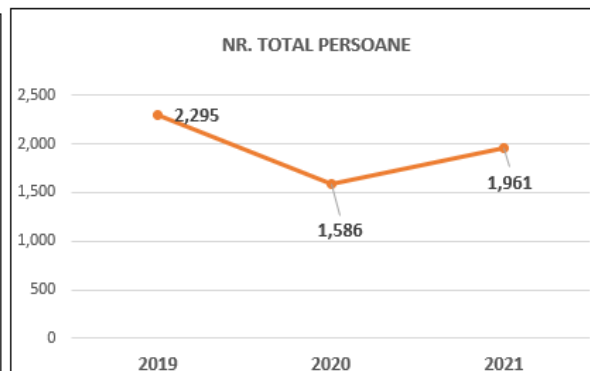
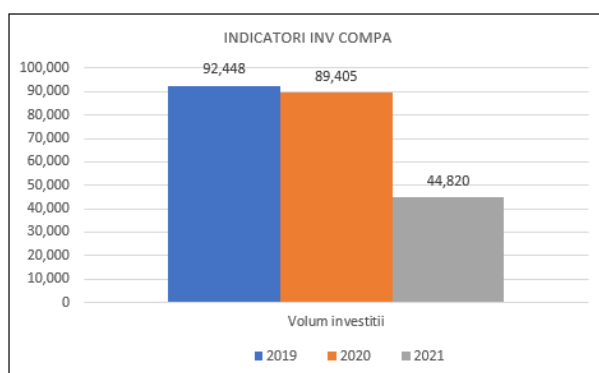
The relations were conducted on commercial free market terms, the price being agreed by negotiation within market levels.

## 6. MAIN ECONOMIC - FINANCIAL INDICATORS OF THE COMPA GROUP

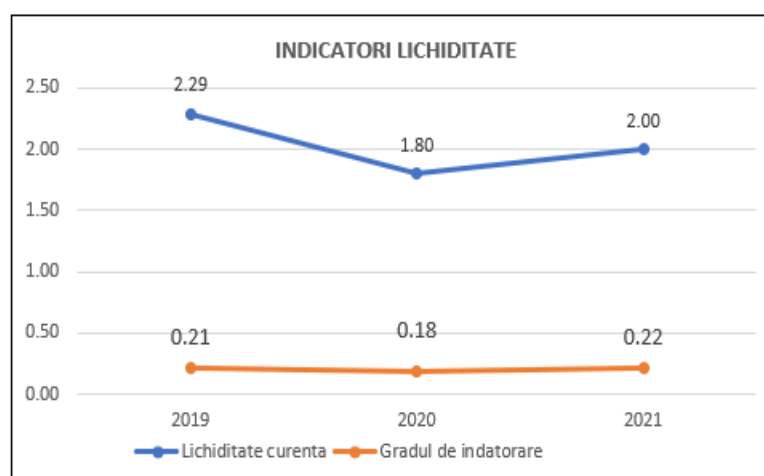
Indicator	UM	2019	2020	2021
Turnover	Thd.Lei	751,176	550,296	709,056
Net profit	thd.Lei	33,229	14,028	15,038
EBITDA	thd.Lei	82,117	68,183	64,346
Investment volume	thd.Lei	92,448	89,405	44,820
Average number of staff	pers	2,295	1,586	1,961



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Liquidity indicators	UM	2019	2020	2021
Current liquidity		2.29	1.80	<b>2.00</b>
Degree of indebtedness		0.21	0.18	<b>0.22</b>



## 7. MAIN INDIVIDUAL INDICATORS OF GENERAL EVALUATION OF THE ACTIVITY OF THE ENTITIES WITHIN THE GROUP

### a) COMPA S.A. Sibiu

INDICATOR	UM	2019	2020	2021
Turnover	Lei	746,729,484	547,121,134	<b>705,725,717</b>
Net profit	Lei	32,708,709	13,919,766	<b>15,058,967</b>
Total assets	Lei	723,600,553	732,718,926	<b>781,234,401</b>
Total liabilities	Lei	248,709,990	245,081,415	<b>283,890,023</b>
Average number of staff	Pers.	2,190	1,495	<b>1,879</b>

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## b) COMPA IT SRL. Sibiu

INDICATOR	UM	2019	2020	2021
Turnover	Lei	2,509,617	2,216,900	2,391,700
Net profit	Lei	71,031	25,072	20,116
Total assets	Lei	981,524	1,010,033	1,025,395
Total liabilities	Lei	186,237	189,675	184,921
Average number of staff	Pers.	9	9	9

## c) TRANS C.A.S. S.R.L. Sibiu

INDICATOR	UM	2019	2020	2021
Turnover	Lei	19,440,689	14,460,846	17,698,303
Net profit	Lei	375,698	191,018	326,323
Total assets	Lei	8,023,920	8,431,945	6,951,592
Total liabilities	Lei	2,335,211	2,553,980	1,475,300
Average number of staff	Pers.	56	49	49

## d) RECASERV SRL Sibiu

INDICATOR	UM	2019	2020	2021
Turnover	Lei	2,179,623	1,146,979	1,245,289
Net profit	Lei	73,970	-107,979	169
Total assets	Lei	787,147	615,242	643,365
Total liabilities	Lei	166,583	102,658	130,612
Average number of staff	Pers.	40	33	25

## e) ARINI HOSPITALITY SRL Sibiu

INDICATOR	UM	2019	2020	2021
Turnover	Lei			27,639
Net profit	Lei			-367,347
Total assets	Lei			35,233,541
Total liabilities	Lei			15,897,888

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Average number of staff	Pers.	1
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## 8. TANGIBLE ASSETS OF THE GROUP

### 8.1. Tangible fixed assets and investment property

The Group owns the following categories of property, plant and equipment and investment property, shown in the table below (net value):

EXPLANATIONS	2019	2020	2021
Land and buildings	134,682,902	132,018,634	158,976,083
Equipment and vehicles	212,038,365	210,075,798	230,567,673
Other property, plant, and equipment	593,592	519,619	734,634
Tangible assets in progress	38,173,604	78,038,056	41,626,683
Real estate investments	65,494,195	66,242,388	39,749,495
<b>TOTAL INTANGIBLE ASSETS</b>	<b>450,982,658</b>	<b>486,894,495</b>	<b>471,654,568</b>

### 8.2. Degree of wear of Group properties

The degree of wear and tear of the Group's property, plant and equipment over the period 2019 -2021 is shown in the following table:

EXPLANATIONS	2019	2020	2021
<b>Constructions:</b>			
Inventory value	90,834,202	94,365,644	118,309,975
Remaining value	90,834,202	88,169,934	105,992,383
Wear	0	6,195,710	12,317,592
Degree of wear (%)	0.00	6.57	10.41
<b>Equipment and vehicles</b>			
Inventory value	588,436,846	628,916,878	667,062,828
Remaining value	212,038,365	210,075,798	230,568,673
Wear	376,398,481	418,841,080	436,494,155
- Degree of wear (%)	63.97	66.60	65.44
<b>Other property, plant and equipment</b>			
Inventory value	1,689,616	1,672,915	1,922,932
Remaining value	593,592	519,619	734,634
Wear	1,096,024	1,153,296	1,188,298
Degree of wear (%)	64.87	68.94	61.80

The entire area of land included in the accounting records is owned by the Group, being registered and recorded in the "Land Register", and there are no problems of ownership of tangible assets, i.e. land, buildings and equipment.

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## 9. FINANCIAL AND ACCOUNTING SITUATION OF THE GROUP

### 9.1. Main balance sheet items and their evolution over the last three years

EXPLANATIONS	2019	2020	2021
Fixed assets	459,776,300	498,646,738	<b>493,637,032</b>
Current assets	267,980,731	235,719,119	<b>306,122,688</b>
Equity	479,712,445	492,969,097	<b>502,683,179</b>
Long-term debt	131,139,682	110,328,247	<b>143,673,974</b>
Current debts	116,904,903	131,068,513	<b>153,402,568</b>

### 9.2. Statement of revenue and expenditure in the period 2019-2021:

EXPLANATIONS	2019	2020	2021
Operating income	772,347,126	561,167,381	726,439,819
Operating expenses	734,779,645	542,920,930	705,427,413
<b>Operating result</b>	<b>37,567,481</b>	<b>18,246,451</b>	<b>21,012,406</b>
Financial income	2,300	8,544	2,714
Financial expenses	3,401,616	3,125,286	2,901,966
<b>Financial result</b>	<b>-3,399,316</b>	<b>-3,116,742</b>	<b>-2,899,252</b>
Total income	772,349,426	561,175,925	726,442,533
Total expenses	738,181,261	546,046,216	708,329,379
<b>Gross result</b>	<b>34,168,165</b>	<b>15,129,709</b>	<b>18,113,154</b>
<b>Profit tax</b>	<b>938,758</b>	<b>1,101,832</b>	<b>3,074,926</b>
Net result	33,229,407	14,027,877	<b>15,038,228</b>
Attributable to non-controlling interests	22,579	-32,197	3,314
Attributable to the parent company	33,206,828	14,060,074	15,034,914

### 9.3. Statement of cash flows in the period 2019-2021:

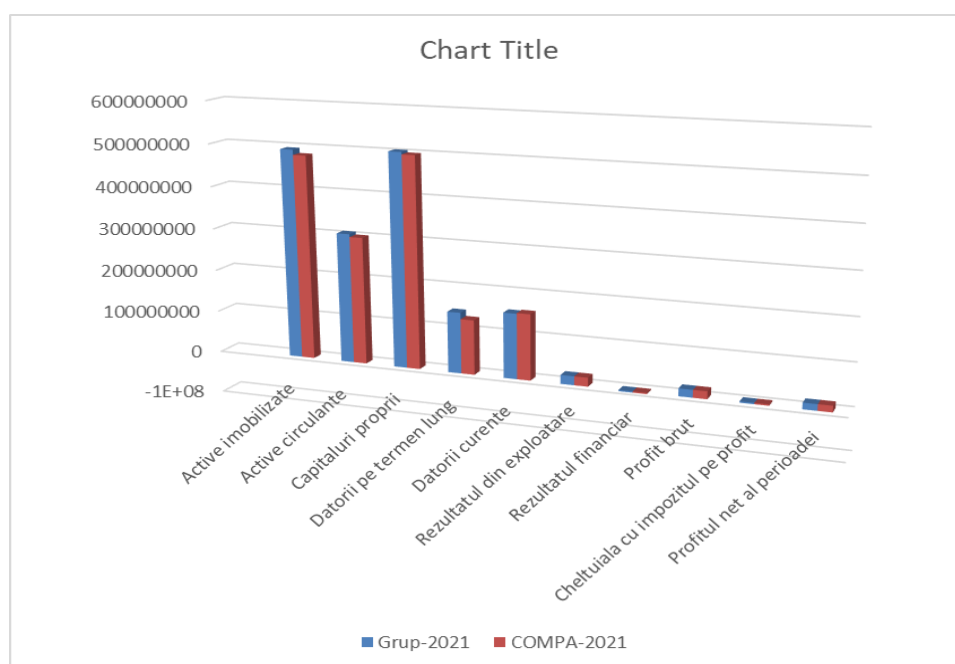
Indicator	2019	2020	2021
Net cash generated from operations	58,403,450	92,041,993	<b>34,829,175</b>
Net cash generated from investment activities	-92,447,734	-89,405,393	<b>-44,820,186</b>
Net cash generated from financial activity	39,738,281	-9,347,312	<b>21,860,785</b>
Net cash flow	5,693,997	-6,710,712	<b>11,869,774</b>
Cash at the beginning of the period	3,267,685	8,961,682	<b>2,250,970</b>
Cash at the end of the period	8,961,682	2,250,970	<b>14,120,744</b>

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## 9.4. Comparison of the main group indicators - parent company in the period 2019-2021

INDICATORS	COMPA-2019	COMPA-2020	COMPA-2021	Grup-2019	Grup-2020	Grup-2021
Fixed assets	459,369,318	499,027,837	<b>481,668,764</b>	459,776,300	498,646,738	<b>493,637,032</b>
Current assets	264,231,234	233,691,089	<b>299,565,637</b>	267,980,730	235,719,119	<b>306,122,688</b>
Equity	474,487,208	487,637,511	<b>497,344,378</b>	479,712,445	492,969,097	<b>502,683,179</b>
Long-term debt	130,692,268	110,156,394	<b>128,710,606</b>	131,139,682	110,328,247	<b>143,673,974</b>
Current debts	118,421,077	134,925,021	<b>155,179,418</b>	116,904,903	131,068,513	<b>153,402,568</b>
Operating result	36,892,570	18,072,460	<b>20,931,371</b>	37,567,481	18,246,451	<b>21,012,407</b>
The financial result	-3,366,604	-3,098,764	<b>-2,899,110</b>	-3,399,316	-3,116,741	<b>-2,899,252</b>
Gross profit	33,525,966	14,973,695	<b>18,032,260</b>	34,168,165	15,129,709	<b>18,113,154</b>
Income tax expense	817,257	1,053,929	<b>2,973,293</b>	938,758	1,101,832	<b>3,074,926</b>
Net profit for the period	32,708,709	13,919,766	<b>15,058,967</b>	33,229,407	14,027,877	<b>15,038,228</b>





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## 10. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.12.2021

### 10.1. Consolidated statement of financial position for the year ended 31.12.2021

All amounts are expressed in lei, unless otherwise specified)

	<u>Note</u>	<u>31.12.2021</u>	<u>31.12.2020</u>
<b>ASSETS</b>			
<b>FIXED ASSETS:</b>			
Tangible assets	4.1.	431,906,073	420,652,107
Intangible assets	5	9,258,898	8,672,020
Real estate Investment	4.2.	39,749,495	66,242,388
Other receivables grants and settlement of ventures operations)	6	12,465,269	1,224,822
Other receivables	7	122,718	121,233
Deferred tax asset	11	134,578	1,734,168
<b>FIXED ASSETS - TOTAL</b>		<b>493,637,032</b>	<b>498,646,738</b>
<b>CURRENT ASSET:</b>			
Inventories	9	142,448,316	91,644,187
Trade and other receivables	6	141,646,233	139,630,810
Other receivables grants and settlement of ventures operations)	6	7,907,396	2,193,152
Cash and cash equivalents	10	14,120,744	2,250,970
<b>CURRENT ASSETS - TOTAL</b>		<b>306,122,688</b>	<b>235,719,119</b>
<b>TOTAL ASSETS</b>		<b>799,759,720</b>	<b>734,365,856</b>
<b>EQUITY:</b>			
Share capital	12	21,882,104	21,882,104
djustments to share capital	12	-715,325	-250,338
Reserves	12	376,063,500	367,435,461
Reserves adjustment	12	23,150,986	23,151,094
Retained earnings	12	67,058,412	66,530,853
Current result	12	15,034,914	14,060,074
Minority interests	12	208,588	159,849
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>502,683,179</b>	<b>492,969,097</b>
<b>Datorii pe termen lung:</b>			
Financial debts	13	102,360,850	80,989,753
Deferred revenues (deferred income, grants)	14	41,088,479	29,202,849
Provisions	15	224,645	135,645
<b>TOTAL LONG-TERM DEBT</b>		<b>143,673,974</b>	<b>110,328,247</b>
<b>Long term debt:</b>			
Financial debts	13	14,390,660	12,506,659
Trade and similar debts;	14	110,179,139	93,954,615
Other debts	14	13,638,221	13,610,672
Liabilities under contracts with customers		9,051,042	3,408,686
Current tax liabilities	11	28,155	921,847
Prepaid income (prepaid income, subsidies)	15	6,115,351	6,666,033
<b>TOTAL CURRENT DEBTS</b>		<b>153,402,568</b>	<b>131,068,513</b>
<b>TOTAL DEBTS</b>		<b>297,076,541</b>	<b>241,396,759</b>
<b>TOTAL EQUITY AND DEBTS</b>		<b>799,759,720</b>	<b>734,365,856</b>

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## 10.2 CONSOLIDATE Statement of comprehensive income for the year ended 31.12.2021

(All amounts are expressed in RON, unless otherwise specified)

	<u>Note</u>	<u>31.12.2021</u>	<u>31.12.2020</u>
Revenues	15	709,056,249	550,295,855
Other revenues	15	17,383,570	10,871,526
<b>TOTAL REVENUES</b>		<b>726,439,819</b>	<b>561,167,381</b>
Changes in inventories of finished goods and work in progress	16	15,752,740	-2,916,666
Raw materials and consumables	16	-489,931,428	-341,160,191
Employee benefit expense	18	-152,965,533	-120,720,209
Depreciation and amortization expense	4,5,16	-44,838,585	-52,284,574
Third parties services	16	-27,763,846	-20,180,927
Other expenses	16	-5,680,760	-5,658,362
<b>TOTAL EXPENSES</b>		<b>-705,427,413</b>	<b>-542,920,930</b>
<b>Operating Results</b>	<b>17</b>	<b>21,012,407</b>	<b>18,246,451</b>
Financial income			
Financial expenses (expenditures)	19	2,714	8,544
Other financial returns / losses	19	-1,404,949	-768,447
<b>Net costs with funding</b>	<b>19</b>	<b>-1,497,017</b>	<b>-2,356,839</b>
<b>Profit before income tax</b>	<b>19</b>	<b>-2,899,252</b>	<b>-3,116,741</b>
Expenses) / Income from deferred tax			
Expense with current tax		<b>18,113,154</b>	<b>15,129,709</b>
<b>Total expense with Income tax</b>			
<b>Net profit for the period</b>	<b>10</b>	<b>-1,903,604</b>	<b>278,282</b>
Attributable to non-controlling interests	10	-1,171,322	-1,380,114
Attributable to the mother company		<b>-3,074,926</b>	<b>-1,101,832</b>
Other comprehensive income: Income tax related to other comprehensive income			
<b>Other income from comprehensive income, net of tax</b>		<b>15,038,228</b>	<b>14,027,877</b>
<b>TOTAL GLOBAL RESULT OF THE YEAR therein:</b>		<b>3,314</b>	<b>-32,197</b>
Attributable to non-controlling interests		15,034,914	14,060,074
Attributable to the mother company			
<b>Unconsolidated result per base/diluted action</b>	<b>10</b>	<b>304,014</b>	<b>288,506</b>
<b>Operating Results</b>		<b>304,014</b>	<b>288,506</b>
Financial income			
Financial expenses (expenditures)		<b>15,342,242</b>	<b>14,316,383</b>
Other financial returns / losses		3,534	-32,198
<b>Net costs with funding</b>		<b>15,338,708</b>	<b>14,348,581</b>
<b>Profit before income tax</b>			
Expenses) / Income from deferred tax	<b>20</b>	<b>0.07</b>	<b>0.06</b>

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## 10.3 CONSOLIDATE -Statement of changes in equity for the year ended 31.12.2021 31.12.2021 - All amounts are expressed in RON, unless otherwise specified

Equity capital item	Registered Capital	Adjustments related to own shares	Losses related to own shares	Legal reserve	Legal reserve adjustments	Revalued reserves	Other reseve	Other reserves adjustments	Reported Results	Totally attributable to the company's shareholders	Things that do not control	TOTAL
Balance at 01.01.2020	21,882,104	-64,910	-45,961	4,949,124	22,679,066	83,891,130	275,313,947	472,028	70,443,869	479,520,397	192,048	479,712,445
Profit for the year									14,060,074	14,060,074	-32,197	14,027,877
Other comprehensive income, of which:	0	0	0	0	0	0	288,506	0	0	288,506	0	288,506
Income tax relating to other comprehensive income							288,506	0		288,506		288,506
Transactions with shareholders, recognised directly in equity, of which:	0	-185,428	-874,303	11,005	0	0	3,902,748	0	-3,913,751	-1,059,729	-2	-1,059,731
Repurchase of own shares		-185,428							0	-185,428		-185,428
Losses related to repurchase of own shares			-874,303							-874,303		-874,303
Profit distribution				11,005			3,902,748		-3,913,751	2	-2	0
Balance at 31.12.2020	21,882,104	-250,338	-920,264	4,960,129	22,679,066	83,891,130	279,505,201	472,028	80,590,192	492,809,248	159,849	492,969,097

Equity capital item	Registered Capital	Adjustments related to own shares	Losses related to own shares	Legal reserve	Legal reserve adjustments	Revalued reserves	Other reseve	Other reserves adjustments	Reported Results	Totally attributable to the company's shareholders	Things that do not control	TOTAL
Balance at 01.01.2021	21,882,104	-250,338	-920,264	4,960,129	22,679,066	83,891,130	279,505,201	472,028	80,590,192	492,809,248	159,849	492,969,097
Profit for the year									15,034,914	15,034,914	3,314	15,038,228
Other comprehensive income, of which:	0	0	0	0	0	0	304,014	0	0	304,014		304,014
Income tax relating to other comprehensive income							304,014	0		304,014		304,014
Transactions with shareholders, recognised directly in equity, of which:	0	-464,987	-	-2,613	0	0	10,691,063	0	-13,531,780	-5,673,585	45,425	-5,628,160
Repurchase of own shares		-464,987							0	-464,987		-464,987
Losses related to repurchase of own shares			-							-2,365,268		-2,365,268
Profit distribution				-2,613			10,691,063		-13,531,780	-2,843,330	45,425	-2,797,905
Balance at 31.12.2021	21,882,104	-715,325	-	4,957,516	22,679,066	83,891,130	290,500,278	472,028	82,093,326	502,474,591	208,588	502,683,179

**10.4. Consolidated statement of cash flows for the year ended 31.12.2021**

All amounts are in lei unless otherwise specified

EXPLANATIONS	2021	2020
Cash flows from operating activities		
<b>Profit before tax</b>	<b>18,113,154</b>	<b>15,129,709</b>
Adjustments for non-monetary items:		
Depreciation and depreciation charges for fixed assets	44,838,585	52,284,574
Adjustment of other non-monetary items	20,652,427	-5,092,443
<b>Operating profit before other changes in working capital</b>	<b>83,604,166</b>	<b>62,321,840</b>
(Increases) / Decreases in stocks	-50,804,128	13,782,003
(Increases) / Decreases in receivables	-18,971,599	10,049,857
Increases /(Debt decreases)	21,000,735	5,888,293
<b>Net cash from operating activities</b>	<b>34,829,175</b>	<b>92,041,993</b>
Cash flows from investment activity	-43,417,222	-87,479,149
Acquisitions of property, plant and equipment	-1,402,964	-1,926,244
Acquisitions of intangible assets	<b>-44,820,186</b>	<b>-89,405,393</b>
Net cash generated from investment activities	23,255,098	-8,578,865
Cash flows from financial activity	-1,394,313	-768,447
(Increases) / Decrease bank loans	<b>21,860,785</b>	<b>-9,347,312</b>
<b>Interest payments</b>	<b>11,869,774</b>	<b>-6,710,712</b>
<b>Net cash generated from financial activity</b>	<b>2,250,970</b>	<b>8,961,682</b>
<b>Net cash generated from total activity</b>	<b>14,120,744</b>	<b>2,250,970</b>

**10.5. Note explicative la situatiile financiare consolidate pentru anul incheiat la 31.12.2021**
**1. GENERAL INFORMATION**
**a) COMPA parent company**

COMPA is a joint-stock company with registered office in Sibiu, 8 Henri Coandă Street, P.O. Box 550234.

**Domain of activity**

The company's field of activity: design, production and marketing of components for the manufacture of passenger cars, transport vehicles, buses, trailers, tractors, wagons, locomotives and various industrial machines, services and technical assistance.

The principal activity, according to the CAEN code is 2932 'Manufacture of other parts and accessories for motor vehicles and their engines'.

**Form of ownership**

COMPA S.A. has been 100% privatised since September 1999. The company is listed, the shares are traded on the Bucharest Stock Exchange in the Standard category, symbol CMP.

**Evolution of the company**

By Government Decision no.1296/13.12.1990 the company became S.C.COMPA S.A., coming from Intreprinderea de Piese Auto Sibiu (I.P.A.Sibiu). I.P.A. Sibiu was founded in 1969 by merging two units: Uzina Elastic and Uzina Automecanica Sibiu.

Since 1991, COMPA has been organised in factories / workshops, constituted by product families as cost centres, which over time have become profit centres, with the aim of decentralisation and facilitating the creation of joint ventures.

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Financial investments of company COMPA S.A. as "Parent Company", representing equity securities as shares or stocks owned in commercial entities are presented in the table below:

Societatea la care se dețin titlurile	Sediul social	Valoarea titlurilor deținute de COMPA (lei)	% in capitalul social
COMP A I.T. S.R.L.	Str.Henri Coandă nr.8, Sibiu, jud.Sibiu	200,000	100.00
TRANS C.A.S. S.R.L.	Str.Henri Coandă nr.12, Sibiu, jud.Sibiu	742,500	99.00
RE CASERV S.R.L.	Str.Henri Coandă nr.51, Sibiu, jud.Sibiu	70,000	70.00
ARINI HOSPITALITY SRL	Str.Henri Coandă nr.8, Sibiu, jud.Sibiu	19,703,000	100.00
<b>TOTAL</b>		<b>20,715,500</b>	

The management of the company was provided by a Board of Directors consisting of:

- Deac Ioan – Chairman & CEO
- Miclea Ioan – Member of the Board
- Maxim Mircea-Florin – Member of the Board
- Balteș Nicolae – Member of the Board
- NEACȘU Vlad- Nicolae – Member of the Board

## b) Subsidiaries

**COMP A I.T. S.R.L.** with registered office in Sibiu, str.Henri Coandă nr.8,jud.Sibiu. The company was established in 2001, being registered at the Trade Register with no.J32/17/2001, CUI 13656016.

The purpose of the establishment was to design and implement an integrated computer system for the parent company, according to the existing international standards and to ensure the requirements imposed by the organization of COMPA's profit centers, as well as to ensure an extensive computer network throughout COMPA.

The object of activity, according to the CAEN code is 6201 - 'Custom software development activities'.

The company's share capital is RON 200,000, wholly owned (100%) by COMPA S.A. The company's administrator is Mr. Acu Florin-Ștefan.

**TRANS C.A.S. S.R.L.** with registered office in Sibiu, str.Henri Coandă nr.12, Sibiu county. The company was established in 2002, being registered at the Trade Register under number J32/633/2002, CUI 14836511. The reason for setting up the company was to outsource the activity of car transport, initially existing within the company COMPA, in order to expand and develop this activity different from the activity profile of COMPA. TRANS C.A.S. S.R.L. currently owns more than 60 vehicles, of which an important share is held by Mercedes-type tractor-trailers with a capacity of more than 20 tons payload, intended for the transport of materials and finished products both for COMPA and for other customers.

The company's main activity, according to CAEN code 4941 'Freight transport by road'..

In September 2021, according to Hot. Extraordinary Shareholders' Meeting of Compa SA of 12.11.2020, as well as the Decision of the Extraordinary Shareholders' Meeting of Compa SA of 12.11.2020. Extraordinary Meeting of Shareholders Trans-Cas SRL of 12.01.2021, the share capital of Trans-Cas SRL was decreased from 1,500,000 lei to 750,000 lei. The share capital of the company was divided into 30,000 shares, in the amount of 25 lei/share.

On 31.12.2021 the shareholding structure was:

- The company COMPA S.A. holds a number of 29,700 shares, worth RON 742,500.

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- Maxim Mircea Florin and Mihăilă Daniela, natural persons, hold a total of 300 shares worth RON 7,500.

The company is managed by Maxim Mircea-Florin - administrator.

**RECASERV S.R.L.** with registered office in Sibiu, Str.Henri Coandă nr.51, Sibiu county, established in 2004, being registered at the Trade Register with nr.J32/704/2004, CUI 16408228. The purpose of setting up the company was to outsource from the parent company (COMPAS S.A.) some activities different from its main activity profile, such as: public catering through the canteen and microcanteens operating within COMPAS. By setting up RECASERV S.R.L. with a catering profile, the conditions for the development of this activity were ensured by adding secondary services (catering and cleaning services).

The main object of activity, according to CAEN code 5629 "Other food service activities n.e.c.", consisting of catering services for employees of COMPAS S.A. and other companies in Sibiu, organization of events with a catering profile for companies and educational establishments in Sibiu.

The share capital of the company is 100,000 RON held by:

- Company COMPAS S.A.Sibiu ,in a percentage of 70%.
- Boroş Daniela, natural person, in a percentage of 30%.

RECASERV S.R.L. Sibiu holds in COMPAS S.A. Sibiu a number of 649,100 shares worth RON 64,910 purchased through trading on the BVB which are recorded in the Financial Statements of the company as of 31.12.2021.

The administrator of the company is Mrs. Boroş Daniela.

**ARINI HOSPITALITY S.R.L.** with registered office in Sibiu, Str.Henri Coandă nr.8, Sibiu County, was established in 2021, being registered at the Trade Register with nr. J32/77/2021, CUI 43581594. The purpose of the company's establishment was to carry out hotel activity, following the development of the construction project of the Ibis-Mercure hotel complex.

The object of activity, according to the CAEN code is 5510 - "Hotels and similar accommodation activities".

The share capital of the company is 19,703,000 RON, wholly owned (100%) by COMPAS S.A. The administrator of the company is Mr. Baiasu Dan-Nicolae.

## 1. BAZELE ÎNTOCMIRII

### 1. BASIS OF PREPARATION

#### **Declaration of Conformity**

The financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the European Union ("EU") and with Ministry of Finance Order no. 2.844/2016. The Group adopted IFRS reporting from the financial statements of 2012.

#### **The principle of business continuity**

The separate financial statements have been prepared on a going concern basis, which implies that the Group will be able to operate under normal conditions.

#### **Basis of measurement**

The financial statements have been prepared on a historical cost basis, except for certain tangible assets that are measured at re-valued amount or fair value as explained in the accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

#### **Presentation currency and functional currency**

The financial statements presented in Romanian **lei** (RON), rounded to the nearest value, which is the functional currency of the group.

#### **Use of estimates and judgments**

Preparation of financial statements in accordance with IFRS as adopted by the European Union implies the use by management of estimates, judgment and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates and judgments are generally based



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on historical information and other sources believed to be representative of the situations encountered. Actual results may differ from these estimates.

Estimates and assumptions are reviewed periodically. Revisions to accounting estimates are recognized in the period in which the estimate is revised also in future periods if they are affected.

Modification of estimations does not affect prior periods and is not a correction of an error.

Information about critical judgments in applying the Group's accounting policies whose effect is significant on the amounts recognized in the financial statements included in the notes on:

- **Tangible and intangible assets – operational life time of tangible assets**

Tangible and intangible assets are depreciated over their operational life.

Group management uses judgment in determining the operational life time and the evidence used to determine this life time include technical specifications of equipment, information from commercial contracts that the Group has entered into with customers, history of products sold, market information relating to Group's products and the ability to adapt their equipment.

- **Tangible and intangible assets – Adjustments for impairment of tangible assets.**

Intangible assets and equipment are analyzed to identify any indications of impairment at balance sheet date.

If the carrying amount of an asset exceeds the recoverable amount, an impairment loss is recognized to reduce the carrying amount of the asset to its recoverable amount. If the reasons for recognizing an impairment loss disappear in subsequent periods, the carrying value of the asset is increased to the net carrying amount that would have been determined had no impairment loss had been recognized.

Evidence that may cause impairment includes a decline in usefulness to society, excessive physical wear, the emergence of new production technologies.

- **Deferred taxes**

Deferred tax assets are recognized as assets to the extent that it is probable that there will be taxable profit that can be covered losses. The Group's management uses judgment in determining the value of deferred tax assets that can be recognized as assets. Management decisions are based on information from commercial contracts that the Group has entered into with customers, market forecasts for the automotive and automotive components.

- **Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation generated from a past event it is likely to be required for settlement of the obligation an outflow of resources embodying economic benefits and can be a reliable estimate of the realizable value of the obligation. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation to the end of the reporting period.

- **The recoverable amount of assets**

The evaluation for impairment of receivables is performed individually and is based on management's best estimate of the present value of cash flows expected to be received. The Group reviews its trade and other receivables at each financial position date to assess whether necessary to record in the income statement depreciated value. In particular, management judgment is necessary to estimate the value and coordination of future cash flows when determining the impairment loss.

An impairment loss is recognized if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount.

These estimates are based on assumptions about several factors and actual results may differ, resulting in future changes in adjustments.



#### - Valuation at fair value of financial instruments

When the fair value of financial assets and liabilities reflected in the statement of financial position can not be measured on the basis of quoted prices on active markets, their fair value is measured using valuation techniques, including the updated cash flow model. The assumptions in these models are taken from available market information, but when it is not possible, judgments are needed to determine fair value. Reasoning includes the determination of assumptions such as credit risk and volatility.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU")

#### 3.1 New standards and interpretations effective in the current period and adopted by the Group from and including 1 January 2021

**Amendments to IFRS 4 Insurance Contracts - deferral of IFRS 9.** The Group's consolidated financial statements are not impacted by the entry into force of the amendments.

**Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Reform of benchmark interest rates - Phase 2.** The Group's consolidated financial statements are not impacted by the entry into force of the amendments.

Amendment to IFRS 16 Leases for Covid 19 pandemic concessions (Amendment is effective from 1 April 2021). The Group's consolidated financial statements are not impacted by the entry into force of the amendments.

#### 3.2. Standards and Interpretations issued by the IASB and adopted by the EU but not yet in force and the Group does not apply them early:

At present, IFRS adopted by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB) except for the following standards, amendments to existing standards and interpretations, which have not been endorsed for use:

**IFRS 17 'Insurance Contracts'** (effective under the IASB for annual periods beginning on or after 1 January 2023) The Group considers the implications of the standard, the impact of the standard on the financial statements and the timing of its adoption.

**Amendments to IFRS 3, IAS 16, IAS 37 and Annual Improvements to IFRSs - 2018-2020 Cycle**, all issued on 14 May 2020 (effective for annual periods beginning on or after 1 January 2022). The Group considers the implications of the standard, the impact of the standard on the financial statements and the timing of its adoption.

#### 3.3. Standards and Interpretations issued by the IASB but not yet adopted by the EU

Currently, IFRS adopted by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB) except for the following standards, amendments to existing standards and interpretations, which have not been endorsed for use:

**Amendments to IAS 1 - "Classification of liabilities as current or non-current"**. The Group considers the implications of the amendments, the impact of the amendments on the financial statements and the timing of their adoption.

**Amendments to IAS 1 and IFRS Statement of Practice 2 - "Presentation of accounting policies"**. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. An entity will be required to present its material accounting policy disclosures instead of its significant accounting policies. The amendments clarify what is a material accounting policy and provide examples of when accounting policy disclosures may be material. The Group considers the implications of the amendments, the impact of the amendments on the financial statements and the timing of their adoption.

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**Amendments to IAS 8 - "Changes in Accounting Estimates and Errors: Definition of Accounting Estimates".** The Group analyses the implications of the amendments, the impact of the amendments on the financial statements and the timing of their adoption.

**Amendments to IAS 12 - "Deferred tax assets and liabilities arising from a single transaction".** The Group is analysing the implications of the amendments, the impact of the amendments on the financial statements and the timing of their adoption.

**Amendments to IFRS 17 "Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information".** The Group analyses the implications of the amendments, the impact of the amendments on the financial statements and the timing of their adoption.

Except as described above, the Group expects that the adoption of the new standards, revisions and interpretations will not have a material impact on the Group's financial statements.

## **Basis for consolidation**

### ***Business combinations***

Business combinations are accounted for using the purchase method at the acquisition date. The acquisition date is the date on which control is transferred to the buyer. Control is the power to determine the financial and operating policies so as to obtain benefits from its activities. In assessing control, the Group considers potential voting rights that are currently enforceable.

Professional judgment is applied to determine the acquisition date and whether the control transferring between the parties has occurred.

The Group assesses goodwill at fair value of the consideration transferred including the recognized value of interests without control in the acquired entity, minus the net amount recognized (fair value) of the identifiable assets acquired and liabilities assumed, all measured at the date of acquisition. The consideration transferred includes the fair value of assets transferred, liabilities assumed by the Group to the previous shareholders of the acquired entity and equity instruments issued by the Group.

The compensation transferred includes the fair value of contingent compensation. A contingent liability of the Acquiree is assumed in a business combination only if such liability is a present obligation resulting from a past event and its value can be measured reliably.

### ***Controlling interests***

The Group assesses interests without control as part owned by minority shareholders in the Acquirer's identifiable net assets.

Transaction costs of the Group relating to a business combination, such as commission for brokering the transaction fees for legal consultancy services, the fees for the services of due diligence and other fees for professional services and consulting are recognized in profit or loss account when incurred.

The revised standard specifies that changes in shareholding of Parent Company in a subsidiary that do not result in loss of control must be recorded as equity transactions. Under the revised standard, acquisitions of interests without control are accounted for as transactions with equity holders in their capacity as owners and as a result of such transactions does not recognize goodwill. The result of these transactions is acknowledged by the Group within "Other reserves".

### ***Branches***

Subsidiaries represent all entities which the Group controls. The group controls a wholly owned entity when the entity authority, is exposed and is entitled to variable revenues based on stake and has the ability to lead and authority over the entity to influence the value of these revenues. The subsidiaries included in the consolidation from the date on which control is transferred to the group. Subsidiaries are excluded from consolidation from the date that control ceases. Accounting policies of subsidiaries have been changed where necessary, to be aligned with the policies adopted by the Group.

### ***Investments in associates (investments accounted for using the equity method)***

Associates are those entities over which the Group exercises significant influence but not control over financial and operating policies of the entity. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting rights in another entity. Joint ventures are those entities over whose activities the Group exercises joint control established by contractual agreement and requiring a unanimous agreement for taking decisions on financial and operational strategies.

Investments in associates are accounted for using the equity method and are initially recognized at cost. Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses.

The consolidated financial statements include the share for the group of revenues, expenditures and changes in equity of investments accounted for using the equity method, after adjustments to align the accounting policies with those of the Group, from the starting date until the date on which it ceases significant influence or control.

When the share of losses related to the Group exceeds its interest in investment accounted for under the equity method, the book value of the holding, including any long-term investment is reduced to zero and recognition of further losses is discontinued unless the Group has an obligation or made payments on behalf of the investee.

### ***Common commitments:***

A shared commitment is a commitment in which two or more parties have joint control.

The joint commitments are accounted for using the equity method. Based on the equity method, the investment in a joint arrangement is initially recognized at cost and the carrying amount is increased or reduced in order to recognize the group's profits or losses after acquisition and movement of other comprehensive income. When the part of losses within an association exceeds interests in association, the group does not recognize further losses, unless there are obligations or payments made on behalf of the association.

Earnings not coming from transactions between group and its associations are eliminated within the limit interest group in combination. Losses not realized are also eliminated unless the transaction proves prejudicial transferred asset.

### ***Transactions eliminated on consolidation***

Balances and transactions within the Group, and any unrealized profits or losses resulting from intra-group transactions are eliminated from the consolidated financial statements. Unrealized gains on transactions with associates accounted for using the equity method are eliminated in return for investment in the associate. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there are no indications of impairment.

### ***Conversion into foreign currencies***

When preparing individual financial statements of the Group, transactions in currencies other than the functional currency of the Group (currencies) are recognized current exchange rates at the dates of the transactions. Monetary items denominated in a foreign currency at the end of the reporting period are translated at exchange rates at that respective date. Non-monetary items carried at fair value that are denominated in a foreign currency are reconverted to current courses at once when the fair value was determined. Non-monetary items that are evaluated at historical cost in a foreign currency are converted at the date of transaction.

Exchange differences resulting from the conversion of monetary items at the end of the reporting period are recognized in profit or loss.

## Financial instruments

### *Non-derivative financial assets*

The Group recognizes the loans and debts at the date they are generated. All other financial instruments are recognized at the date of the transaction, which is the date when the Group becomes a party to the contractual provisions of the instrument. Financial assets are classified in loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, other than those that the Group intends to sell immediately or in the near future. Loans and receivables (including trade and other receivables, bank and cash balances, etc.) are generally held for the purpose of cashing cash flows under contracts and are measured at amortized cost using the effective interest method less any impairment.

Trade receivables are amounts to be collected from customers for the products sold and services provided in the course of the Group's business. They are generally cashed in short periods and are classified as current. Trade receivables are initially recognized at the amount of the unconditional consideration, except when they contain a material financing component when they are recognized at fair value.

### *Recognition and initial measurement*

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets (besides trade receivable without a significant financing component) are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial claims (others than financial assets and financial receivables at fair value through profit or loss) are added to or deducted from the fair value of financial assets or financial claims, as applicable at initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial claims at fair value through profit or loss are recognized immediately in profit or loss of the individual.

### *Classification and subsequent measurement*

#### **Financial assets**

On initial recognition, a financial asset is classified as measured at amortized cost; fair value through other of comprehensive income; or fair value through profit or loss

Financial assets are not reclassified subsequent to initial recognition unless the Group changes its business model for the management of its financial assets, in which case all those financial assets affected are reclassified.

A financial asset is measured at amortized cost if both of the following conditions are met and is not designated at fair value through profit or loss:

- the financial asset is held within a business model whose objective is to hold financial assets for the purpose of collecting contractual cash flows; and
- the contractual terms of the financial asset give rise, at certain dates, to cash flows that are exclusively principal payments and interest on the principal amount.

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met and is not designated at fair value through profit or loss:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise, at certain dates, to cash flows that are exclusively principal payments and interest on the principal amount.

All financial assets that are not measured at amortized cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

On initial recognition, the Group may irrevocably designate a financial asset at fair value through profit or loss if it thereby eliminates or significantly reduces an inconsistency in valuation or recognition that would otherwise result from the measurement of assets or liabilities or the recognition of gains and losses on different bases.

### **The Group's business model for managing financial assets**

The group makes an assessment of the business model objective in which a financial asset is held at a portfolio level because it best reflects how the business is managed and information is provided to management. The information considered includes:

- the policies and objectives declared for the portfolio and the functioning of these policies in practice. These include analysing whether the management strategy focuses on earning contract interest income, maintaining a specific interest rate profile, matching the duration of the financial assets to the duration of any expected debt or cash outflows, or making cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the management of the Group;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations of future sales activity.

### **Assessment whether contractual cash flows are solely principal and interest payments**

For the purposes of this assessment, the "principal" is defined as the fair value of the financial asset at initial recognition. "Interest" is defined as a consideration of the time value of money and credit risk associated with the amount of the principal to be cashed in a certain period of time, as well as for other core credit risks and costs and a profit margin.

In order to assess whether contractual cash flows are only capital and interest payments, the Group takes into account the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the time or amount of contracted cash flows so that it does not meet this condition

An advance payment feature is compatible with the criterion of principal and interest payment only, if the amount of the anticipated payment represents substantially the unpaid principal amounts and interest on the outstanding amount, which may include a reasonable additional compensation for early termination contract.

### **Subsequent valuation of financial assets**

After the initial recognition, the Group assesses a financial asset at amortized cost; at fair value through other elements of the comprehensive income; or at fair value through profit or loss.

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, gains and losses in foreign currency and depreciation are recognized in profit or loss. Any gain or loss from derecognition is recognized in profit or loss.

### **Impairment of financial assets**

The Group recognizes impairment adjustments for expected credit losses for:

- financial assets measured at amortized cost;
- contract assets.

Loss adjustment for trade receivables and contract assets are always measured at an amount equal to expected lifetime loss of credit.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and estimated credit loss, the Group considers reasonable and justifiable information that is relevant and available without undue cost or effort. These include quantitative and qualitative information and analysis, based on the Group's historical experience and including prospective information.

The Group considers that a financial asset is incapable of payment when:



- the borrower is unlikely to fully pay his credit obligations to the Group; or
- the financial asset is past 365 days after maturity.

Lifetime loss credit loss data is the expected credit loss resulting from all implicit events during the expected life of a financial instrument.

12 months credit loss represents the portion of expected credit losses resulting from the default events that are possible within 12 months of the reporting date (or a shorter period if the life of the instrument is less than 12 months).

The maximum period considered when estimating the expected loss of credit is the maximum contractual period that the Group is exposed to credit risk.

### ***Measuring the expected credit loss***

Expected credit losses are a probable estimate of loan losses. Credit losses are measured as the present value of the cash deficit (the difference between the cash flows due to the entity under the contract and the cash flows that the Group expects to receive).

### ***Financial assets impaired as a result of credit risk***

At each reporting date, the Group assesses whether financial assets at amortized cost and financial assets at fair value through other comprehensive income are affected by credit risk. A financial asset is "impaired as a result of credit risk" when one or more events occur that have a negative impact on the estimated future cash flows of the financial asset.

Evidence that a financial asset is impaired by credit includes the following observable data:

- significant financial difficulty of the debtor.
- a breach of contract, such as failure to fulfil obligations or exceeding by 90 days the due date: or
- the debtor is likely to go bankrupt or otherwise reorganize.

### ***Presentation of the adjustment for expected credit losses in the financial position***

Adjustments for financial assets measured at amortized cost are deducted from the gross carrying amount of assets. For financial assets at fair value through other comprehensive income, loss adjustments are recorded in the income statement and are recognized in Other comprehensive income.

### ***Removal off the balance sheet***

The gross carrying amount of a financial asset is removed when the Group has no reasonable expectation of recovering a financial asset in whole or in part. For individual clients, the Group has a policy to remove gross book value when the financial asset is 3 years after maturity, based on the historical experience of similar asset recoveries. For corporate clients, the Group makes an individual assessment of the timing and amount of the discount, depending on whether there is a reasonable expectation of recovery.

### ***Derecognition***

The Group derecognizes a financial asset when contractual rights expire to the cash flows from the asset or when the Group transfers the rights to receive contractual cash flows on the financial asset in a transaction that has transferred substantially all risks and rewards of ownership.

At derecognition of a financial asset, the difference between the asset's carrying amount and the consideration received is recognized in profit or loss.

### ***Financial liabilities***

The Group recognizes an initial financial liability at its fair value plus, in the case of a financial liability that is not at fair value through profit or loss, the transaction costs that can be directly attributed to the acquisition or issue of the financial instrument.

The Group classifies financial liabilities as subsequently measured at amortized cost or fair value through profit or loss. A financial liability is classified as held at FVTPL if it is classified as held for trading, is a

derivative instrument or is designated as such at initial recognition. The financial liabilities to FVTPL are measured at fair value and the net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Group recognizes a financial liability when the contractual obligations are concluded or when these obligations expire or are canceled. When a financial liability is derecognised, the difference between the carrying amount of a financial liability and the amount paid (including any unconsolidated assets transferred or liabilities assumed) is recognized in profit or loss.

Other financial liabilities include loans and borrowings, commitments, lines of credit and trade payables and other payables.

### ***Derivatives financial instruments***

A derivative is a financial instrument or other contract that falls under IFRS 9, which meets the following three characteristics: its amount changes in response to changes in certain interest rates, the price of a financial instrument, the price of the goods, the exchange rates, price indices or rates, credit rating or credit index or other variables, provided that in the case of a non-financial variable it is not specific to a party (sometimes referred to as the "base"); does not require any initial net investment or requires an initial net investment that is lower than would be required for other types of contracts that are expected to have similar effects to changes in market factors; and is settled at a future date.

### ***Capital instruments***

An equity instrument is any contract that creates a residual claim on the assets of an entity after deducting all of its liabilities.

When an equity instrument of the group is redeemed, the amount paid, which includes directly attributable costs, net of taxes, is recognized as a deduction from equity. The group does not recognize gain or loss in profit or loss on the purchase, sale, issuance, or cancellation of equity instruments.

### ***Tangible assets***

Tangible assets are valued for cost, deducting accumulated depreciation and accumulated impairment losses, except for land and buildings which are evaluated at revalued amount.

Revalued amount is the fair value of the asset on the date of the revaluation less any subsequent accumulated amortization and any accumulated impairment losses. Reassessment is done for the entire class of property (land, buildings).

The cost includes expenses directly attributable to acquisition of the intangible asset. Cost of an asset self-constructed include the cost of materials and direct labor, other costs attributable to bringing the asset to the place and in operation and the initial estimate of the costs of dismantling and removing the asset and restoring the placement and borrowing costs when there is an obligation of these costs.

When the Group depreciates separately some parts of an item of property, plant and equipment, it also depreciates separately the remainder of the item. What remains consist of parts of the item that are individually not significant.

Group revaluations performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an asset is reclassified as investment property, the property is revalued at fair value.

Gains arising from revaluation are recognized in the income statement only to the extent there is a loss of impairment of property, and any other remaining winnings recognized as other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognized immediately in profit or loss as.



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Subsequent costs are capitalized only when it is probable that expenditures will generate future economic benefits to the Group. Maintenance and repairs are expenses in the period.

Land is not depreciated. Depreciation is recognized in order to decrease the cost less residual values over their period of useful life using the straight-line method. Estimated useful lives, residual values and depreciation method are reviewed by Group management at the end of each period of reporting, taking into account the effect of all changes in accounting estimates.

The assets which are subject to a finance lease are depreciated over their useful life duration on the same basis as the assets owned or where the period is shorter, over the relevant period of the lease.

The estimated service lives for the current and comparative years of significant groups of property are:

Buildings	12-50 years
Plant and machinery	3-18 years
Other installations, equipment, and furniture	2-18 years

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying value, the carrying value of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment is recognized immediately in profit or loss if the asset is not accounted relevant at a revalued amount, in which case the impairment is treated as a revaluation decrease.

Tangible assets are derecognized as a result of a disposal or when no future economic benefits are expected from the continued use of the asset. Any gain or loss arising from retirement or disposal of an item of property and equipment is determined as the difference between sales proceeds and the carrying amount of the asset and is recognized in profit and loss in the period in which the derecognition.

## **Intangible assets**

### ***Recognition and Measurement***

For recognition of an item as an intangible asset the Group must demonstrate that the item meets:

(a) Definition of an intangible asset

- is separable, i.e. capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability correspondence; or
- arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the group or from other rights and obligations.

(b) Recognition criteria

- it is probable that future economic benefits expected to be assigned to asset will flow to the Group; and
- cost of the asset can be measured reliably.

An intangible asset is measured initially for cost. The cost of a separately acquired intangible asset comprises:

- a) purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- b) any directly attributable cost of preparing the asset for its intended use.

In some cases, an intangible asset may be acquired free of charge or for a symbolic consideration, through a government grant. The Group initially recognizes both the intangible asset and the grant at fair value.

The cost of internally generated intangible assets is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria. There cannot be reincorporated expenditures previously recognized as cost. The cost of internally generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management.

Examples of directly attributable costs are:

- a. the costs of materials and services used or consumed in generating the intangible asset.

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- b. costs of employee benefits arising from the generation of the intangible asset.
- c. fees to register a legal right; and
- d. amortization of patents and licenses that are used to generate the intangible asset.

To determine whether an internally generated intangible asset fulfills the criteria for recognition, an entity classifies the generation of the asset into:

- (a) a research phase;
- (b) a development phase.

If the group cannot distinguish between the research phase and the development of an internal project to create an intangible asset, the Group treats the expenditure on that project as expenses incurred exclusively in the research phase.

No intangible asset arising from research (or from the research phase of an internal project) should be recognized. Expenditure on research (or the research phase of an internal project) should be recognized as an expense when incurred.

An intangible asset arising from development is recognized if, and only if you can measure reliably the expenditure attributable to the intangible asset during its development, technical feasibility of completing the intangible asset so that it will be available for use or sale, management has the intent and ability to complete the intangible asset and use or sell it.

### ***Recognition of expenses***

Expenditure on an intangible item shall be recognized as an expense when incurred, except for those that are part of the cost of an intangible asset that meets the recognition criteria.

### ***Evaluation after recognition***

Group intangible assets accounted for by the cost model.

After initial recognition, an intangible asset shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

### ***Amortization***

The depreciable amount of an intangible asset with a finite useful life determined is allocated on a systematic basis over its remaining service life. Depreciation starts when the asset is available for use, i.e. when it is in the location and condition necessary for it to operate in the manner intended by management. Depreciation ends at the earliest of the date that the asset is classified as held for sale and the date that the asset is derecognized.

Intangible assets are depreciated using the straight-line method over a period of 1-5 years or the validity of contractual or legal rights when it is lower than the estimated service life.

An intangible asset with an indefinite service life will not be amortized.

### ***Depreciation***

At the end of each reporting period the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the size of the impairment (if any). The recoverable amount is the biggest from the fair value less the cost of sell and the value from use.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

### ***Derecognition***

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An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal.

## Real estate investments

A real estate investment is an estate (land or a building – or part of a building – or both) owned by the Group with the scope of earning rent or capital appreciation, or both, rather than it being used for production or distribution of services and goods, for administrative purposes, or to be sold during the ordinary course of business.

The cost of a real estate investment comprises its purchase price and any costs directly attributable to the acquisition. Directly attributable expenditures include, for example, professional fees for legal services, property transfer taxes and other transaction costs.

The investment cost of self-constructed real estate is the cost at the date when the construction or development were completely finished. Until that date, the Group applies the IAS 16 provisions. At that date, the property becomes investment property and falls under the current standard.

After initial recognition, the Group chooses the fair value model and evaluates all of its investment properties at fair value.

A gain or loss generated by a change in the fair value of the real estate investment is recognized in the profit or loss statement for the period in which it happens.

The fair value of real estate investment is the price at which the property could be exchanged between willing parties, conducted under objective conditions. The fair value of an estate shall reflect the market conditions at the balance sheet date.

The assets for which fair value is determined in the financial statements are included in the fair value hierarchy:

- Level 1 - unadjusted market prices
- Level 2 - Input Data other than unadjusted market prices, but fair value is observable directly or indirectly
- Level 3 - fair value

Gains or losses arising from the retirement or disposal of real estate investments should be determined as the difference between the net disposal income and the accountancy value of the asset and must be recognized in profit or loss statements in the period of the retirement or disposal.

## Stocks

Inventories are valued at the lower of cost and net realizable value.

Inventory costs are determined on a first in, first out and include expenses arising from the purchase of stocks, production, and other costs of bringing inventories into shape and location of existence. In the case of finished products and production in progress, costs include a share of overheads based on normal production capacity.

Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs for inventories of completion and costs necessary to make the sale.

## Employee benefits

In the normal course of business, the Group makes payments to pension funds, health and unemployment funds of the Romanian state, on account of its employees. Spending on these payments are recorded in the income statement in the same period of wage costs.

All Group employees are members of the Romanian State pension plan. Within the Group there is no other ongoing pension scheme and there are no other obligations on pensions.

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Termination of employment benefits can be paid when the contract of employment is terminated for reasons not attributable to employees. Group recognizes benefits for termination of employment when it is obliged to terminate the employment contracts of current employees.

### **Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation generated from a past event, it is likely to be required to settle the obligation outflow of resources embodying economic benefits and a reliable estimate can be realized amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Where a provision is measured using the cash flows estimated to settle the present, its carrying value is the present value of those cash flows (where the effect of the time-value of money is significant).

### **Guarantees**

Provisions for estimated costs of warranty obligations under local law and contractual provisions for the sale of goods is recognized at the sale date of products. The provision is based on the historic of securities and the balancing of all possible outcomes.

### **Restructuring**

A restructuring provision is recognized when the Group has approved a detailed and formal restructuring plan and this plan has either started or the main features of the restructuring plan were announced to those affected by it.

### **Onerous contracts**

If the group has an onerous contract, the current contractual obligation stipulated in the contract should be recognized and measured as a provision. An onerous contract is defined as a contract in which the unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be obtained from the contract in question. Unavoidable costs of the contract reflect the net cost out of contract, respectively the lowest cost of fulfilling contract and any compensation or penalties arising from failure to fulfill the contract.

### **Revenue recognition**

Accounting policies information regarding contracts with customers is presented in Note 15.

### **Government grants**

Government grants represent assistance by government in the form of transfers of resources to the Group in exchange for compliance, past or future compliance with certain conditions relating to the operating activities of the Group. They exclude those forms of government assistance which cannot be reasonably assigned a certain value, and transactions with government which cannot be distinguished from the normal trading transactions of the entity.

Government grants are recognized as income over the periods corresponding to the related expenses which these grants are intended to compensate, on a systematic basis.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs, is recognized as income in the period in which it becomes receivable.

### **Leasing**

Leases are presented as finance leases when substantially all the risks and rewards of ownership of the user are transferred under the terms of the lease.

All other leases are classified as operating leases. Initially, assets held under finance leases are recognized at the lower of their fair value at the beginning of the lease and the present value of the minimum lease

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payments. The corresponding obligation to the owner is included in the statement of financial position as an obligation associated with financial leasing.

Assets held under operating leases are classified as operating leases and are not presented in the statement of financial position.

Operating lease payments are recognized as expenses during the lease term.

The minimum lease payments are divided between financing expenses and the reduction of the obligation. Financial expenses are recognized in profit or loss under accrual accounting if they are not directly attributable to the assets, in which case they are capitalized in accordance with the Group's general borrowing costs policy.

## **Indebtedness costs**

Indebtedness costs, directly attributable to the acquisition, construction or completion of eligible assets, assets that require a significant amount of time to get ready for use or sale, plus the cost of those assets until the assets are ready significantly for usage area or sale.

Revenues from the temporary investment of specific indebtedness obtained for the acquisition or construction of eligible assets are deducted from the indebtedness costs which may be capitalized.

All other indebtedness costs are recognized in profit or loss in the period they are incurred.

Gains or losses on foreign exchange differences are reported net amount that gain or loss depending on the result of exchange rate changes.

## **Income tax**

Income tax expense represents the sum of the tax currently payable and deferred taxes.

Liabilities or claims relating to tax the current period and prior periods are measured at the amount to be paid or recovered by the tax authority using legal regulations and the tax rate in effect on the date of the financial statements. Tax on profit for the period closing December 31, 2018 was 16%.

Current tax and deferred tax are recognized in profit or loss unless they relate to items that are recognized in other comprehensive income or directly in equity, in which case the current tax and deferred tax are also recognized in other comprehensive income or directly in equity.

### ***Current tax***

The tax currently payable is based on taxable profit achieved during the year. Taxable profit differs from profit as reported in the statement of income unconsolidated general because of items of income or expense that are taxable or deductible in some years and items that are never taxable or deductible. Group's obligation in respect of current taxes is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

### ***Deferred tax***

Deferred tax is recognized on temporary differences arising between the carrying amount of assets and liabilities and the tax bases of assets and liabilities in the financial statements.

Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are recognized to the extent that there is probability of future taxable profit from which temporary difference can be recovered.

The main differences resulting from the amortization of fixed assets and the valuation of assets at fair value. Deferred tax assets and liabilities are determined based on taxes which are supposed to be applied during the respective period realized or settled liability or deferred tax asset.

## **Segment Reporting**

A business segment is a component of the Group that engages in business activities from which it can obtain revenues and from which expenses may incur (including revenues and expenses related to transactions with other components of the same society), whose results of activity are reviewed regularly by the Group's chief

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operating decision maker in order to take decisions about resources to be allocated to the segment and assessing its performance and for which financial information is available.

Group management regularly evaluates the activity of the Group to identify operating segments for which information must be reported separately.

The group did not identify components that are classified as operating segments.

## 4. 1. TANGIBLE ASSETS

Evolution of tangible assets from 1<sup>th</sup> of January 2021 to 31<sup>th</sup> of December 2020 is the following:

Explanations	Land	Buildings	Equipment and motor vehicles	Other tangible assets	Tangible assets in progress	Total
<b>Inventory value</b>						
<b>01.01.2020</b>	<b>43,848,700</b>	<b>90,834,202</b>	<b>588,436,846</b>	<b>1,689,616</b>	<b>38,173,604</b>	<b>762,982,968</b>
Input 2020		4,227,224	43,335,060	0	86,730,955	134,293,239
Output 2020		-695,782	-2,855,028	-16,701	-46,866,503	-50,434,014
<b>31.12.2020</b>	<b>43,848,700</b>	<b>94,365,644</b>	<b>628,916,878</b>	<b>1,672,915</b>	<b>78,038,056</b>	<b>846,842,193</b>
Acquisition receipts 2021			8,495		29,755,300	29,763,795
Internally generated revenue 2021					8,221,271	8,221,271
Income from equity contribution 2021	9,135,000	8,568,000				17,703,000
Income from start-ups 2021		15,376,331	57,560,570	281,766		73,218,667
Intra-class transfers 2021		602,155	113,747		0	715,902
Outflows from transfers within the same class 2021		-602,155	-113,747		0	-715,902
Disposals from transfers to other classes of fixed assets 2021		0	0		-74,316,511	-74,316,511
Disposals/Sales 2021		0	-7,603,840			-7,603,840
Disposal from scrap of fixed assets 2021			-11,819,275	-31,749	-71,433	-11,922,457
<b>31.12.2021</b>	<b>52,983,700</b>	<b>118,309,975</b>	<b>667,062,828</b>	<b>1,922,932</b>	<b>41,626,683</b>	<b>881,906,118</b>
<b>Amortization, depreciation</b>						
<b>01.01.2020</b>	<b>0</b>	<b>0</b>	<b>376,398,481</b>	<b>1,096,024</b>	<b>0</b>	<b>377,494,505</b>
Expenditure 2020	0	6,234,174	45,297,627	73,973	0	51,605,774
Depreciation, amortisation and write-offs 2020	0	-38,464	-2,855,028	-16,701	0	-2,910,193
<b>31.12.2020</b>	<b>0</b>	<b>6,195,710</b>	<b>418,841,080</b>	<b>1,153,296</b>	<b>0</b>	<b>426,190,086</b>
Expenditure 2021	0	6,121,882	37,076,058	66,751	0	43,264,691
Depreciation, amortisation and write-downs on transfer entries within the same class 2021	0	42,389				42,389
Depreciation, write-offs related to outflows from transfers within the same class 2021	0	-42,389			0	-42,389
Depreciation, amortisation and write-offs 2021	0		-11,819,143	-31,749	0	-11,850,892
Depreciation, write-downs on disposals 2021	0	0	-7,603,840	0	0	-7,603,840
<b>31.12.2021</b>	<b>0</b>	<b>12,317,592</b>	<b>436,494,155</b>	<b>1,188,298</b>	<b>0</b>	<b>450,000,045</b>
<b>Remaining value</b>						
<b>01.01.2020</b>						<b>385,488,463</b>
<b>31.12.2020</b>						<b>420,652,107</b>
<b>31.12.2021</b>						<b>431,906,073</b>

Tangible assets representing "Tangible assets in progress" are valued at historical cost.



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The Group has chosen the fair value revaluation model for the valuation of property, plant and equipment in the nature of land and buildings. Buildings and land were revalued as at 31.12.2019 by an independent chartered surveyor.

In the fair value hierarchy, the Group's revaluation of buildings and land at fair value is classified as Level 2 data.

The valuation technique used in Level 2 fair value valuation is the price comparison method. Comparable prices of nearby buildings and structures are adjusted for specific characteristics, such as property size, etc. The most important input for this valuation method is the price per square metre.

There were no transfers between the level at which the fair value assessments are classified during 2021.

In 2021, ARINI HOSPITALITY SRL was established with 100% Compa ownership.

Land and buildings with a book value of 9,135,000 and 8,568,000 lei respectively constituted the contribution of in kind to the share capital of the newly established company.

Depreciation of all tangible fixed assets is determined by the straight-line method. Fixed assets were reduced in 2021 by sale, scrapping and depreciation. The inventory value of fixed assets scrapped in 2021 was 11,819,275 lei and the undepreciated value of thousands of fixed assets scrapped was 132 lei.

The proceeds from the sale of fully depreciated fixed assets amounted to RON 3,476,664.

In 2021 projects financed from European funds were carried out within the Group.

The implementation of these projects will result in the purchase of equipment and photovoltaic panels

In May 2021, the Group also signed an agreement with the Ministry of Public Finance for the financing of the investment project "Development of the Arini Hospitality hotel complex", in the total amount of 29,790,539 lei, of which the amount of state aid is 14,895,269 lei.

As at 31.12.2021 the net book value of fixed assets mortgaged in favour of banks was 151,738,361 lei, of which 112,751,522 lei consisted of technological equipment and 38,986,839 lei of buildings and land.

## 4. 2. REAL ESTATES INVESTMENTS

The evolution of real estate investments from 1 January 2021 to 31 December 2021 is as follows:

Explanations	Real estate investment	Real estate investments in progress	Total
<b>Sold la 01.01.2020</b>	<b>56,352,094</b>	<b>9,142,101</b>	<b>65,494,195</b>
Input 2020		748,193	748,193
Output 2020			0
<b>Sold at 31.12.2020</b>	<b>56,352,094</b>	<b>9,890,294</b>	<b>66,242,388</b>
Acquisition receipts 2021		5,364,489	5,364,489
Internally generated revenue 2021		72,900	72,900
Receipts from transfers from other classes of fixed assets 2021	1,097,844		1,097,844
Receipts from transfers within the same asset class 2021	6,812,754	179,051	179,051
Disposals within the same asset class 2022	-6,812,754	-179,051	-179,051
Disposals of fixed assets 2021	-8,298,912	-8,559,590	-16,858,502
Losses on transfers in stocks 2021	-9,262,872	-6,627,752	-15,890,624
Losses on disposals 2021	-279,000		-279,000
<b>Sold la 31.12.2021</b>	<b>39,609,154</b>	<b>140,341</b>	<b>39,749,495</b>

Real estate investments are valued at fair value. A gain or loss generated by a change in the fair value of investment property is recognised in profit or loss in the period in which it arises.

Non-current assets "Investment property in progress" are measured at historical cost.

In 2021 the company ARINI HOSPITALITY SRL was established with 100% ownership of Compa.

Real estate investments with a book value of 8,298,912 lei, as well as real estate investments in progress Real estate investments in progress were also reduced by sale to the newly established company.



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The book value of real estate investments sold was 507,512 lei.

During 2021, the construction of apartments for sale was started as part of a large project to develop the land owned by the Group in a residential area of the city, as a result, real estate investments in the amount of 9,262,872 lei and real estate investments in progress in the amount of 6,627,752 lei were transferred to inventories.

In 2021 real estate investments in the amount of 279,000 lei were written off.

## 5. INTANGIBLE FIXED ASSETS

Evolutia imobilizarilor necorporale a fost urmatoarea:

Explanations	Research and development expenditure	Formation expenses	Computer programs and software	Total
<b>Cost</b>				
<b>01.01.2020</b>	<b>4,116,416</b>		<b>11,454,248</b>	<b>15,570,664</b>
Input 2020	3,418,297		1,328,479	4,746,776
Output 2020	-2,820,532			-2,820,532
<b>31.12.2020</b>	<b>4,714,181</b>	<b>0</b>	<b>12,782,727</b>	<b>17,496,908</b>
Acquisition receipts 2021		184,687	1,324,809	1,509,496
Receipts from transfers from other classes of fixed assets 2021			71,381	71,381
Acquisitions from transfers within the same class 2021	1,893,648		3,214,503	5,108,151
Disposals within the same class 2021	-1,893,648		-3,214,503	-5,108,151
<b>31.12.2021</b>	<b>4,714,181</b>	<b>184,687</b>	<b>14,178,917</b>	<b>19,077,785</b>
<b>Depreciation&amp;amortisation</b>				
<b>01.01.2020</b>	<b>0</b>	<b>0</b>	<b>8,138,207</b>	<b>8,138,207</b>
Expenditure 2020			686,681	686,681
<b>31.12.2020</b>	<b>0</b>	<b>0</b>	<b>8,824,888</b>	<b>8,824,888</b>
Expenditure 2021	282,053	33,860	678,086	993,999
31.12.2021	<b>282,053</b>	<b>33,860</b>	<b>9,502,974</b>	<b>9,818,887</b>
Remaining amount				
<b>01.01.2020</b>				<b>7,432,457</b>
<b>31.12.2020</b>				<b>8,672,020</b>
<b>31.12.2021</b>				<b>9,258,898</b>

In 2021 the company ARINI HOSPITALITY SRL was established. The expenses for the establishment of this entity

were capitalised and are depreciated on a straight-line basis over 5 years.

The Group capitalizes research and development costs because the criteria for their recognition as an intangible asset are met, namely:

- it is probable that the future economic benefits expected to be attributed to the asset will flow to the Group;
- the cost of the asset can be measured reliably.

## 6. TRADE RECEIVABLES AND OTHER RECEIVABLES

The situation of trade receivables is as follows:

Explanations	2021	2020
Receivables from clients who have not exceeded the maturity	122,639,794	124,259,973

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Debts which exceeded maturity, but there were no adjustments for depreciation	9,059,944	5,365,669
Debts which exceeded maturity, but there were adjustments for depreciation	377,939	417,224
Adjustments for impairment	-377,939	-417,224
<b>Total creante comerciale</b>	<b>131,699,738</b>	<b>129,625,642</b>

At 31 december 2021 si 2020 the ageing of the receivables that have matured and for which no impairment adjustments have been recorded is presented as follows:

Explanations	2021	2020
Deadline between 7 and 90 days past due	7,677,498	5,172,982
Overdue from 91 to 180 days	1,275,484	181,921
Overdue from 181 to 1 year	56,084	10,766
Overdue by more than 1 year	50,878	0
<b>Total overdue receivables</b>	<b>9,059,944</b>	<b>5,365,669</b>

The Group has made impairment adjustments to customer receivables as follows:

<b>Sold out on 01.01.2020</b>	<b>856,281</b>
Accrued adjustments in 2020	96,530
Adjustments reversed in 2020	-535,587
<b>Balance at 31.12.2020</b>	<b>417,224</b>
Adjustments accrued in 2021	315,121
Adjustments reversed in 2021	-354,406
<b>Balance at 31.12.2021</b>	<b>377,939</b>

The Group's commercial policy requires the recording of impairment adjustments for receivables exceeding 360 days, except for those receivables due from partners to which the Group is itself a debtor, the debts being approximately the same age as the uncollected receivables.

The situation of other receivables held by the Group is as follows:

Explanations	2021			2020		
	Total, therein	Long term	Short term	Total, therein	Long term	Short term
Advances paid to suppliers	3,850,006	0	3,850,006	6,416,065	0	6,416,065
Receivables related to personnel	3,611	0	3,611	52,766	0	52,766
Receivables from the consolidated state and local budgets	4,410,823	0	4,410,823	2,028,242	0	2,028,242
Sundry debtors	1,059,553	0	1,059,553	1,383,893	0	1,383,893
Adjustments for impairment of debtors	-839,069	0	-839,069	-647,331	0	-647,331
Prepaid expenses	1,461,571	0	1,461,571	771,533	0	771,533
Grants receivable (European funds projects)	3,417,974	12,465,269	7,907,396	3,417,974	1,224,822	2,193,152
<b>Total other receivables</b>	<b>13,364,469</b>	<b>12,465,269</b>	<b>17,853,891</b>	<b>13,423,142</b>	<b>1,224,822</b>	<b>12,198,320</b>

The Group has made adjustments for impairment of other receivables as follows :

<b>Sold out on 01.01.2020</b>	<b>368,925</b>
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Accrued adjustments in 2020	278,406
Adjustments reversed in 2020	0
<b>Balance at 31.12.2020</b>	<b>647,331</b>
Adjustments accrued in 2021	191,738
Adjustments reversed in 2021	0
<b>Balance at 31.12.2021</b>	<b>839,069</b>

The Group's commercial policy requires the recording of impairment adjustments for other receivables exceeding 365 days and for those receivables for which there is an indication that they are doubtful. Foreign currency receivables are valued in lei at the official exchange rate of the NBR as of 31.12.2021.

## 7. OTHER RECEIVABLES

The situation of other non-current receivables held by the Group is as follows:

Explanations	2021			2020		
	Total therein	Long term	Short term	Total therein	Long term	Short term
Guarantee for customs clearance at home	103,000	103,000	0	103,000	103,000	0
Other guarantees	19,718	19,718	0	18,233	18,233	0
<b>Total other assets</b>	<b>121,718</b>	<b>121,718</b>	<b>0</b>	<b>121,233</b>	<b>121,233</b>	<b>0</b>

## 8. INVENTORIES/STOCKS

The structure of stocks held by the Group is shown in the table below:

Explanations	2021	2020
Raw materials	52,609,539	33,346,550
Adjustments for the depreciation of raw materials	-290,176	-294,548
Materials and packaging	25,566,756	25,375,729
Adjustments for depreciation of materials and packaging	-241,851	-77,922
Semi-finished goods and work in progress	42,857,109	23,703,476
Finished goods and merchandise	22,301,918	9,945,881
Adjustments for impairment of finished goods and merchandise	-354,979	-354,979
<b>Total inventories</b>	<b>142,448,316</b>	<b>91,644,187</b>

The increase in stocks in 2021 was due to the increase in turnover by approx. 29% compared to the previous year, on the one hand, and on the other hand to the increase in material prices. Another cause of the increase in inventories represented by work in progress is the transfer to inventories in the real estate investment class of the amount of 15,890,884 lei, as a result of the start of the construction of apartments for sale within a large project for the development of the land owned by the group in a residential area of the city.

The Group has made adjustments for impairment of inventories as follows:

<b>Sold at 01.01.2020</b>	<b>542,457</b>
Accrued adjustments in 2020	185,527
Adjustments reversed in 2020	-535
<b>Sold at 31.12.2020</b>	<b>727,449</b>
Accrued adjustments in 2021	170,731
Adjustments reversed in 2021	-11,174
<b>Sold at 31.12.2021</b>	<b>887,006</b>

## 9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are shown as follows:

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Explanations	2021	2020
Bank in RON	12,774,492	973,609
Bank in currency	1,152,793	1,216,097
Cash equivalent	79,909	590
Cash in RON	91,177	60,674
Cash in Currency	22,373	0
<b>Total cash and cash equivalent</b>	<b>14,120,744</b>	<b>2,250,970</b>

The Group holds accounts in lei and foreign currency with the following banking institutions: BRD GROUP SOCIETE GENERALE, BCR, ING BANK, TREZORERIE.

## 10. CORPORATE TAX

The Group's current income tax is determined on the basis of statutory profit, adjusted for non-deductible expenses and non-taxable income, at a rate of 16% for 2021 and 2020.

In 2021 the Group has calculated, in addition to corporate income tax, microenterprise income tax.

At 31 December 2021 and 2020 the profit tax consists of:

Explanations	2021	2020
Current income tax cheating	1,158,819	1,371,951
Microenterprise income tax check-off	12,503	8,163
Deferred income tax withholding/refund	1,903,604	-278,282
<b>Total corporate/income/specific tax</b>	<b>3,074,926</b>	<b>1,101,832</b>

The numerical reconciliation between the income tax expense and the result of multiplying the accounting result by the tax rate in force is shown below:

Explanations	2021	2020
Pre-tax profit related to corporate income tax	17,757,810	15,229,571
Profit before tax on microenterprises income tax	355,344	-99,862
Income tax expense 16%	2,841,250	2,436,731
Microenterprises income tax charge	12,503	8,163
Sponsorship expense to be deducted from income tax	-206,386	-260,294
Income tax due	2,647,367	2,184,600
Effect of non-taxable income	-283,687	-86,933
Effect of tax non-deductible expenses and temporary differences	713,079	741,235
Effect of tax exemption on reinvested earnings	0	-1,714,008
Bonus granted on payment of current income tax	-1,833	-23,062
<b>Total income tax expense/income</b>	<b>3,074,926</b>	<b>1,101,832</b>
<b>Effective corporate income tax rate/income</b>	<b>16.98</b>	<b>7.28</b>

The evolution of the deferred tax to be recovered in the period 01.01.2020-31.12.2021 is shown in the table below:

<b>Tax postponed to 01.01.2020</b>	<b>-1,167,380</b>
Tax postponed through profit and loss account 2020	-278,282
Deferred tax recognised through other comprehensive income 2020, of which:	-288,506
Deferred tax from revaluation of fixed assets	-290,268
Deferred tax from tax-deductible legal reserves	1,762

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<b>Deferred tax at 31.12.2020</b>	<b>-1,734,168</b>
Deferred tax through profit and loss account 2021	1,903,604
Deferred tax recognised through other comprehensive income 2021, of which:	-304,014
Deferred tax from revaluation of fixed assets	-282,010
Deferred tax from tax deductible legal reserves	-22,004
<b>Deferred tax at 31.12.2021</b>	<b>-134,578</b>

The Group recognises deferred tax assets because it estimates that there is likely to be future taxable profit against which those assets can be utilised

## 11. EQUITY

The shareholding structure on 31.12.2021 is as follows:

Explanations	Nr. Acțiuni	% din total capital social
Romanian and foreign shareholders (legal entities)	61,588,024	28.15%
Shareholders (individuals) Romanian and foreign	157,233,014	71.85%
<b>Total number of shares</b>	<b>218.821.038</b>	<b>100,00%</b>

As of 13.08.2020, the Group has started the share buyback program in accordance with AGM Resolution 18 SI 19 dated 27.04.2020.

Size of the program: buyback from the market of a maximum of 15,000,000 own shares. The proposed share buyback price is:

- minimum price per share: 0.1 lei
- maximum price per share: 1 lei

On 15.11.2021 this process was completed with the following results:

- number of repurchased shares: 6,504,153
- average purchase price: 0.5962 lei/share
- total value of repurchased shares: 3,878,223.52 lei

The shares were repurchased in order to distribute them free of charge to the members of the group's management, with the aim of building their loyalty and rewarding them for their work within the group.

By the resolutions of the Board of Directors no. 83/04.10.2021 and 85/05.10.2021, the Plan for the Allocation to employees and members of the management of the option rights to acquire the shares free of charge was approved of 6,500,000 repurchased shares, Stock Option Plan.

The Group's equity includes the following:

Explanations	2021	2020
Subscribed and paid-up capital	21,882,104	21,882,104
Own shares	-715,325	-250,338
Losses related to own shares	-3,285,532	-920,264
Revaluation reserves	83,891,130	83,891,130
Legal reserves	4,957,516	4,960,129
Adjustment of legal reserves	22,679,066	22,679,066
Other reserves	290,500,386	279,504,466
Adjustment other reserves	471,920	472,028
Profit current year	15,034,914	14,060,074
Retained earnings	67,058,412	66,530,853
Minority interests	208,588	159,849

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Total shareholders' equity	502,683,179	492,969,097
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## Capital management

The Group's capital management objectives relate to maintaining the Group's ability to continue as a going concern in order to provide compensation to shareholders and benefits to other stakeholders, and to maintain an optimal capital structure so as to reduce capital costs and support the Group's further development. There are no externally imposed capital requirements. The Group monitors capital on a leverage basis. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and long-term borrowings as shown in the balance sheet) less cash and cash equivalents. Total capital under management is calculated as "equity" as shown in the statement of financial position.

The evolution of the Group's indebtedness is as follows:

Explanations	2021	2020
Total debts	297,076,541	241,396,759
Cash and cash equivalents	14,120,744	2,250,970
<b>Net liabilities</b>	<b>282,955,797</b>	<b>239,145,789</b>
<b>Equity</b>	<b>502,683,179</b>	<b>492,969,097</b>
<b>Debt ratio</b>	<b>0.56</b>	<b>0.49</b>

The group has set a target not to exceed the 0.99 threshold.

## 12. FINANCIAL LIABILITIES

Long and short-term financial liabilities in EUR currency are as follows:

Moneda - EUR		2021			2020		
Institutie de credit	Type of loan	Total therein	Long Term (<5 years)	Short term	Total therein	Long term (<5 years)	Short term
BRD GROUP SOCIETE GENERALE-ROMANIA	Credit line for production	6,173,527	6,173,527	0	1,745,991	1,745,991	0
BRD GROUP SOCIETE GENERALE-ROMANIA	Investment credit	6,407,947	4,900,194	1,507,752	7,500,000	6,375,000	1,125,000
ING BANK-SIBIU	Production credit line	4,772,571	4,772,571	0	2,339,742	2,339,742	0
ING BANK-SIBIU	Investment credit	6,205,943	4,826,845	1,379,098	7,500,000	6,136,364	1,363,636
IMPULS-Leasing Romania I.F.N. SA	Financial leasing contracts	35,233	13,763	21,470	115,075	35,292	79,783
<b>Total financial liabilities -EUR</b>		<b>23,595,220</b>	<b>20,686,900</b>	<b>2,908,320</b>	<b>19,200,808</b>	<b>16,632,388</b>	<b>2,568,419</b>

Long and short-term financial liabilities in LEI currency are as follows:

Moneda - LEI		2021			2020		
Institutie de credit	Type of loan	Total therein	Long Term (<5 years)	Short term	Total therein	Long term (<5 years)	Short term
BRD GROUP SOCIETE GENERALE-ROMANIA	Credit line for production	30,547,230	30,547,230	0	8,501,926	8,501,926	0
BRD GROUP SOCIETE GENERALE-ROMANIA	Investment credit	31,707,160	24,246,652	7,460,508	36,520,500	31,042,428	5,478,073



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Moneda - LEI		2021			2020		
Institutie de credit	Type of loan	Total therin	Long Term (<5 years)	Short term	Total therin	Long term (<5 years)	Short term
ING BANK-SIBIU	Production credit line	23,615,158	23,615,158	0	11,393,139	11,393,139	0
ING BANK-SIBIU	Investment credit	30,707,627	23,883,710	6,823,918	36,520,500	29,880,409	6,640,091
IMPULS-Leasing Romania I.F.N. SA	Financial leasing contracts	174,334	68,100	106,233	560,346	171,851	388,495
<b>Total financial liabilities -LEI</b>		<b>116,751,510</b>	<b>102,360,850</b>	<b>14,390,660</b>	<b>93,496,412</b>	<b>80,989,753</b>	<b>12,506,659</b>

As at 31.12.2021 the net book value of fixed assets mortgaged in favour of banks was 151,738,361 lei, of which 112,751,522 lei consisted of technological equipment and 38,986,839 lei of buildings and land. In addition, "securities on claims" were also established to guarantee the loans taken, in proportion to the value of the exposure to the financing banks.

The interest margin on loans granted to banks varies between:

- Euribor 1 month + 1.5% p.a.
- 3-month Euribor + 1.5 % p.a.
- 2.99 % per annum

Debts in foreign currency are valued in lei at the official exchange rate of the NBR on 31.12.2021.

### 13. TRADE AND OTHER PAYABLES

The situation of trade and other debts is as follows :

Explanations	2021			2020		
	Total therin	Long Term	Short term	Total therin	Long term	Short term
Suppliers	109,995,480	0	109,995,480	93,800,637	0	93,800,637
Advances received from customers	183,660	0	183,660	153,979	0	153,979
Debts from contracts with customers	9,051,042	0	9,051,042	3,408,686	0	3,408,686
Debts related to personnel	6,047,522	0	6,047,522	5,534,208	0	5,534,208
Debts to the general consolidated state and local budget	6,754,122	0	6,754,122	7,812,756	0	7,812,756
Current income tax liabilities	28,155	0	28,155	921,847	0	921,847
Sundry creditors			203,982			
Prepaid income	632,595	0	632,595	263,708	0	263,708
Investment subsidies from AMPOSDRU and AMPOSCEE contracts	1,776,045	235,000	1,541,045	2,043,773	730,215	1,313,558
Inventory gains on fixed assets	45,371,769	40,797,463	4,574,306	33,783,636	28,431,161	5,352,475
<b>Total trade and other payables</b>	<b>56,016</b>	<b>56,016</b>	<b>0</b>	<b>41,473</b>	<b>41,473</b>	<b>0</b>

Foreign currency debts are valued in lei at the official exchange rate of the NBR on 31.12.2021.

### 14. PROVISIONS

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The situation of provisions as at 31.12.2021 is shown in the table below:

Explanations	Provisions for guarantees to customers	Provisions for employee benefits	Other provizioni	Total provizioni
Sold at 01.01.2020	26,945	108,700	0	135,645
Sold at 31.12.2020	26,945	108,700	0	135,645
Sold at 31.12.2021	26,945	108,700	89,000	224,645

In 2021, the Group did not make additional provisions for guarantees to customers and employee benefits, considering that no changes have occurred compared to the situation as at 31.12.2020.

Provisions in the amount of 89,000 lei were set up, representing statutory audit expenses for 2021, for which an invoice will be received in 2022.

## 15. REVENUE AND BUSINESS SEGMENTS

The structure of the Group's revenues is as follows:

Explanations	2021	2020
<b>Total turnover, therein:</b>	<b>709,056,249</b>	<b>550,295,855</b>
Income from sales of finished products	683,516,845	529,769,541
Income from services rendered	9,600,425	5,966,567
Income from sale of goods	13,884,813	12,446,265
Income from other activities (rents, sales of materials, waste, semi-finished goods, packaging)	779,743	640,809
Income from subsidies related to turnover (projects and partnership contracts AMPOSDRU projects)	1,274,423	1,472,673
<b>Other operating income</b>	<b>17,383,570</b>	<b>10,871,526</b>
<b>Total operating income</b>	<b>726,439,819</b>	<b>561,167,381</b>

Other operating income consists of:

Explanations	2021	2020
Income from the production of fixed assets	8,294,171	5,456,454
Income from the sale of tangible fixed assets and investment property	2,914,123	0
Income from investment grants (AMPOSDRU and AMPOSCEE projects and partnership contracts)	5,308,391	4,830,715
Other operating income	866,885	584,357
<b>Total Other operating income</b>	<b>17,383,570</b>	<b>10,871,526</b>

### Business segments

The Group's management regularly assesses its activities in order to identify the business segments for which separate information has to be reported. The Group operates in Romania. The Group's revenues presented above are entirely attributable to the country of domicile. Non-current assets other than financial instruments, deferred tax assets, post-employment benefits receivables and rights arising from insurance contracts are entirely located in Romania. The Group has no such fixed assets located in other countries. Revenues are attributable to the activity in Romania.

## 16. EXPENDITURE BY NATURE

Operating expenses incurred in 2021 and 2020 by nature are shown in the table below:

Explanations	2021	2020
Different stock	-15,752,740	2,916,666

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Explanations	2021	2020
Material expenses	458,087,725	318,585,265
Energy and water expenditure	31,843,703	22,574,926
Employee benefits expense, of which :	152,965,533	120,720,209
Salaries and allowances	149,838,774	117,891,586
Expenditure on insurance and social protection	3,126,759	2,828,623
Value adjustments on fixed assets	44,223,425	52,253,991
Value adjustments on current assets	615,161	30,583
Expenditure on services provided by third parties	27,654,953	20,180,927
Expenditure on other taxes, duties and similar charges	4,266,498	4,423,065
Other operating expenses	1,523,155	1,235,298
<b>Total operating expenses</b>	<b>705,427,413</b>	<b>542,920,930</b>

## 17. ANALIZA REZULTATULUI DIN EXPLOATARE

Explanations	2021	2020
Operating income	726,439,819	561,167,381
Cost of sales	-668,426,755	-509,806,232
Selling and distribution expenses	-1,672,341	-1,379,434
Administrative expenses	-19,220,096	-16,862,479
Research and development expenses	-16,108,221	-14,872,785
<b>Operating result</b>	<b>21,012,407</b>	<b>18,246,451</b>

## 18. EMPLOYEE BENEFITS EXPENSE

Employee benefit expenses include salaries, allowances and social security contributions. Short-term benefits are recognised as an expense as services are rendered.

Explanations	2021	2020
Salaries and allowances	150,237,790	130,082,935
Government subsidies for expenditure on employees	-399,016	-12,191,349
Expenditure on insurance and social protection	3,126,759	2,828,623
<b>TOTAL</b>	<b>152,965,533</b>	<b>120,720,209</b>

In November, due to the significant decrease in orders, the group management decided to reduce monthly working hours by at least 5 working days.

As the conditions of the legal provisions concerning the Kurtzarbeit measure were met, the group received financial support from the unemployment insurance budget in the amount of 399,016 lei.

## 19. FINANCIAL LOSSES (GAINS)

The structure of financial losses (gains) is shown below:

Explanations	2021	2020
Foreign exchange gains related to monetary items denominated in foreign currency	-2,322,958	-1,841,627
Interest losses	-1,402,235	-759,902
Other financial gains	825,941	-515,212
<b>Total pierderi / castiguri</b>	<b>-2,899,252</b>	<b>-3,116,741</b>

In 2021, ARINI HOSPITALITY SRL was established, with Compa as the sole shareholder. The share capital of this new entity was constituted through the contribution in kind and cash of Compa's shareholder.

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The transaction met the conditions required to be classified as a transfer of assets.

As a result of this transfer, other financial gains amounting to 1,352,010 lei were recorded.

## 20. EARNINGS PER SHARE

The calculation of earnings per share for the years ending 31 December 2021 and 2020 can be summarised as follows:

Explanations	2021	2020
Number of actions at the beginning of the year	218,821,038	218,821,038
Shares issued during the year	0	0
<b>Number of shares at the end of the year</b>	<b>218,821,038</b>	<b>218,821,038</b>
<b>Net profit</b>	<b>15,038,228</b>	<b>14,027,877</b>
<b>Earnings per share (in RON per share) basic / diluted:</b>	<b>0.0687</b>	<b>0.0641</b>

On 15.11.2021 the process of repurchase of own shares, started on 13.08.2020, in accordance with AGM Decisions 18 and 19 of 27.04.2020, was completed with the following results:

- number of repurchased shares: 6,504,153
- average purchase price : 0.5962 lei/share
- total value of repurchased shares: 3,878,223.52 lei

These shares do not have voting rights and dividend rights.

A number of 649,100 shares, with a nominal value of 64,910 lei, are held by the affiliated company Recaserv SRL, therefore these shares do not have voting and dividend rights.

The calculation of earnings per voting share and dividend entitlement is as follows:

Explanations	2021	2020
Number of actions at the beginning of the year	218,821,038	218,821,038
Shares without voting rights and dividend	-7,153,253	-2,503,380
<b>Number of shares with voting rights and dividend rights at the end of the year</b>	<b>211,667,785</b>	<b>216,317,658</b>
<b>Net profit</b>	<b>15,038,228</b>	<b>14,027,877</b>
<b>Earnings per share with voting and dividend rights (in RON per share) basic / diluted:</b>	<b>0.0710</b>	<b>0.0648</b>

## 21. AFFILIATED PARTIES

The affiliated entities of COMPA SA are the following:

Parti afiliate	Sediul social	% in capitalul social	Valoarea titlurilor	Obiectul principal de activitate
COMPAS IT SRL	Str.Henri Coanda, nr.8, Sibiu, jud.Sibiu	100.00	200,000	Custom software development activities
TRANS CAS SRL	Str.Henri Coanda, nr.12, Sibiu, jud.Sibiu	99.00	742,500	Road freight transport
RECASERV SRL	Str.Henri Coanda, nr.51, Sibiu, jud.Sibiu	70.00	70,000	Catering activities for events

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ARINI SRL	HOSPITALITY	Str.Henri Coanda, nr.8, Sibiu, jud.Sibiu	100.00	19,703,000	Hotels and similar accommodation facilities
<b>TOTAL</b>				<b>20,715,500</b>	

The affiliated entities of COMPA S.A. Sibiu were established over time, as a result of the need to outsource from COMPA S.A. some specific activities such as: software design, domestic and international car transport, public catering, hotel activity, outsourcing carried out to make these activities more efficient and to benefit from some facilities granted by the state to some activities (IT activity, transport licenses, etc.).

The company ARINI HOSPITALITY SRL was established in January 2021, it will carry out hotel activity, following the development of the construction project of the Ibis-Mercure hotel complex.

In September 2021, according to Hot. Extraordinary Shareholders' Meeting of Compa SA on 12.11.2020, as well as the Hot. Extraordinary Meeting of Shareholders Trans-Cas SRL of 12.01.2021, the share capital of Trans-Cas SRL was decreased from 1,500,000 lei to 750,000 lei.

Compa SA's holding in the share capital of this affiliated company was decreased from 1,498,450 to 742,500 lei.

The amount of 755,950 lei, representing Compa's share of the decrease in share capital, was returned to Compa by Trans-Cas in the following period.

The transactions carried out in 2021 and 2020 between the group companies were as follows:

Nr. contract	Contract data	Seller / Creditor	Buyer / Debitor	Subject contract	Realized value at 31.2.2021 RON (excluding VAT)
4	01.06.2006	COMPAS SA	COMPAS-IT SRL	Space rental	21,600
1	01.06.2006	COMPAS SA	COMPAS-IT SRL	Fixed means rental	960
-	01.01.2005	COMPAS SA	COMPAS-IT SRL	Thermal energy supply and distribution	4,439
-	01.01.2005	COMPAS SA	COMPAS-IT SRL	Electricity supply	7,094
-	01.01.2005	COMPAS SA	COMPAS-IT SRL	Drinking and industrial water supply	3,859
15	08.01.2007	COMPAS SA	COMPAS-IT SRL	Provision of telephone services	918
-	comenzi ocazionale	COMPAS SA	COMPAS-IT SRL	Supply of materials and services	1408
6	01.06.2006	COMPAS SA	TRANS CAS SRL	Space rental	174,000
3	01.06.2006	COMPAS SA	TRANS CAS SRL	Rental of fixed assets	120,000
-	01.02.2005	COMPAS SA	TRANS CAS SRL	Electricity supply	8,654
-	01.02.2005	COMPAS SA	TRANS CAS SRL	Thermal energy supply and distribution	38,387
-	01.02.2005	COMPAS SA	TRANS CAS SRL	Drinking and industrial water supply	12,732
16	08.01.2007	COMPAS SA	TRANS CAS SRL	Provision of telephone services	8517
7003	08.01.2007	COMPAS SA	TRANS CAS SRL	Sale of materials and finished products	7,323
7004	08.01.2007	COMPAS SA	TRANS CAS SRL	Provision of cardan repair services, metrology, other	13,825
5	01.06.2006	COMPAS SA	RECASERV SRL	Space rental	9,000

# ANNUAL CONSOLIDATED REPORT - 2021



2	01.06.2006	COMPA SA	RECASERV SRL	Rental of fixed assets	<b>300</b>
-	01.01.2005	COMPA SA	RECASERV SRL	Supply and distribution of thermal energy	<b>0</b>
-	comenzi ocazionale	COMPA SA	RECASERV SRL	Supply of materials and services	<b>1,511</b>
32	21.12.2020	COMPA SA	ARINI HOSPITALITY SRL	Space rental	<b>8,858</b>
-	-	COMPA SA	ARINI HOSPITALITY SRL	Billing expenses	<b>681,839</b>
93	26.10.2021	COMPA SA	ARINI HOSPITALITY SRL	Loan and interest	<b>500,887</b>
2011	15.11.2005	COMPA-IT SRL	COMPA SA	Software services and maintenance	<b>2,391,700</b>
715	16.07.2009	TRANS CAS SRL	COMPA SA	Provision of domestic and international transport services for goods and persons	<b>14,090,468</b>
-	01.07.2004	RECASERV SRL	COMPA SA	Provision of kitchen-catering, buffet-bar, protocol and special catering services	<b>189,353</b>
-	01.03.2006	RECASERV SRL	COMPA SA	Provision of cleaning and sorting services	<b>917,494</b>

Also, in order to support the activity of ARINI HOSPITALITY SRL, A.G.A. Compa of 09.2021 approved the quality of guarantor of the investment loan contracted by Arini from TRANSILVANIA SA bank, in the amount of 8,700,000 EUR. The loan is necessary for the construction of the Ibis-Mercure hotel complex.

Mutual debts and receivables recorded as at 31.12.2021 and 31.12.2020 are as follows:

### Receivables of COMPA SA from:

Explanations	2021	2020
TRANSCAS S.R.L.	74,615	101,947
COMPA IT S.R.L.	4,438	3,842
RECASERV S.R.L.	11,067	3,689
ARINI HOSPITALITY S.R.L.	507,931	0

### Debts payable by COMPA SA to:

Explanations	2021	2020
TRANSCAS S.R.L.	2,574,218	5,073,929
COMPA IT S.R.L.	990,550	966,195
RECASERV S.R.L.	339,384	381,367
ARINI HOSPITALITY S.R.L.	0	0

## Company Management

List of Company Administrators:



## ANNUAL CONSOLIDATED REPORT - 2021



NUMELE ȘI PRENUMELE	CALIFICARE	FUNCȚIA
DEAC Ioan	Inginer	President C.A.
MICLEA Ioan	Economist	Board Member
MAXIM Mircea Florin	Inginer	Board Member
BALTEȘ Nicolae	Economist	Member CA - Chairman Audit Committee
NEACȘU Vlad- Nicolae	Economist	CA Member - Audit Committee Member

# ANNUAL CONSOLIDATED REPORT - 2021



List of members of the executive management of the Society:

NUMELE ȘI PRENUMELE	FUNCȚIA
DEAC Ioan	CEO / Chairman of the Board
DUMITRESCU Mihaela	CFO
FIRIZA Ioan	Management Director
BĂIAȘU Dan-Nicolae	Commercial Director
ACU Florin-Ștefan	Technical Director
MUNTENAȘ Bogdan-Vasile	Logistics Director
ȚUICU Liviu-Laurențiu	Quality - Environment Director
HERBAN Dorin-Adrian	Director Management Systems and Improvement
ȚUȚUREA Mihai	Production Director
FIRIZA Sorin Ioan	Deputy Production Director
DUMITRESCU Cosmin	Industrial Engeneerig Director
DRAGOMIR Marius C-tin	Chief Maintenance Engineer

Transactions with members of the Company's management are limited to salaries and allowances.

## 22. EMPLOYEE BENEFITS

The Group makes payments on behalf of its employees to the Romanian state pension system, health insurance and unemployment fund in the normal course of business. All employees of the Company are members and are also legally obliged to contribute (through social contributions) to the Romanian State pension system (a State defined contribution plan). All related contributions are recognised in the result of the period in which they are made.

The group is bound by the collective labour agreement to provide benefits on termination of the employment contract when the employment contract is terminated for reasons not attributable to the employees. The benefits are in the amount of 0.5 - 5 employment salaries, depending on the employee's length of service with the Group.

In addition, according to the legal regulations and the collective labour agreement, employees who retire due to old age are entitled to an end-of-career allowance in the amount of an average salary corresponding to the position held at the date of retirement, adjusted by a percentage corresponding to the employee's seniority.

## 23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

is described in Chapter 10 of the Individual Annual Report

## 24. CONTINGENT LIABILITIES AND COMMITMENTS

The COMPA Group is subject to a number of legal actions arising in the normal course of business.

he Company's management believes that, other than the amounts already described in these financial statements as provisions or asset impairment adjustments (described in the notes to these financial statements), other legal actions will not have a material adverse effect on the Company's results of operations and financial position.

In Romania, there are a number of agencies authorised to carry out controls (audits).

These controls are similar in nature to tax audits carried out by tax authorities in many countries, but may extend not only to tax matters but also to other legal and regulatory matters in which the agency may have an interest. It is likely that the Group will continue to be subject to such audits from time to time for violations or alleged violations of new and existing laws and regulations.

Although the Group may challenge alleged violations and related penalties where management believes it is entitled to do so, the adoption or implementation of laws and regulations in Romania could have a significant effect on the Company.

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The tax system in Romania is constantly developing and is subject to many interpretations and constant changes, sometimes retroactively. The limitation period for tax audits is 5 years.

Romanian tax legislation has contained rules on transfer pricing between related persons since 2000. The current legislative framework defines the "market value" principle for transactions between related persons and the methods for establishing transfer prices. As a result, it is expected that the tax authorities will initiate thorough checks on transfer pricing to ensure that the tax result and/or the customs value of imported goods are not distorted by the effect of prices charged in dealings with related persons. The Group cannot quantify the result of such verification.

### **25. EVENIMENTE ULTERIOARE DATEI BILANTULUI**

At the meeting of the Board of Directors on 23.02.2022 the preliminary consolidated financial statements as at 31.12.2021 were presented and approved.

**On behalf of the Board of Directors, by:**

**President of BD / General Manager,**

Ioan DEAC

**Vice president**

Ioan MICLEA

## 11. STATEMENT OF COMPLIANCE OF FINANCIAL STATEMENTS

### DECLARATION

#### OF THE BOARD OF DIRECTORS

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The Board of Directors accepts responsibility for the preparation of the consolidated financial statements of the Group for the financial year ended 31.12.2021 and confirms the following:

- a) The consolidated financial statements for the year 2021 are prepared in accordance with International Financial Reporting Standards as adopted by the European Union.
- b) The accounting policies used in the preparation of the consolidated annual financial statements are in accordance with applicable accounting regulations.
- c) The consolidated annual financial reports give a true and fair view of the financial position, financial performance and other information relating to the business.

This statement is in accordance with the provisions of Article 30 of the Accounting Act No. 82/1991.

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**President of BD / General Manager,**

Ioan DEAC

**Vice president of BD**

Ioan MICLEA

# CONSOLIDATED NON-FINANCIAL STATEMENT 2021

## COMPA GROUP



**compa**  
*beyond expectations*

**compa**  **cit**



**TRANS C.A.S.**  
**SRL SIBIU**

transport intern si international

**ARINI HOSPITALITY**



**CONTENT**

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## **COMPAS GROUP**

COMPAS SA Sibiu, a prestigious brand of the Romanian industry, has gained its reputation over time due to the quality and diversity of its products, car and railway subassemblies, technological equipment, springs and car trailers. Formed by the merger of two companies: Sibiu Automecanica Plant and Elastic Factory Sibiu, COMPAS becomes one of the most powerful car-building economic units in the country and continues the industrial tradition of the forerunners by harmoniously combining the experience of the forerunners with the new advances in technology and management. The first of the two companies - Automated Plant comes from the Sibiu Artillery Arsenal whose development is due and overlaps with the historical development of the city of Sibiu. The second enterprise - Factory Elastic has deep roots in the craft tradition of the fortress, being from the century 19th as a blacksmith's workshop, which later developed into a body shop and later into a factory for springs and forged products. A milestone in the development of the company is the year 1969 when, through the unification of the two factories, a new economic entity is born, the Sibiu Auto Parts Company (IPAS).

In 1970, following the contracting of the "MAN" license for trucks and buses, the Sibiu Auto Parts Company entered a national development program and started a very diversified production of automotive components, manufactured under various licenses: shock absorbers, appliances brake, cab subassemblies, cardan transmissions, steering boxes, springs, becoming the main supplier of components for the Romanian automotive industry. In 1991 the company was transformed into a joint stock company with the name of S.C. COMPAS S.A.

Throughout its 130 years of existence, the COMPAS Group has steadily progressed technically and technologically, constantly investing in the quality of its products and services. COMPAS Group is among the first companies with Romanian capital, present in the top 100 of Romanian exporters. COMPAS Group map covers 23 countries on 3 continents. The top processes applied in the projects of the COMPAS Group, widely integrate CNC equipment (centers with numerical control) associated with defect detection procedures and statistical control methods that allow constant quality assurance. Use of modern cutting technologies, use of laser for cutting or control, metal or film coatings, heat treatments, robotic cells,

COMPAS Group collaborates with renowned partners in the automotive and non-automotive industries, the company's focus has recently been on increasing turnover in the non-automotive field by attracting and developing projects in this regard. Major projects such as the construction of cabins for a reputable numerically controlled machine manufacturer, the manufacture of industrial pumps for one of the world's largest manufacturers of high-tech pumps and pump systems for residential and commercial construction, water management and other industries. The manufacture of parts for the shipbuilding industry or for air conditioning installations or equipment for lifting people and materials are just some of the company's successful examples in this direction. An important and noteworthy project in the above context is the manufacture of high pressure injection pump components for petrol and hybrid engines. It is a project that counterbalances the exposure on components for diesel and which also involved the successful realization of a fully automated production line within the company. Other new types of products for the transmission system for 100% electric cars or for the steering box were also assimilated, products that are outside the diesel sphere and are of the future. It is a project that counterbalances the exposure on components for diesel and which also involved



the successful realization of a fully automated production line within the company. Other new types of products for the transmission system for 100% electric cars or steering gear have also been assimilated, products that are outside the diesel sphere and are of the future. It is a project that counterbalances the exposure on components for diesel and which also involved the successful realization of a fully automated production line within the company. Other new types of products for the transmission system for 100% electric cars or for the steering box were also assimilated, products that are outside the diesel sphere and are of the future.

Another strategic direction that the COMPA Group places great emphasis on is development as an integrated supplier, offering customers complex products and assemblies that involve the use of as many existing processes as possible within the COMPA Group. By developing as an integrated supplier, more added value is generated, the level of know-how is automatically increased and implicitly the company's profitability.

The non-financial statement for 2021 contains information through which the management of COMPA Group communicates, in a transparent manner, to the stakeholders represented by business partners, employees, investors, the local community and other stakeholders, the actions taken to improve the quality system of environmental management, health and occupational security as well as corporate governance.

COMPA together with the other three companies within the COMPA Group constantly acts in the field of continuous improvement of product and service quality, environmental protection, occupational health and safety, human resources, social responsibility, business ethics and integrity and the prevention / fight against corruption. .

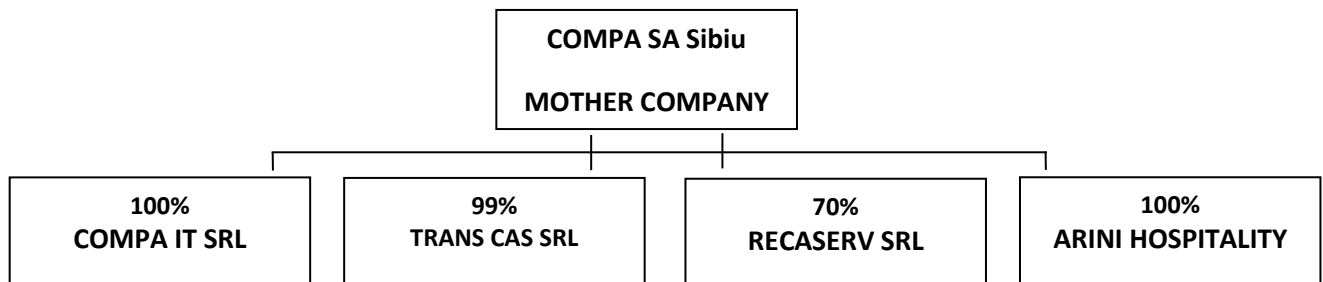
In the period 2000-2004, COMPA underwent an organizational restructuring in order to better adapt to the changes produced by the fulfillment of the strategic objectives. As a direct consequence, some ancillary activities were detached from the object of COMPA's activity, being outsourced. This was a successful model that allowed outsourced companies to focus on providing superior quality in the core field. Following the outsourcing, the COMPA Group was set up, which means the parent company, COMPA, from which the following emerged:

#### **1. COMPA S.A.**

It is a company with 100% private capital. It was privatized in September 1999, by buying the majority stake in the COMPA Sibiu Employees Association (PAS), which became the company's main shareholder. In 2018, the COMPA Sibiu Employees Association (PAS) was dissolved, the shares being transferred to the members of the association, depending on the number of shares held and purchased by each. COMPA SA is the mother company, organized on Profit Centers, integrated units without legal personality with a decentralized activity, structured for the realization of products for a single customer or for the realization of similar products for several customers, such as: Forging, Heat Treatments, Galvanization , Pressed - stamped parts, mechanical - welded subassemblies, etc



**The structure of the COMPA Group**



The management of the mother company COMP A, as well as of the entire COMP A Group is ensured by the Board of Directors elected by the Ordinary General Meeting of Shareholders, for a period of 4 years.

Social headquarters	Sibiu, Str. Henri Coandă no.8
The main object of activity	2932 "Manufacture of other parts and accessories for motor vehicles and their engines"
Social capital	21,882,103.8 lei
Fiscal value	547,121,134 lei
Number of employees	1851

**2. COMP A I.T. S.R.L.**

It was established in 2000 for the purpose of designing and implementing an integrated IT system for the parent company and third parties, at international standards. The company offers IT solutions, services and software maintenance. By implementing the integrated system in the parent company, COMP A-IT ensures the operation of this system at higher parameters, prepares reports and presents the new facilities of the system in order to capitalize at the highest possible level of opportunities that this very complex system can offer. and competitive.



Social headquarters	Sibiu, Str.Henri Coandă Nr.8
The main object of activity	6201 "Custom software development activities"
Share capital (lei)	200,000 lei
Fiscal value	2,216,900 lei
Needlesole shareholder	COMP A SA company
Number of employees	9

### 3. TRANS C.A.S. S.R.L.

Founded in 2002, by outsourcing the car transport activity within COMPA, the company offers freight and passenger transport services domestically and internationally. Some of the owned vehicles are the property of the parent company COMPA SA, rented, and some of them are the property of TRANS CAS SRL.

TRANS CAS SRL currently owns a number of over 60 vehicles, of which an important share is held by Mercedes-type trailer trucks, with a capacity of over 20 tons payload, intended for the transport of materials and finished products for both COMPA and other customers. The overwhelming share of TRANS CAS's transport is held by international freight transport in almost all of Europe.



Social headquarters	Sibiu, 12 Henri Coandă Street
The main object of activity	4941 "Freight transport by road"
Share capital, of which:	1,500,000 lei
Needle: COMPA SA Sibiu	1,498,450 lei
Fiscal value	14,460,846 lei
Number of employees	48

### 4. RECASERV S.R.L.

It was established in 2004 by outsourcing within the parent company activities such as: public catering made through the canteen and micro-canteens operating within the company COMPA, catering and cleaning services.



Social headquarters	Sibiu, Str. Henri Coandă No.51
The main object of activity	5629 "Other food service activities nec"
Share capital, of which:	100,000 lei
Needletonaries: COMPA SASibiu	70%
Boroş Daniela (individual person)	30%
Fiscal value	1,146,979 lei
Number of employees	27

## 5. ARINI HOSPITALITY SRL

ARINI HOSPITALITY SRL is an SPV (special purpose vehicle), with the sole shareholder of COMPA SA. Established in 2021 in order to manage the construction and development of the MERCURE SIBIU PARK ARINI Hotel Complex.

Due to the fact that the specificity of the hotel business is totally different from the automotive components production activity of the main company, COMPA management decided that it is much easier to manage by a new company having as main object of activity that of - Hotels and other accommodation facilities similar CAEN code 5510. This is how ARINI HOSPITALITY was born.

The company wants to enter the hotel market as a player in partnership with ACCOR with which it has concluded a hotel management contract. ACCOR is an international augmented hospitality group specializing in the hospitality industry, a world market leader with unique experiences in over 5,100 hotels in 110 countries with over 300,000 employees. The group has acquired hospitality expertise for more than 50 years, through a portfolio of 39 hotel brands.

Social headquarters	Sibiu, 8 Henri Coandă Street
The main object of activity	5510 "Hotels and similar accommodation"
Share capital, of which:	19,703,000 lei
Shareholders: COMPA SA Sibiu	19,703,000 lei

## EMPLOYMENT

Between 2019 and 2021, the total staff of Grup COMPA decreased in 2021 by 0.51% compared to 2020 and by 11.44% compared to 2019, decreases generated mainly by the reduction of orders to the "parent company" but also by increasing labor productivity.



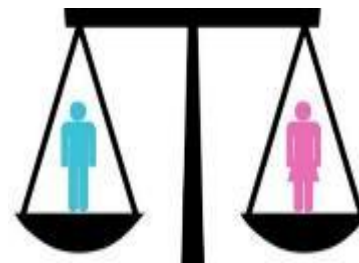
Staff on 31 Decembrie	2019	2020	2021	2021/ 2020	2021 / 2019
COMPA SA	2082	1865	1851	99,25%	88,90%
COMPA IT SRL	9	9	9	100,00%	100,00%
TRANSCAS SRL	56	49	48	97,96%	85,71%
RECASERV SRL	38	22	27	122,73%	71,05%
<b>TOTAL GROUP</b>	<b>2185</b>	<b>1945</b>	<b>1935</b>	<b>99,49%</b>	<b>88,56%</b>

**GENDER DIVERSITY**

(Share of women in total employment as of December 31, 2021)

Within the COMPA Group, the share of female employees represents approximately one third, a share due mainly to technological changes but also to the trust given in the area of responsibilities and coverage with skills.

Share of women in total employees (%)	2021
COMPA SA	31,71%
COMPA IT SRL	22,2%
TRANSCAS SRL	14.58 %
RECASERV SRL	92,6%
<b>TOTAL GROUP</b>	<b>32,09%</b>


**TOTAL STAFF DISTRIBUTION**

As of December 31, 2021 on a qualifications structure (according to COR and by gender)

Analyzing the structure of qualifications within the COMPA Group, it is found that the share differs from one company of the Group to another, depending on the specifics of the activities carried out.

Thus, if at COMPA IT SRL the dominant weight is of the personnel with higher education, at COMPA SA and at TRANSCAS SRL the main category is that of qualified workers, instead at RECASERV SRL the weight is held by unskilled workers.

Qualifications structure of COR		COMPA SA	COMPA IT SRL	TRANSCAS SRL	RECASERV SRL	TOTAL GRUP
1. Leading staff	<b>TOTAL, of which</b>	<b>132</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>135</b>
	Ladies	15	0	0	1	16
2. Specialists with higher education	<b>TOTAL, of which</b>	<b>184</b>	<b>7</b>	<b>8</b>	<b>0</b>	<b>199</b>
	Ladies	64	1	5	0	70
3. Technicians and other specialists in the technical and accounting field	<b>TOTAL, of which</b>	<b>134</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>137</b>
	Ladies	65	0	1	0	66
4. Administrative officials	<b>TOTAL, of which</b>	<b>149</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>149</b>
	Ladies	135	0	0	0	135
5. Service workers	<b>TOTAL, of which</b>	<b>14</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>17</b>
	Ladies	1	0	0	1	2
6. Skilled and assimilated workers	<b>TOTAL, of which</b>	<b>1006</b>	<b>0</b>	<b>36</b>	<b>0</b>	<b>1042</b>
	Ladies	237	0	0	0	237
7. Unskilled workers	<b>TOTAL, of which</b>	<b>232</b>	<b>0</b>	<b>1</b>	<b>23</b>	<b>256</b>
	Ladies	74	0	1	23	98



### MEASURES APPLIED TO PROTECT THE ENVIRONMENT



COMP A Group promotes and recommends throughout the supply chain the promotion of voluntary activities for the protection of the environment, biodiversity, the natural environment, the conservation of energy and non-recoverable natural resources, reducing the amount of waste generated and improving the means of transport of materials and products. COMP A Group also promotes and recommends the reduction and efficiency of packaging for products to be delivered to the entire COMP A Group, especially the use of reusable packaging, the use of substitutes for disposable wooden pallets, and the implementation of the design and use of environmentally friendly packaging.

COMP A Group is working diligently to further integrate environmental sustainability into all aspects of its supply chain functions. COMP A Group, together with its suppliers, maintains a collaborative supply chain that minimizes environmental impact and improves long-term sustainability for the planet and the communities it serves through innovation and performance. (A recent example of the change in sustainable packaging has been the provision of durable protective masks in response to the COVID-19 pandemic, COMP A Group, together with a local partner, has replaced disposable masks with reusable face masks. Thus, the environmental impact of this type of waste has been considerably reduced).

COMP A Group has regulated hazardous substances and mixtures that regulate and determine the purchase, transport, handling, storage, use and management of hazardous substances and mixtures, in order to ensure environmental protection, employee safety and to control and minimize the risk of accidents in which involve hazardous substances and mixtures. In this regard, COMP A Group aligns and transmits throughout the supply chain alignment with the requirements in terms of quality, environment and health and safety at work on the products supplied, such as the content of elements and chemicals, product components and quantity and hazardous effects. of the elements and chemicals contained, the safety data sheets,



Achieving the set objectives is done by adhering to ISO 45001 and ISO 14001, as well as adopting the United Nations Practices and Objectives for Sustainable Development - <https://www.un.org/sustainabledevelopment/>

COMP A Group also aligns and requires all its Suppliers to comply with a number of principles and requirements in the field of quality, environment and health and safety at work by adhering to and implementing policies and regulations that address the following issues:

- REACH 1907/2006 (Regulation, Evaluation and Authorization of Chemicals) - <https://echa.europa.eu/legislation>
- CLP 1272/2008 (Classification, Labeling and Packaging of substances and mixtures) - <https://echa.europa.eu/legislation>
- Conflict Minerals - <https://ec.europa.eu/trade/policy/in-focus/conflict-minerals-regulation/>

The handling and storage of dangerous substances is carried out in compliance with the mandatory measures governing the activity of purchase, transport, handling, storage, use and management of dangerous substances and mixtures within the Group. This ensures the protection of the environment, the safety of employees and the control / minimization of the risk of accidents involving hazardous substances and mixtures.

The storage of various dangerous chemicals and preparations is done taking into account the compatibility between the substances. The record of hazardous substances and mixtures used is kept in the SAP (System of Applications and Products) program. The companies within the Group have the support provided by the managers of COMP A SA The persons who handle, use, store and transport

dangerous substances / mixtures are trained and know the measures to be taken in case of emergency situations. Annually, environmental management programs plan targets to reduce flue gas consumption from technological processes in order to reduce flue gas emissions (carbon emissions). The flue gases (CO, dust) from the technological processes and from the electrothermal power plant are annually measured, in emission, in the chimney, by an accredited laboratory.

**MEASURES APPLIED TO PROTECT OCCUPATIONAL HEALTH AND SAFETY**

Occupational health and safety is an integral part of COMPA Group's mission to improve the quality of life. COMPA Group makes a sustained effort to achieve an organizational culture of occupational health and safety and performance in this field.

COMPA Group adopts progressive labor, health and safety, ethics and environmental policies that meet or exceed all applicable international human rights laws, norms and standards. Policy guided by the UN Global Compact, the UN Guiding Principles on Business and Human Rights and the principles set out in the International Declaration of Human Rights and the International Labor Organization Declaration on Fundamental Principles and Rights at Work.



COMPA Group applies a Business Conduct Guide, which describes a progressive work policy towards employees, suppliers, partners and local communities. This policy includes ethical recruitment practices, diversity, anti-harassment, discrimination, support for women's rights and equal pay, individual confidentiality, reporting and anti-retail policies. The use of child labor, forced labor or trafficking in human beings in any form is not tolerated - including slave labor, imprisonment, corporal punishment in its operations or in the supply chain. This policy of the COMPA Group is transmitted throughout the supply chain through the COMPA Supplier's Guide of Conduct.



COMPA Group complies with the laws on safety, individual security, prohibitions on trafficking in human beings and the use of minors, together with the laws ensuring freedom of association and the rights to collective bargaining, and to comply with the relevant regulations on minimum wage and overtime, including overtime, as appropriate, and provide decent living conditions. COMPA Group respects the right of employees to join or not to join a union of their choice and the right to collective bargaining, without any form of retaliation, intimidation or harassment. Adopts policies and practices that guarantee that employees can freely associate at work in accordance with applicable laws and regulations, ensure that employee representatives are elected freely, without interference from management, and that they are recognized by management in accordance with applicable law.

Freedom of association can be suggestively exemplified in the table below.

From the presented data it results that the percentage of personnel belonging to a union is 64.32%. The Group's management undertakes to adopt an impartial position towards trade unions and their representatives

	<b>Personal 31.12.2021</b>	<b>No. of union members</b>	<b>Trade union membership (%)</b>
COMP SA	<b>1851</b>	1209	65,32%
COMP IT SRL	<b>9</b>	0	0%
TRASCAS SRL	<b>48</b>	15	31,25 %
RECASERV SRL	<b>27</b>	25	92,59%
<b>TOTAL GROUP</b>	<b>1945</b>	<b>1347</b>	<b>69.25%</b>

During 2021, one additional act to the Collective Labor Agreement applicable at the level of the COMP A Group was concluded between the Administration and the trade unions, regarding the following aspects:

- indexation of the salary grid with a fixed amount, resulted from applying the percentage of 6.30% (value of inflation) to class 14 (the average salary grid class), that is 200 lei gross;
- along with the indexation of the salary grid, the benefits deriving from it were indexed with the same percentage (Christmas and Easter bonus, holiday bonus, travel allowance, etc.).

The Group integrates the principles of Social Responsibility through the conduct of a management based on the principles of leadership and vigilant approach in relation to the impact of decisions on companies, the environment and economic factors.

**PROCEDURE FOR RECEIVING AND RESOLVING COMPLAINTS**

Within the Group, there is a system for resolving employee complaints that regulates how they can address the management of affiliated companies, petitions made in their own name. The petitions concern social issues related to work. The system stipulates how these petitions are registered, distributed for settlement and sending the answers to the petitioners.



**COMBATING CORRUPTION AND BRIBERY**

In COMP A Group there is implemented a procedure regarding the possibility of reporting by employees, customers, suppliers, shareholders, third parties, etc., of acts of corruption, acts of violation of laws and regulations, values, principles and norms applicable in society.



**COMMUNITY INVOLVEMENT**

To increase the impact on the local community, the COMP A Group works with protected unit type entities as well as ECOVADIS certified suppliers. An example in this direction is given by the print fleet of the COMP A Group, which includes over 90% EPSON equipment (platinum winner ECOVADIS 2020 - a verification tool for companies covering a wide range of non-financial management systems such as: environment, labor and human rights, ethics but also the impact of sustainable procurement). COMP A Group also works with suppliers in both the top CSR Romania 2021 and the top CSR Europe. (CSR - Corporate Social Responsibility).

COMP A Group is actively involved in the community to which it belongs, with a history of over 130 years, COMP A has been permanently present in the consciousness of the community of which it is part and which it constantly supports in various ways:

- 1.1. Providing the technical and technological support necessary for professional and specialized training in pre-university and university education.
- 1.2. Supporting sports competitions: cycling, car, cross country, etc.
- 1.3. Contributions to the provision of resources for projects in the field of public health, culture and cults.





## **1. COMPA SA**

### **PREAMBLE**

Throughout its 130 years of existence, COMPA has consistently progressed technically and technologically, constantly investing in the quality of its products and services. Thus, COMPA is among the first companies with Romanian capital, present in the top 100 of Romanian exporters. The COMPA map covers over 20 countries on 3 continents, including: France, Germany, the United States, the Czech Republic, Slovakia, Belgium, the Netherlands, England, Italy, China and India.

The main product groups made in COMPA are: subassemblies and components for injection systems; windscreen wiper subassemblies and components; components and subassemblies for turbochargers; steering gear sprockets; steering column components; springs; stamped parts; forged parts; cardan transmissions; Metal fabrications; mechano-welded components; components for air conditioning installations; cabins and other high precision components for machine tools, components and injection system, a wide range of tools (cutting tools, sharpening cutting tools, punches and forging dies).

The main services offered are: design and execution of industrial equipment, molds and tools, surface coatings, heat treatments, calibration services and repair of measuring instruments, tests and physico-chemical laboratory analyzes, cardan service (EDS), training courses.

The top processes applied in COMPA projects, which widely integrate CNC equipment associated with defect detection procedures and statistical control methods, allow constant quality assurance.

The use of modern cutting technologies, the use of laser for cutting or control, metal or film coatings, robotic cells, dimensional control technique, associated with the "lean" operational concept, make COMPA a successful company with remarkable results in recent years.

The organizational structure adopted by COMPA is a mixed, functional - divisional (matrix) structure. This type of organization chart provides a decentralized authority that strengthens a flexible organization that is able to respond quickly to manufacturing changes and customer requests. It is a structure based on a wide autonomy of multifunctional teams.

Strategic objectives of the company COMPA follow: increasing the company's profitability, increasing the value for the customer, achieving operational excellence, increasing staff performance, increasing environmental performance, occupational health and safety.

The global influence of all the internal factors of the society creates the "climate" of its work and manifestation, a climate in which the whole range of activities takes place.

This internal "climate" forms the level of satisfaction and existence to which all the staff of the organization is connected and within which the whole series of activities that participate in the realization of our products and processes takes place, strongly influencing the relational interface with external environmental factors.

### **STRATEGIC DIRECTIONS; PRODUCT DEVELOPMENT**

- with existing customers
- with new customers
- development of high value-added products
- development of products for the manufacture of commercial vehicles
- developing COMPA as an integrated supplier
- growing business with prime component manufacturers (OEMs)
- replacement of products intended for the manufacture of diesel engines
- the development of the COMPA Development Research Center and the increase of investments in R&D activity
- significant increase in non-auto activity

The business model as well as the adopted strategy have the role of maintaining the company at the current level of short-term performance and medium and long-term development, in close correlation with the evolution of the world economy.

Relevant information on the business model, including strategy and objectives will be presented in the next part of this statement detailing the activities that the company carries out in order to maintain a level of performance in line with the objectives assumed.

### **THE SWOT ANALYSIS**

#### **Weaknesses**

- Excessive size and diversity (waste of resources, increased costs with general administration, reduced flexibility, diversity of positions and skills, cumbersome management of information flow);
- Manufacture of products with a small share in turnover;
- Loss of significant supplier position in the Romanian automotive industry;
- Limited know-how in product design activity;
- Execution according to customer projects (lack of products - COMPA brands).

#### **Strong points**

- Salary levels aligned with the market;
- High professional workforce, especially in support services;
- Good image in business;
- Listing on the Bucharest Stock Exchange;
- Integrated system, for quality - environment - occupational health and safety, certificate;
- High level of process integration;
- Own high-performance know-how for auxiliary processes: heat treatments, surface coatings, paints;
- Production facilities at the level of the world automotive industry;
- Medium and long term partnerships with reputable clients;
- Organizational structure with autonomous business units - profit centers;
- Involvement in the development of technical and vocational education (supporting dual education);
- Good command of modern manufacturing processes in the field of processing and assembly;
- Engaging the company's management in extensive development projects.
- Significant profit margins that ensure development.

#### **Risks**

- Gradual reduction of diesel vehicles
- Insufficient resources on the labor market;
- Accelerated growth in labor, materials and energy costs;
- Expensive loans;
- High dependence on a relatively small number of customers;
- The accelerated rise in prices generated by inflation and especially by the unprecedented rise in the price of electricity and gas which have a strong influence on both domestic costs and supplies.

#### **Opportunities**

- Accelerated development of the Romanian business environment (based on foreign investments);
- Accessing EU funds;
- Increasing the turnover from related activities offered to the regional market (metal coatings, metrology, physico-chemical laboratory, professional training) and from the integration of processes (forging);
- Development of car manufacturing in Romania;
- Availability of current customers for the development of collaboration (increasing volumes of current products and requesting new references);





- Availability and resources for business development in other fields (real estate).  
All of the above were data and have been taken into account in the activities of analysis, identification and treatment of risks and opportunities that may arise in the COMPA processes and in determining how we respond to and harmonize with this whole context in which we exist and carry out our activities.

**INTEGRATED POLICY IN THE FIELD OF QUALITY, ENVIRONMENT AND HEALTH AND SAFETY AT WORK**

- Quality, environmental protection, health and safety at work are among the values we care about, being integrated into the long-term development strategy of our organization and are some of the aspects that represent us.
- We are aware that the quality of products and services, care for the environment, continuous improvement of working conditions and prevention of occupational hazards as well as involvement in the life of the community to which we belong, in full compliance with the requirements of applicable law, are essential for our success
- In this sense, we are dedicated to the continuous understanding of the needs of all stakeholders so as to ensure the long-term sustainability of our activities, throughout the value chain: procurement → production and associated services → customers, government authorities and the local society / community.

**PROCUREMENTS:**

We take responsibility and are committed to ensuring sustainability for the entire life cycle of our products. We work closely with our suppliers to ensure the protection of the environment and the climate, the conservation and regeneration of the resources used, to respect human rights in our collaborative relationships and to ensure decent working conditions.

**PRODUCTION AND ASSOCIATED SERVICES:**

In the realization of our products and associated services, we are continuously committed to reducing energy consumption and the necessary resources, in this sense having implemented the most modern environmental management systems (ISO 14001). We are constantly concerned with improving the working conditions of our employees, being aware that they are our most important resource. For this, we strictly comply with the provisions of the latest standards in the field (ISO 45001). Promoting diversity and equal opportunities is another important aspect of our policies, considering that every human being can make a decisive contribution to the development and sustainability of the business, applying in this way

**CLIENTS, GOVERNMENT AUTHORITIES, SOCIETY / LOCAL COMMUNITY:**

One of our most important commitments is to guarantee our customers and government authorities products of the highest quality and with a high degree of safety of use, rigorously applying the highest standards in the field (ISO 9001 and IATF 16949 ).

We are an active member of society and the local community, being involved in a wide range of activities that support education, sports and environmental protection.

For the implementation of this integrated policy of quality, environment, health and occupational safety, we are guided by the following principles and values that we are firmly committed to:

**Orientation towards thinking based on the identification, assessment and treatment of risks.**

**Customer orientation** to demonstrate that its requirements and expectations are met.

**Orientation towards our employees and partners** by ensuring a friendly work environment and respecting an atmosphere of high professional ethics.

**Orientation towards continuous improvement of effectiveness and efficiency** integrated quality management system, environment, health and safety at work.

**Orientation towards compliance with the legislation in force but also with the regulations and requirements of the interested parties** which we assume and subscribe to.

**Orientation towards society and the local community** by voluntary involvement in providing the necessary support to increase living conditions.



**Strategic directions** in which we act to implement these policies throughout our value chain are the following: COMP A SA Sibiu has implemented an Environmental Management System according to the ISO 14001 standard. This system was first certified in 2003 and recertified in 2015 by the German certification body TÜV Rheinland. A new recertification of the system by the same certification body, TÜV Rheinland, was obtained in 2021. The activities regulated by this system are maintained and continuously improved, being systematically supervised by internal audit, but also by the certifying authority.

**2.1. Environmental aspects**

The company identifies and evaluates the environmental aspects determined by the technologies used, the products made and the services offered:

The main technological processes widely integrate mechanical processing equipment (CNC type) associated with defect detection procedures and statistical control methods; in addition to these, laser processing technologies, surface coatings, heat treatments, hot or cold processing of materials (forging, pressing), welding, mechanical assemblies (partially or fully automated) are used;

The main product groups made in COMP A are: injector subassemblies and components; windscreen wiper subassemblies and components; center housings, flanges and rollers for turbfans; steering gear sprockets; steering column components; arches; stamped, stamped parts; forged parts; cardan transmissions; mechanically welded metal fabrications; components for air conditioning installations; injection system components and valves, molds and tools.

The main services offered are: design and execution of industrial equipment, molds and tools, surface coatings, heat treatments, calibration services and repair of measuring instruments, tests and physico-chemical laboratory analyzes, cardan service (EDS), training courses.

Thus, the environmental aspects associated with these technologies, products and services take into account, as appropriate, air emissions, water discharges, soil contamination, waste management, resource consumption, noise, vibration, etc.

Environmental issues are assessed annually and whenever necessary, as a result of changes in execution technologies, the introduction of new raw materials / materials / equipment, changes in legal, regulatory and customer or other stakeholder requirements, specific conditions in points work, etc. Based on these analyzes, the ways of keeping under control the environmental aspects associated with the company's activities are updated.

The main environmental issues identified in 2021 refer to waste, accidental spillage of substances / mixtures, energy consumption and emissions into the atmosphere and noise, the rest of the environmental aspects being in a smaller share (Figure 1).

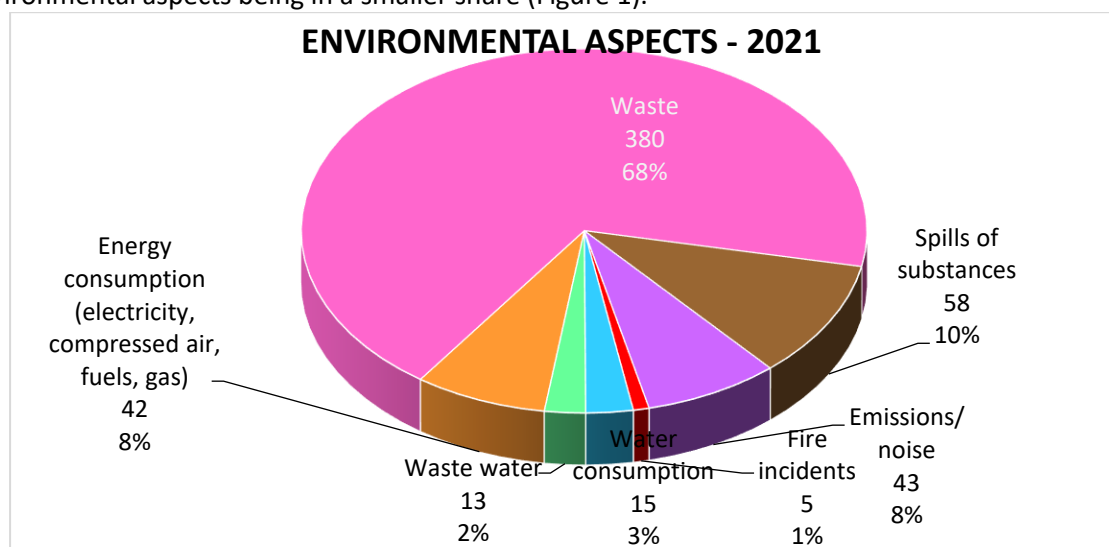


Figure 1

Of these, only 1% were identified as significant in relation to legal requirements and internal risk analyzes. These are those aspects that have or may have a significant impact on the environment and are included as a priority in the risk analysis as the main sources of risk generation (Figure 2).

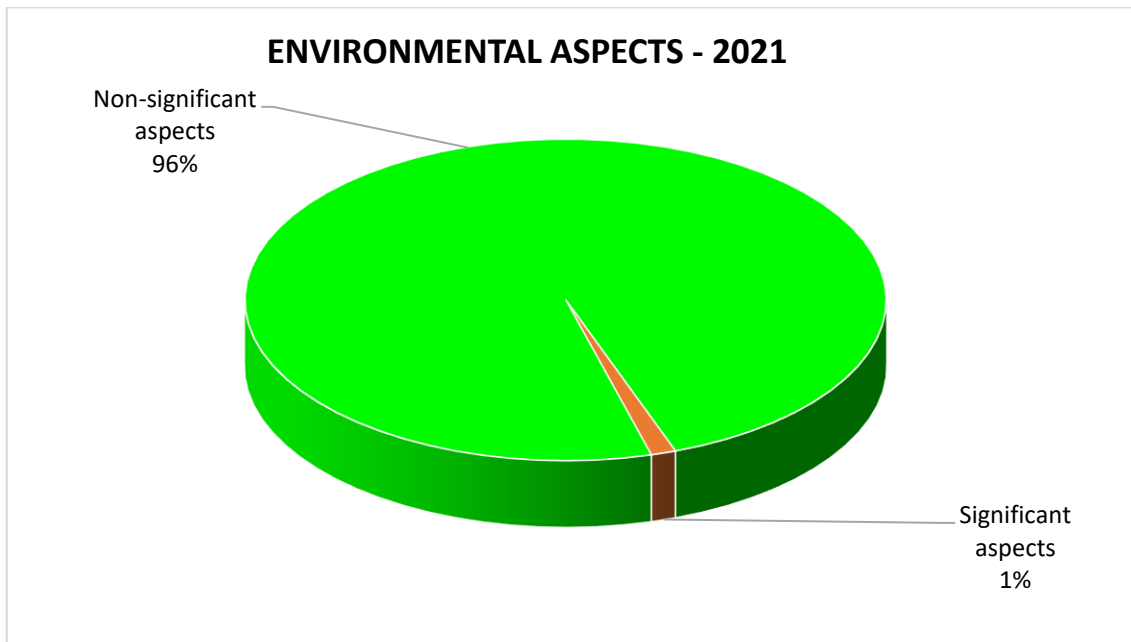


Figure No.2

## 2.2 Risks (negative / threats and positive / opportunities)

Following the environmental risk analysis (threats and opportunities), the main environmental risks identified at the level of 2021 are the following:

### **Non-compliance with compliance obligations related to waste management, namely:**

- non-selectively collected waste
- waste delivered for recovery / disposal without compliant documents (approved transport annexes)
- risk of being left with waste on site (declared quantities no longer correspond to generated quantities)

### **Non-compliance with compliance obligations regarding wastewater management, namely:**

- wastewater quality indicators discharged into the sewerage network above the maximum permitted limit

### **Non-compliance with compliance obligations on atmospheric emissions, namely:**

- the risk of emitting quality indicators in the atmospheric air above the maximum allowed limit

### **Non-compliance with the requirements for the management of hazardous chemicals, namely:**

- the existence of expired safety data sheets
- unauthorized use of hazardous chemicals with special regime (toxic, precursors, explosive substances, etc.)

### **Recurrence of non-conformities identified in environmental inspections / operational inspections**

**Lack of competent staff to respond to environmental problems at the manufacturing level (frequent change of environmental managers in manufacturing)**

#### **Extension of emergency response times**

For all these, the analysis of the potential causes was carried out, taking measures that would lead either to the decrease of the criticality of the negative impact, or to the increase of the degree of capitalization of the identified opportunities.

**Negative risks / threats:**

<b>RISK</b>	<b>POTENTIAL CAUSES</b>	<b>ACTIONS</b>
Potential non-compliance with legal obligations regarding waste management	Potentially low level of employees' knowledge of selective collection. Variety of waste types that could lead to failure to identify the expiration date on hazardous waste transport forms in a timely manner. New legal requirements potentially unidentified in time.	Awareness of staff through repeated training / Awareness of newly hired staff related to the importance of observing the method of selective collection Frequent verification of waste shipment approval forms. Verification of compliance obligations to identify new legal requirements more frequently.
Potential non-compliance with legal obligations regarding wastewater management	Potential damage to treatment plants. Potential improper handling of chemical means of transport. The potential lack of sufficiently aware staff.	Staff awareness through repeated training. Planning and performing simulations so that the intervention is performed in real time and with the necessary equipment, easily accessible.
Potential non-compliance with legal obligations regarding emissions into the atmosphere	Potential non-compliance with the change frequency of activated carbon filters. In the planned maintenance, potential inefficiency in identifying problems with the chimneys.	Timely replacement of filters. Performing preventive maintenance on the chimneys.
Potential non-compliance with the requirements for the management of hazardous chemicals	Potential non-compliance with the frequency of updating the documentation at the places of use. Potential ignorance of the regulatory requirements related to the chemical regime	Updating the documentation at the places of use Awareness of the regime of dangerous chemicals.
Potential recurrent non-conformities identified in environmental inspections / operational inspections / internal audits.	Ineffective potential in the analysis of actions by the team. Ineffective potential in rigorously establishing actions, potential ignorance of the correct way to identify root causes	Training staff on the correct way to analyze the root cause. Analysis of actions by the whole team.
Potential lack of competent personnel to respond to environmental issues at the manufacturing level	Potential frequent change of environmental managers / insufficiently trained staff from a professional point of view	Appointment of environmental officials with whom to be prepared to respond to environmental issues
Potential extension of the intervention period in case of emergencies	Potential lack of materials needed for the intervention	In internal audits, emphasis will be placed on monitoring the existence of intervention materials where necessary.

**Positive risks / opportunities:**

<b>RISK</b>	<b>POTENTIAL CAUSES</b>	<b>ACTIONS</b>
Existence of internal opportunities to design technologies to reduce air and soil pollution with metal powders	Existence of specialized personnel within the maintenance department able to design technologies to reduce air and soil pollution with metal powders	Design and implementation of a system for efficient capture and retention of dust from rectification springs using internal resources.

**2.3 Objectives and targets. Environmental management programs**

Annually, at the level of each department, environmental objectives are set that take into account the significant environmental aspects, the compliance obligations and the identified risks and opportunities.

In setting environmental objectives and targets, the following are taken into account:

- the company's activities and services;
- compliance obligations;
- significant environmental issues;
- technological options;
- material, financial and human resources;
- the views of stakeholders

The main points of the Annual Environmental Management Program for 2021 are the following:

<b>Objectiv</b>	<b>Actions</b>
Reduction of dangerous waste	Exchange of Durr Hydrocarbon washing machine filters with more efficient filters so that we can: <ul style="list-style-type: none"> <li>• Increase the capacity of the washing machine</li> <li>• Reduce the filter consumption</li> </ul>
Prevention against environmental accidents	<ul style="list-style-type: none"> <li>• Mounting of retention boxes for the carriages used on the shopfloor.</li> <li>• Use of retention boxes for other cases.</li> <li>• Mounting of retention systems around machines.</li> <li>• Purchase of absorption Spill-Kit and other absorption tools.</li> </ul>
Reduction of COV emissions into the atmosphere	Replace solvent-based painting with water or dust-based painting.
Improvement of the storage for the dangerous substances	Special storage for dangerous substances: retention boxes, labeling, substance security sheet.

**2.4 Results of the Environmental Management Program**

**a. Results of water monitoring**

**The following categories of waters are monitored in COMPA:**

- Sewage in the sewer system;
- Hydrocarbon separating effluent;
- Groundwater from the observation well;

The table below lists the waters to be monitored, the number of indicators and the monitoring frequency

Water category	What is being monitored	Monitoring frequency
Wastewater in the sewer network	7 channels 15 indicators	Monthly with internal laboratory Quarterly with accredited laboratory
Hydrocarbon separating effluent	4 channels 3 indicators	Semester (2 samples / year) with accredited laboratory
Groundwater from the observation well	1 observation drilling 13 indicators	Semester (2 samples / year) with accredited laboratory The results of the chemical analyzes at the end of each semester, performed by an accredited laboratory, are sent to SGA Sibiu

The quality indicators of wastewater discharged into the sewerage network and the maximum allowed values are presented in the table below:

Water category	Parameter	Allowed values
Domestic and technological wastewater in the sewerage network	pH	6.5-8.5
	Total suspensions	350 mg / l
	CBO5	500 mg / l
	COD,	300 mg / l
	Extractable with organic solvents	30 mg / l
	Ammoniacal nitrogen	30.0 mg / l
	sulphides	1.0 mg / l
	Sulfates SO42-	600 mg / l
	Zinc Zn2 +	1.0 mg / l
	Total chromium Cr3 ++ Cr6 +	1.5 mg / l
	Hexavalent chromium Cr6 +	0.2 mg / l
	Total manganese	2.0 mg / l
	Copper With 2+	0.2 mg / l
	Nickel Ni2 +	1.0 mg / l
CN Cyanide	1.0 mg / l	

**b. Results of monitoring emissions into the atmosphere**

In 2021, a number of chimneys for the emission into the atmosphere were monitored.

The pollutants monitored were:

- Volatile organic compounds (VOCs);
- Powders;
- Nitrogen oxides (NO<sub>x</sub>);
- Carbon monoxide (CO);
- Hydrochloric acid (HCl);
- Hydrofluoric acid (HF);
- Sulfuric acid (H<sub>2</sub>SO<sub>4</sub>);
- Phosphoric acid (H<sub>3</sub>PO<sub>4</sub>);
- Chlorine (Cl<sub>2</sub>);
- Trivalent chromium (Cr<sup>3+</sup>)

No exceedances were found in the concentrations of pollutants emitted into the atmosphere.

**c. Noise monitoring results**

The main sources of noise are fans, cooling systems, machines plant transport, equipment, compressors, etc.

In general, noise sources are located inside halls or closed modules. Those that are exterior are provided with sound-absorbing panels so as to comply with the maximum continuous equivalent sound level (NAEC) allowed of 65 dB (A) at the limit of the company's functional space.

**d. Results of monitoring substances and mixtures**

In COMPA the management of hazardous substances and mixtures is regulated by the Environmental Procedure "Management of hazardous substances and mixtures in COMPA" which establishes the purchase, transport, handling, storage, use and management of hazardous substances and mixtures in COMPA SA, in order to ensure protection the environment, employee safety and the control and minimization of the risk of accidents involving hazardous substances and mixtures.

The purchase of hazardous substances / mixtures is done in accordance with the procedure "Market research, evaluation and selection of suppliers-Conclusion of the order / contract with suppliers". Before purchasing any substance or mixture, the supplier in the Order / Contract Safety Data Sheet (SDS) is required in accordance with REACH Regulation (EC) No 1907/2006 and Regulation 830/2015 amending Regulation No 1907/2006 (REACH).

On entry, it is checked whether the substances and mixtures are labeled in accordance with Regulation (EC) No 1272/2008 (CLP).

The company owns and updates annually the list of substances and mixtures used.

**e. Results of waste monitoring**

In COMPA, waste management is done according to a specific procedure that regulates the collection, storage, disposal, evidence, reporting and transport of waste generated in COMPA SA, to prevent environmental pollution.

This procedure applies to all manufactures and compartments in the company.

Each waste is identified and coded with a 6-digit code according to the activity from which it comes, in accordance with GD 856-2002 on waste management records. The company has a list of all identified waste.

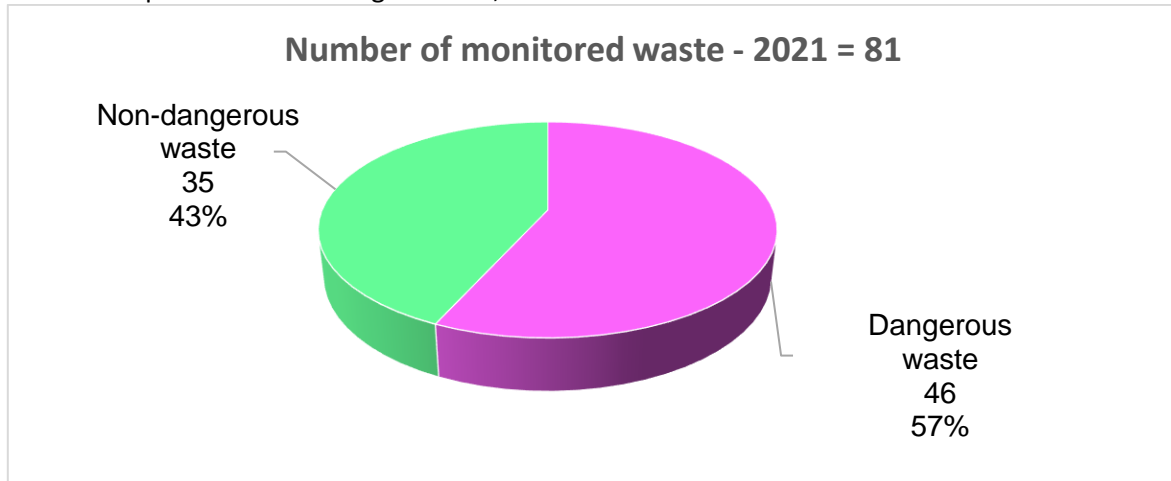
Each waste generated is recorded in the Waste Management Record Sheet and is monitored monthly: quantity generated, quantity remaining in stock, quantity recovered and quantity disposed of.

The waste identified in our company is non-hazardous waste and hazardous waste. Each waste is treated according to the waste management procedure.

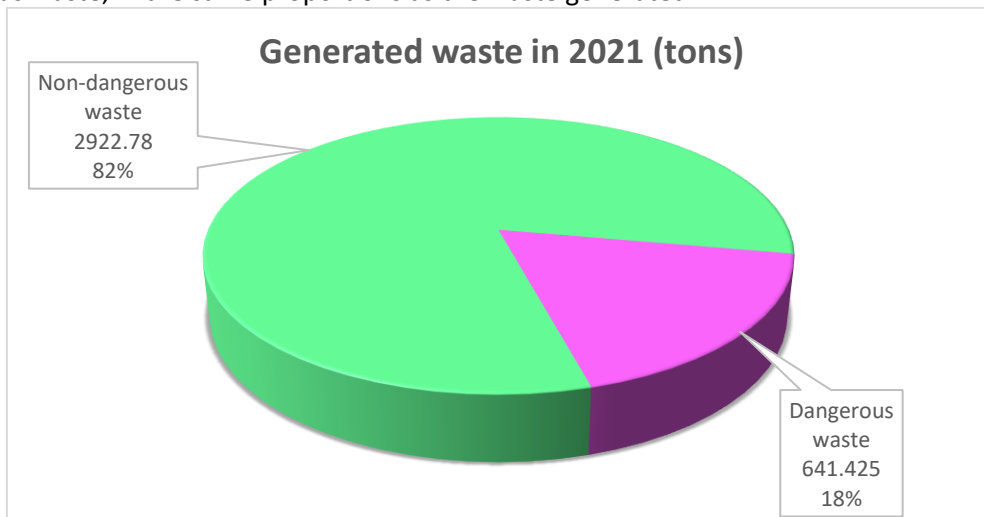
In 2021, a number of 81 wastes were monitored.



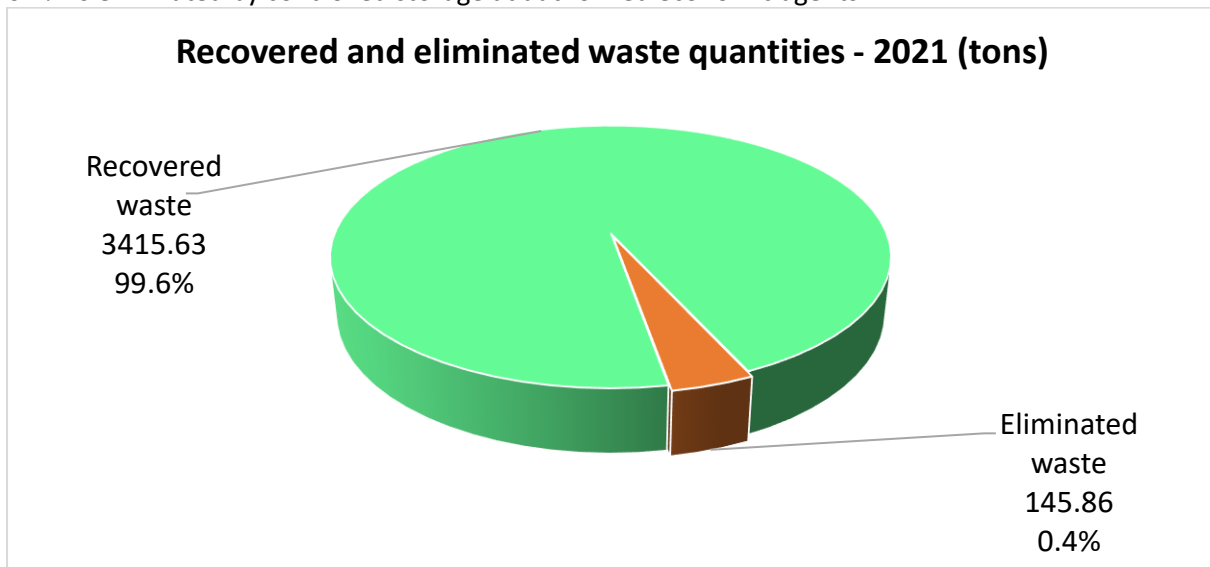
Of the total quantities of waste generated, 57% is hazardous waste:



Of the total quantities of waste recovered, 18% is represented by hazardous waste and 82% by non-hazardous waste, in the same proportions as the waste generated.



Of the total quantities of generated waste, 99.6% is recovered and only a very small percentage of 0.4% is eliminated by controlled storage at authorized economic agents.



**f. Results of global environmental performance**

At the company level, an overall environmental performance indicator has been established that is calculated based on environmental management performance (provides information on management efforts to influence the environmental performance of the organization) and environmental operational performance (which provides information on results environmental performance of the organization's activities).

**The Global Environmental Performance Indicator (GIP) is calculated annually as follows:**

**GEPI = 50% EMPI + 50% EOPI, where:**

Where: EMPI = Environmental Management Performance Indicator. Provides information on management efforts to influence the environmental performance of the organization;

EOPI = Environmental Operational Performance Indicator. Provides information on the operational results of the environmental performance of the organization's activities.

The Environmental Management Performance Indicator (EMPI) is calculated as follows:

$EMPI = 35\% NA + 35\% NC + 30\% NIOB$ , where

NA - aptitude level of the environmental management system resulting from the environmental audit = arithmetic mean of the aptitude levels obtained at the internal audit according to ISO 14001.

In 2021: NA = 95.29%

CL - level of compliance with the applicable compliance obligations = arithmetic mean of the compliance levels with the compliance obligations of the manufactures / directions.

In 2021: CL= 100%

LAEO - level of achievement of environmental objectives and targets in environmental management programs = number of objectives met / total number of objectives x 100. (for this indicator there was a progress in 2021 from 66.6% to 81 %

The Environmental Operational Performance Indicator (EOPI) is calculated as follows

$EOPI = 33.3\% IPA + 33.3\% DCM + 33.3\% ID$ , where

EMPI - degree of compliance with the maximum permitted level of pollutants in water = no. pollutants emitted in water that comply with CMA / no. total pollutants emitted into the water) x 100.

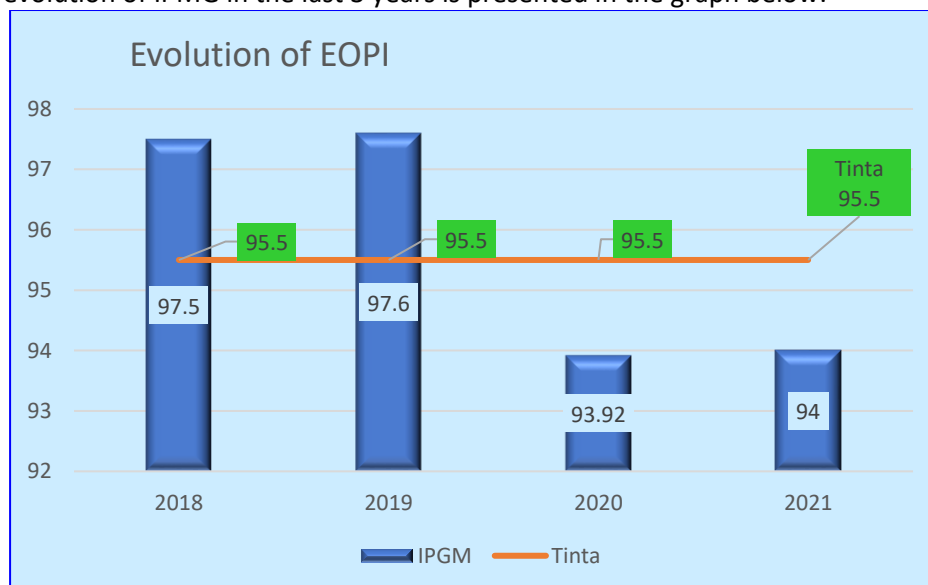
DCM - degree of compliance with the maximum level of pollutants in the atmosphere = no. of air pollutants complying with VLE / no. total pollutants emitted into the air x 100.

DC - degree of collection, recovery / selective disposal of waste = no. selectively collected waste (recovered / disposed of) / no. total waste generated x 100.

DC=100%

In 2021: EOPI = 95.4%

The evolution of IPMG in the last 3 years is presented in the graph below:





### **2.5 Environmental projects. Improvement**

The main improvement project was to reduce the quantities of oils used as coolant by filtering the oils from the cooling tanks of the machines using the filtration system.

### **2.6 Internal audit of the environmental management system**

#### **Internal environmental audit**

COMP A has implemented an environmental management system in accordance with the requirements of the international standard ISO 14001 from 2015.

The internal environmental audit is performed by the internal auditors of the "Systems Audit" department, every six months, to determine whether the requirements of the standard are implemented and maintained effectively and efficiently and to communicate to the top management the results of internal audits in analysis meetings.

The scheduling of the internal audit is done on the audit program prepared at the beginning of the year, and the manufacturing departments are announced through an audit plan on the elements to be audited. The actual conduct of the internal audit is carried out in accordance with the "Internal Audit" system procedure.

The results of the audits, the level of suitability, and the non-conformities identified / proposals for improvement are recorded on the audit report, which is sent to the auditee in order to establish the necessary measures.

**The average level of aptitude of the environmental management system in relation to the requirements of the ISO 14001: 2015 standard was in 2020 of 95.29%.**

#### **External environmental audit**

The environmental management system implemented according to the ISO 14001: 2015 standard is certified and supervised by the TUV Rheinland certification body.

The external supervision audit of the environmental management system takes place annually and once every 3 years the recertification audit takes place.

In 2022, the surveillance audit for the environmental management system according to ISO 14001/2015 will follow.

Over the years, during the external audit of the environmental management system, no non-conformities were found, only proposals for improvement were identified.

**THE IMPACT ON THE ENVIRONMENT GENERATED BY THE ENERGY CONSUMPTIONS IN COMPA**

**Measures to reduce energy consumption achieved and forecast to be achieved in the next years**

Through the production structure, COMPA Sibiu is an important consumer of energy. Thus, at the level of the COMPA platform, the following energy resources were consumed in 2021:

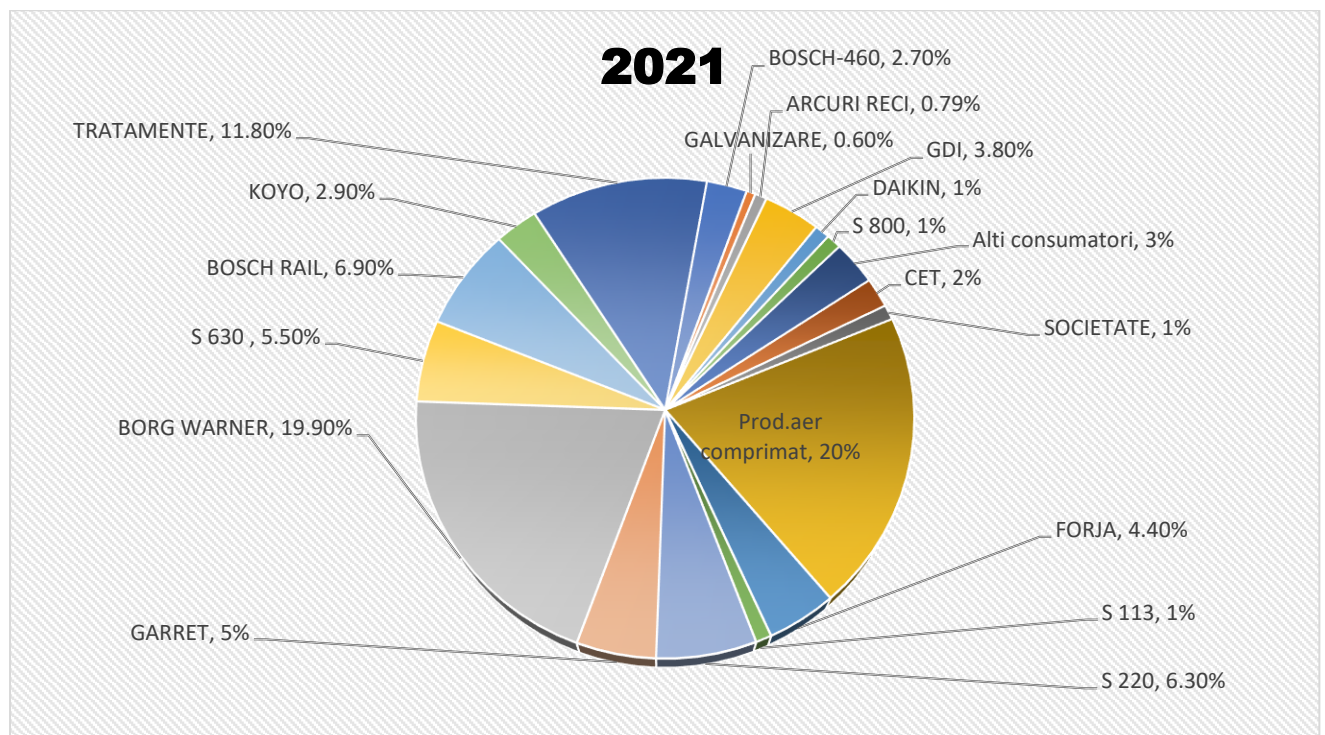
- Electricity = 44,021,994 Kwh, equivalent to 3,785.89 toe (tons of oil equivalent)
- Natural gas = 4,398,086 m3, equivalent to 3,933.64 toe of which:
  - Technological processes COMPA platform = 618.602 m3, the equivalent of 553.28 tep
  - Combined production of electricity and heat = 3,322,471 m3, equivalent to 3,380.37 tep
  - Thermal energy 13290 Gcal the equivalent of 1329 tep
  - Compressed air 56486 thousand cubic meters (produced in COMPA, the electricity consumption related to the production of compressed air is included in the total electricity consumption of the company)
  - Water 86803 mc

The consumption of these energy resources was released into the atmosphere in 2021:

- Electricity - 6491 tons of CO2
- Natural gas for technological consumption and heat production- 9402 tons of CO2
- Total 15901 tons of CO2

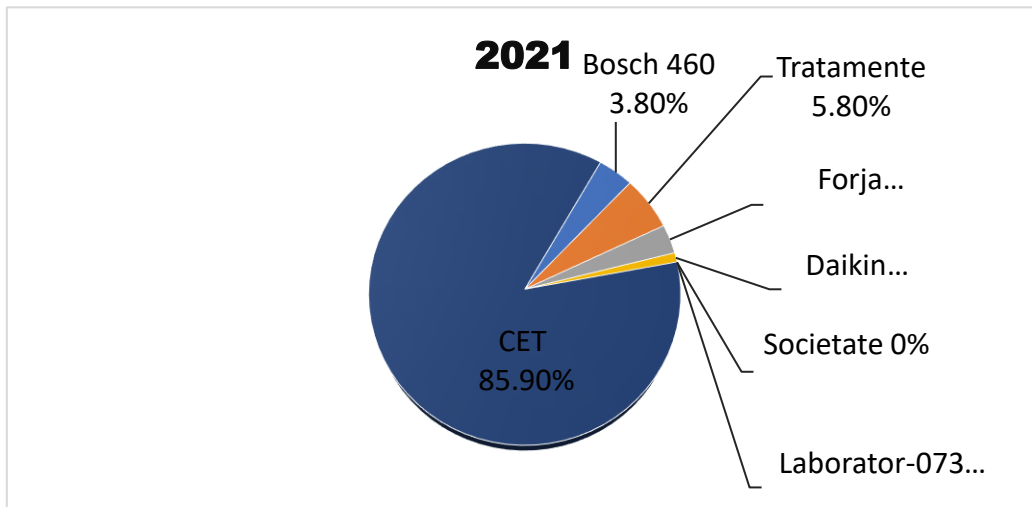
From the point of view of the distribution of electricity and gas consumption on the company's workshops at the level of 2021, they are as follows:

**Electricity**

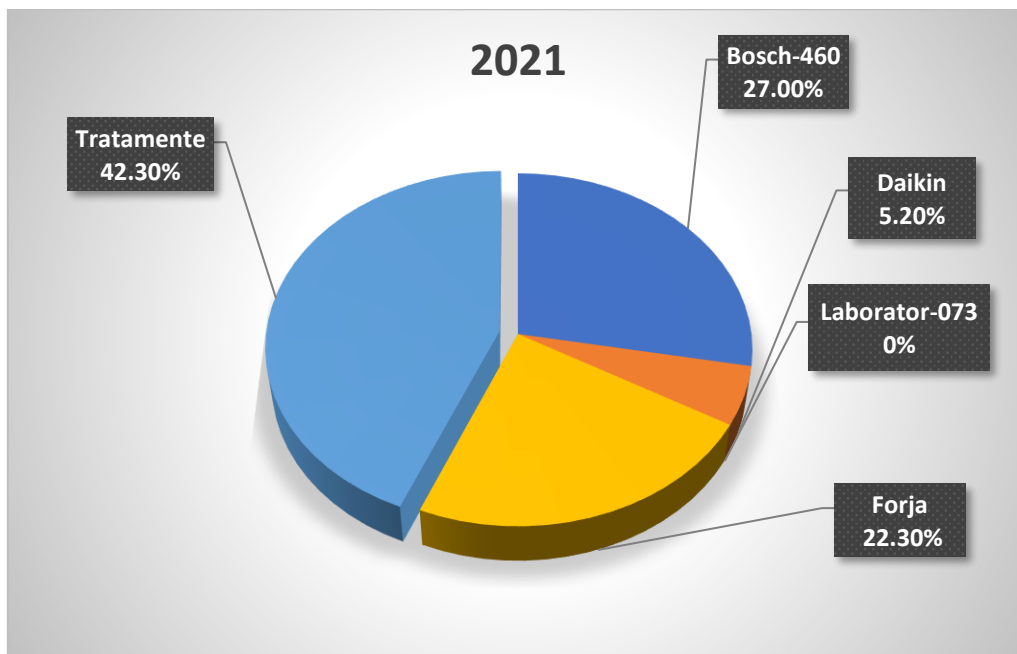


Natural gas for technological consumption and heat production

The structure of total natural gas consumption in COMPA in 2021 is as follows:



Regarding the consumption of natural gas for technological purposes, the structure of consumption in 2021 looks like this:



Aware that the reduction of energy consumption leads to a decrease in emissions into the atmosphere, COMPA Sibiu has established clear indicators of energy performance as well as a coherent policy of permanent implementation of measures to improve technologies (with reduced energy consumption and modernization of energy equipment).

**I Energy performance indicators**

Good management of energy resources also involves establishing specific energy performance indicators with precise targets and clear responsibilities for departments and individuals.

The established indicators are the following:

The energy intensity of the manufacturing processes at COMPA Sibiu, an intensity that is determined by relating the energy consumption recorded by COMPA Sibiu to the value of goods production.

Corresponding to the recorded production and energy consumption, the situation of this indicator is as follows:

- Energy intensity year 2018 ----- 0.080 tons of oil equivalent / thousand lei prod. goods
- Energy intensity year 2019 ----- 0.076 tons oil equivalent / thousand lei prod. goods
- Energy intensity year 2020 ----- 0.087 tons of oil equivalent / thousand lei prod. goods (preliminary)
- Energy intensity year 2021 ----- 0.081 tons of oil equivalent / thousand lei prod. goods (preliminary)

\*Note: In 2021, there was an decrease in energy intensity by 7% compared to 2020.

This decrease is justified by:

- assimilation of the new products
- the energy use more efficient

**The intensity of greenhouse gases-** intensity which is determined by the ratio of CO<sub>2</sub> emissions to the value of production.

Corresponding to the recorded production, the situation of this indicator is as follows:

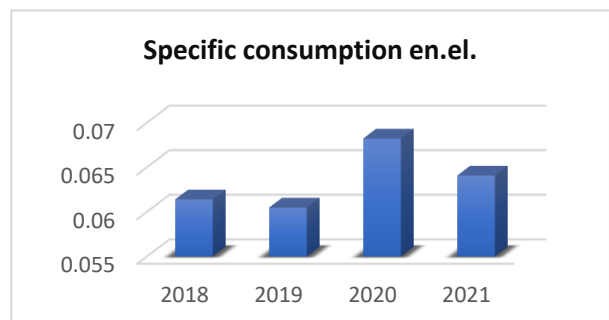
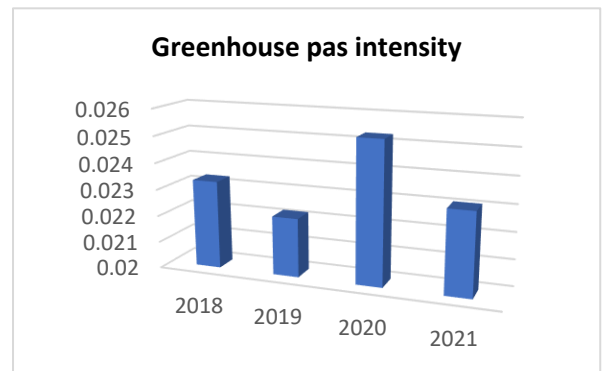
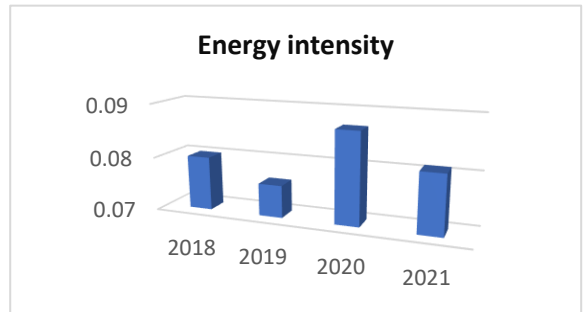
- greenhouse gas intensity year 2018 ----- 0.0233 tons CO<sub>2</sub> / thousand lei product goods
- intensity of greenhouse gases year 2019 ---- 0.0222 tons of CO<sub>2</sub> / thousand lei of goods
- greenhouse gas intensity year 2020 ----- 0.0253 tons CO<sub>2</sub> / thousand lei prod. cargo (preliminary)
- greenhouse gas intensity year 2021 ----- 0.0231 tons CO<sub>2</sub> / thousand lei prod. cargo

In the case of this indicator, too, there is an decrease in the intensity of greenhouse gases (relative to commodity production) compared to previous years, due to the acquisition starting with September of electricity from hydro sources.

Specific electricity consumption, consumption which is determined by relating the consumption of electricity to the production of goods.

The situation by years is as follows:

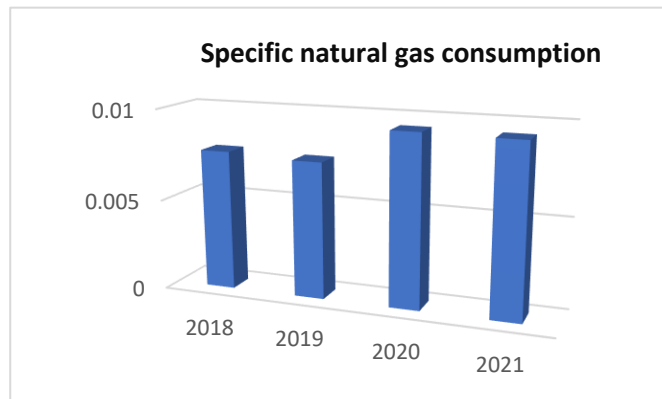
- Specific consumption in 2018 ---- 0.06139 MWh / thousand lei of goods production
- Specific consumption year 2019 --- 0.06048 MWh / thousand lei of goods production
- Specific consumption year 2020 ---- 0.06822 MWh / one thousand lei production of goods
- Specific consumption year 2021 ---- 0.06407 MWh / one thousand lei production of goods





**Specific gas consumption for technology,** consumption which is determined by relating the consumption of natural gas to the production of goods. The situation by years is as follows:

Specific consumption year 2018 0.007695 MWh / one thousand lei production of goods  
 Specific consumption year 2019 0.007495 MWh / one thousand lei production of goods  
 Specific consumption year 2020 0.009404 MWh / one thousand lei production of goods  
 Specific consumption year 2021 0.009340 MWh / one thousand lei production of goods



## II Measures to reduce energy consumption taken so far

### Realization of cogeneration installation

The combined production of electricity and heat is a concept that allows to obtain these energy resources at a high overall efficiency.

Considering the low efficiency of the boilers in the thermal power plant (put into operation in 1970) COMPA Sibiu installed on the site of the thermal power plant a cogeneration installation with an installed capacity of 3 x 1.01 Mw electric and 3 x 1.343 Mw thermal.

This cogeneration plant was qualified by ANRE as a high efficiency plant, benefiting from the bonuses related to this production.

In 2021, 9603 Mwh of electricity and 9562 Mwh of heat were produced in this plant.

The production of electricity in cogeneration in the condition of the volatility of the electricity prices on the market allowed in 2021 in COMPA Sibiu to balance the costs with the acquisition of electricity from SEN, thus leading to the reduction of the manufacturing costs.

### Improving the energy efficiency of manufacturing processes at COMPA Sibiu

In 2013-2014 COMPA Sibiu through the POSCCE project Priority Axis 4 "Increasing energy efficiency and security of supply, in the context of combating climate change", the field of intervention "Efficient and sustainable energy", carried out the project "Improving energy efficiency manufacturing processes at COMPA Sibiu".

This project allowed the implementation of extensive measures to improve the energy infrastructure of COMPA Sibiu, so the following measures were implemented:

Central heating modernization. Through this project:

- 2 hot water boilers with a capacity of 2 x 3.5 MW were installed
- 2 steam boilers with a capacity of 2 x 2.5 t / h were installed
- a high-performance heat pump system was installed

Rehabilitation of electricity transmission and distribution system. Through this project:

- 86 medium voltage cells were rehabilitated
- 4 transformers of 20 / 0.4 Kv of 1600 Kva were replaced (high consumption areas)
- the internal electricity distribution system in the main areas of the Company was rehabilitated

Rehabilitation of compressed air production system. Through this project:

- a 160 kW variable speed compressor was installed
- a 132 kW fixed speed compressor was installed
- a compressed air monitoring and control system was installed
- a compressed air dryer / refrigerator was installed

Rehabilitation of water pumping system. Through this project, high-performance water pumping systems were installed in the company's hydrophore stations.

Implementation of energy management system. An important step in the digitization of energy networks is the installation of smart metering systems. Through this project, the monitoring of energy resources on the profit centers in the company (electricity, methane gas, thermal energy, compressed air) was performed. Thus, all consumption is recorded locally and is taken over in the company's intranet network, allowing: real-time management of energy consumption, preparation of hourly reports, daily monthly and taking measures to reduce unjustified energy consumption in real time.

Realization of saving system on the lighting installations in the production workshops

Realization of microclimate installation and technological water cooling Bosch workshop.

The implementation of this project allowed, according to the audit carried out by an ANRE authorized company, the obtaining of annual savings of:

- Electricity 2108.84 Mwh - corresponding to CO2 emissions of 558.19 tons / year

- Natural gas 9215.86 Mwh - corresponding to emissions of 1809.89 tons / year

TOTAL EMISSIONS REDUCTION 2368.08 tons of CO2

According to the energy balance, it is observed that electricity consumption was reduced by 5.8%, and natural gas by 23%.

The significant reduction in natural gas is justified by the reduction of natural gas consumption in the thermal power plant, so the old thermal power plant of the company was designed and executed as a zone thermal power plant with very large installed capacities:

- 2 hot water boilers CAF 5 of 2 x 50 Gcal / h

- 1 hot water boiler CAF 6 of 25 Gcal / h

- 3 steam boilers CR 9 of 3 X10 tons of steam / h

With the abandonment of the companies connected to this thermal power plant to purchase more thermal energy from COMPA (including residential neighborhoods), the provision of thermal energy from old sources (put into operation in 1970) has become completely inefficient due to outdated technology and boiler charging. Well below rated capacity. The company's application to the POSCCE project Priority Axis 4 "Increasing energy efficiency and security of supply, in the context of combating climate change" allowed the modernization of the thermal power plant with the purchase of new, high-performance boilers sized according to the company's thermal energy needs.

### **III Projects generating energy savings with an impact on the reduction of CO2 emissions, preliminary to be carried out starting with 2022**

Considering the energy efficiency of the local production of electricity for self-consumption and the opportunity to access non-reimbursable funds for the installation of such installations, COMPA Sibiu signed a financing contract for such an installation through the Innovation Norway Program. By implementing this project with a power installed in direct current of 1.126 Mwp, respectively a power installed in alternating current of 0.96 Mw will produce a "green" energy of 1202.46 Mwh / year, which will lead to in addition to reducing energy acquisition costs and reducing CO2 emissions by 318.28 tons / year. In the same idea of benefiting from non-reimbursable funds for the implementation of projects generating energy savings, COMPA Sibiu sent on 15.10.2020 to the Ministry of Economy and Business Environment a list of project proposals for financing from the Fund for modernization. The projects proposed to be carried out by COMPA are:

- photovoltaic power plant
- rehabilitation of compressed air production station
- power transformer replacement
- central modernization of cogeneration
- modernization of the thermal power plant
- realization of power supply on 110 Kv
- modernization and development of energy management system at COMPA Sibiu
- rehabilitation of internal compressed air distribution system

The implementation of these projects will lead to the expected savings of 2617 tons of CO2.

#### **IV. Risks related to the provision of energy resources on the COMPA industrial platform**

##### **a) Electricity**

By Romania's accession to the European Union, the entire energy system was put in front of the transition to free market conditions with the need to comply with the new environmental requirements / conditions.

Under these new conditions, many of the old energy capacities have been reduced or closed. This fact has led to a decrease in production capacity, and according to Transelectrica studies in the next period if no new investments are made in the construction of new power plants (energy capacity) there will be a deficit of power (energy) in the system. This power deficit is observed especially in the periods when the energy demand is high in the national energy system, and part of the electricity is taken from the outside (Romania is interconnected with the countries of the European Community).

These influences have recently been observed in the market volatility of electricity trading prices with a negative impact on the manufacturing costs of COMPA. In order to reduce the impact of purchase prices on COMPA, in addition to the measures shown above (installation of photovoltaic panels, projects to improve energy-intensive technologies, cogeneration plant, etc.), the evolution of electricity trading prices is constantly monitored. on the market and negotiates / contracts electricity from suppliers with a significant market share and at fixed (guaranteed) prices for a period of one year.

##### **b) Natural gas**

As in the case of electricity, through Romania's accession to the European Community, the liberalization of the natural gas market and the interconnection of the national natural gas transmission system with the transmission networks in neighboring countries.

In the short and medium term due to:

- flexibility in electricity production
- the upward trend in the production of electricity from renewable sources
- the need to decarbonise the energy sector (especially coal production)
- making new interconnections of the gas transmission system
- complete liberalization of the natural gas market

We estimate that there will be no problems in providing natural gas at competitive prices.

In the long run, there is the possibility of introducing taxes for CO<sub>2</sub> emissions, generated by technological consumption and from the power plant. In order to reduce this possible impact, in the future we will have to find alternative solutions for the consumption of gas from technology (electricity) and for the power plant (possibly hydrogen).

**MANAGEMENT AND HUMAN RESOURCES ACTIVITY**

**1. BUSINESS MODEL**

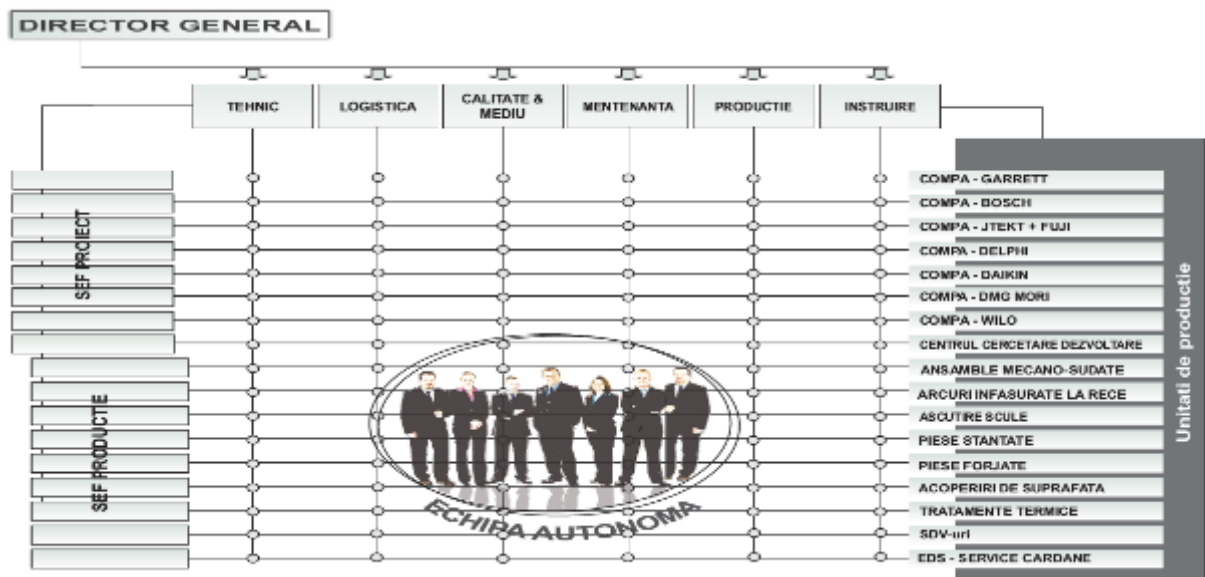
**a) The organizational structure**

The main elements that configure the organizational structure of COMP A are:

- defining and implementing the purpose and function of each compartment and workstation, as organizational subdivisions in a form as simple, flexible and easy to understand, endowed with clear objectives, broken down at the level of each relevant structural component and achieved through a synchronization of the three factors that form the golden triangle of a robust organization: the formal authority given by competence - task - responsibility;
- establishing and implementing in a documented way the way of communication between the compartments and the functions of the organizational structure as well as the collaboration relations between them.
- establishing and implementing the processes, technologies, and techniques used by the organization to transform internal organizational resources into products or services.
- defining and implementing management systems focused on quality, environment, health and safety of employees and continuous improvement of COMP A processes.

The organizational structure adopted by the company COMP A SA is a matrix structure, of mixed functional-divisional type. This type of organization chart provides a decentralized authority that strengthens a flexible organization that is able to respond quickly to manufacturing changes and customer demands. It is a structure that is based on a wide autonomy of the multifunctional team.

On the other hand, this dual, functional and divisional system must promote a focus on operational performance.



The matrix structure presents vertically the flow of functional responsibility (logistics, technique, maintenance, quality) and horizontally the flow of operational responsibilities (manufacturing).

The role of the staff assigned to represent the functions is primarily that of being a member of a multifunctional team, under the leadership of the head of manufacturing, responding directly through performance indicators to the specific activities they coordinate.

The multifunctional team consisting of the staff assigned to the support functions is subordinated to the head of manufacturing in terms of daily tasks, and from a methodical point of view is subordinated to the director of the department / department to which it belongs.

The head of the function has administrative authority over the staff. He is the owner of all the processes specific to the function he leads. With regard to decentralized staff, it makes decisions of a technical, methodological nature, involving them in the development and improvement of processes.

The organizational structure requires not only control and monitoring by the head of manufacturing but also by directors and heads of departments, aimed in particular at identifying drifts from performance indicators, meeting the deadlines set for development stages and improvement projects, major non-compliances and environmental incidents, events that may affect the customer.

The head of manufacturing has full authority over the multifunctional team regarding the current tasks and is responsible for its performance following the achievement of the indicators specific to each function. He is consulted by the team heads on significant costs assigned to the cost center.

**b) Processes and their interaction**

In the systematization of the organizational structure, in our company was used the so-called "process-based approach" which takes into account the process as a succession of activities that transform certain input data (usually requirements) into output data (usually a product or service), using various categories of resources (as standard, machinery / equipment, processing methods, materials and human resources). The performance of these processes is measured using performance indicators. The interaction between the various processes of the organization is based on the principle that some output data from certain processes are input data into other processes.

Based on this principle, the following categories of processes have been defined:

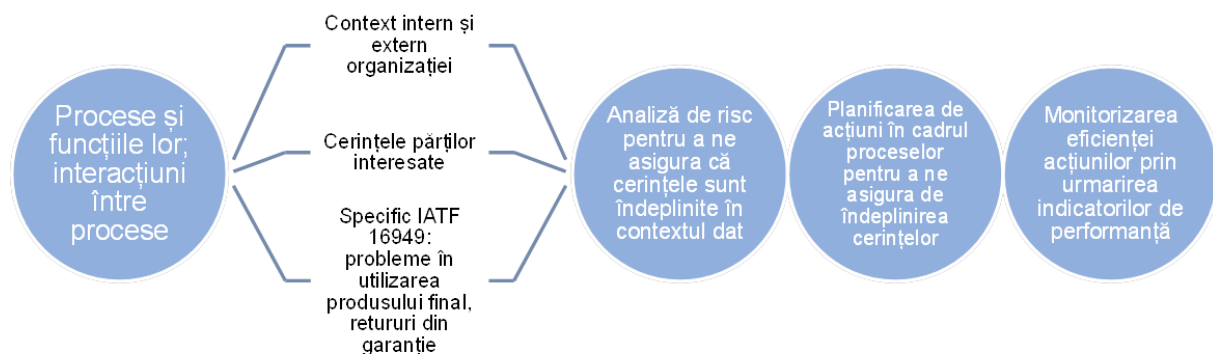
- management processes that refer to the activities of: coordination, analysis and decision, ensuring the necessary resources to carry out activities and improving activities and processes;
- the basic processes corresponding to the realization of the products (sale of products, supply, logistics of products, manufacture of products, design and development of products and processes);
- support processes (monitoring and control of compliant / non-compliant product, maintenance of equipment and machinery, internal audit);
- the interaction between processes and how to evaluate their performance.

The structuring of the processes and the interactions between them in a management system was done starting from the following principles:

Risk identification and treatment

Carrying out activities according to the PDCA principle

Therefore, our management systems addressed in COMPA are structured as follows:



In this iterative cycle of activities (according to PDCA) the emphasis is on continuous improvement, namely on the permanent identification of problems / potential problems and then on the implementation of the necessary corrections (immediate and provisional solution of problems) and subsequently on corrective actions (permanent solution problems, eliminating the possibility of their recurrence) and preventive actions (performing a risk analysis on the problems that have occurred in order to prevent the occurrence of these

problems in other similar situations or other similar processes). The efficiency of the actions taken is constantly monitored, following, as a performance indicator, the recurrence of problems.

**c) Staff, values and beliefs**

Within COMPA, it is considered that the human factor is ultimately responsible for all the achievements of society, so it is particularly important to know and properly lead its values and beliefs, leading to the formation and development of a true cultures of our organization.

The following aspects are important and constitute development landmarks:

- Contribution to achieving the goals of the organization through people;
- Creating an optimal organizational structure;
- Ensuring competent human resources through recruitment and selection;
- Adaptation of human resources to requirements - development and training;
- Creating and strengthening motivation (material and non-material reward), performance management;
- Creating and maintaining fair relationships between employer and employees.

**d) Management methods and techniques**

COMPA usually uses modern management methods, such as:

- change and innovation management, to cope with competitiveness with a highly dynamic external environment, by implementing programs to improve the organization's processes and activities;
- goal-based management applied at all levels, to mobilize the intellectual and practical potential, in order to achieve the performance of the organization;
- strategic management, in order to make the connection between the opportunities of the environment and the possibilities of the company and the management of actions towards the fulfillment of the strategic goals;
- project management, to stimulate the development and efficient management of resources in order to quickly and efficiently assimilate new products, technologies;
- participatory management, in order to emphasize the active participation of employees in the functioning of the organization;
- the prospective dashboard, for measuring and keeping under control the critical parameters of the business (internal processes, human resources, customer satisfaction, economic and financial management, environment).
- cost management, by implementing cost reduction programs aimed at process improvement and optimization projects as well as monthly analysis and monitoring of cost categories.

## **2. MAIN RISKS AND THEIR MANAGEMENT**

### **Risks identified in the Human Resources activity**

In COMPA, there are ongoing coordinated actions to direct and control the organization regarding risks in all areas and at all levels.

Regarding the human resources activity, in the previous year the following risks were identified that could determine the non-fulfillment or defective fulfillment of the human resources insurance process:

- temporary lack of qualified staff for certain activities, either due to lack of supply in the labor market and lack of correlation of educational supply with labor market requirements, or due to emergencies (mass illnesses, quarantines, earthquakes, floods, etc.);
- high staff turnover, mainly due to incomplete identification of employees motivation needs and unpaid wages related to the local labor market;
- competences of the staff below the level required for the service, due to the educational offer not correlated with the market requirements as well as due to the non-observance of the stages of the training process;



- corruption in the recruitment, selection and employment of staff.

The potential effects of the identified risks can be, mainly: delays in the activity of the workshops, respectively delays in the delivery of the products to the clients as well as inadequate quality of the works performed by the employees.

Therefore, for the risks with high criticality, ie with high probability of occurrence or with a significant impact on the company's activity, a series of measures have been taken, such as:

- involvement in the development of local technical education by providing resources for dual education and for technological, high school education;
- apprenticeship programs for new employees;
- effective internships for pupils and students;
- qualifications / requalifications / post-secondary school;
- career management; succession management for key positions;
- implementation of telework;
- restricting staff mobility by transferring activities online;
- providing qualified personnel from abroad.

### **Opportunities identified in the Human Resources activity**

Regarding the opportunities identified in the process of securing human resources, they are:

- the existence of the COMPA Vocational Training Center, whose mission is to align with European training standards and which ensures professional qualification and retraining, the promotion of modern training techniques and methods as well as the development of the school-enterprise relationship;
- Training through the Vocational Training Center aims to reduce the integration period of new employees, the rapid accumulation of skills and experience, increase the performance of practical training, knowledge and adaptation to the industrial environment.
- involvement in correlating the educational offer with the requirements of the labor market.

COMPA, through the Management Director, is a member of the Local Development Committee of the Sibiu Social Partnership, a committee that deals with the administrative organization and policies in the field of education and training. In this capacity, COMPA is actively involved in the development of annual schooling plans for vocational and technical education, in facilitating the conclusion of agreements for the practical training of students, promoting actions aimed at the transition from school to work for socio-professional integration and in elaboration and implementation of projects for the development of vocational and technical education at national / regional / county level;

## **3. THEMATIC ASPECTS**

### **a) Social Responsibility Policy**

We define and assume the following principles as a way of understanding how to approach Social Responsibility within our organization:

**Taking responsibility** on the impacts we produce on society, the economy and the environment;

**Transparency of decisions and** of our activities, which can affect society and the environment;

**Respecting and promoting ethical behavior:** honesty, fairness and integrity, as values that concern us, in relation to people and the environment;

**Respect for stakeholders** of our decisions and activities;

**Ensuring compliance** to all applicable laws and regulations;

**Compliance with international rules of conduct** in business;

**Respect and promotion of human rights**, which we consider inalienable and having a universal character.



COMPA integrates the principles of Social Responsibility within the organization by conducting a management based on the principles of leadership and vigilant approach in relation to the impact of our decisions on society, the environment and economic factors.

With reference to the International Standard ISO 26000:2011, as well as the Ten UN Compact Global Principles and the ILO Labor Standards, we adopt the following guidelines as main themes for action:

**Ensuring organizational management** as a way of conducting and conducting activities in an ethical and responsible manner; all COMPA employees and contractors will adopt the Social Responsibility considerations described in this policy in their daily work. COMPA managers will act as role models by integrating these considerations into the decision-making process and into all activities.

**Respect and promotion of human rights** in the sense of recognizing the rights of all human beings, civil, political, economic, social and cultural rights; COMPA will not tolerate human rights abuses and will not engage in or be complicit in any activity that uses, or encourages, any abuse of human rights;

**Applying work practices** adequate to ensure working conditions and social protection in accordance with applicable legal standards and regulations; COMPA is committed to providing equal opportunities in all aspects of employment and will not adopt or tolerate illegal behavior in the workplace. COMPA ensures a safe and healthy work environment and will not compromise the health and safety of any person. All employees are responsible for promoting safe work attitudes;

**Environmental protection** as a way to respond to current environmental challenges and as a commitment to apply and promote environmentally responsible practices, including by encouraging the development of green technologies; COMPA works to continuously improve its environmental performance.

**Applying fair practices** as a form of ethical conduct in relations with other organizations and individuals, in compliance with applicable national and international laws and regulations; COMPA is committed to maintaining standards of integrity and corporate governance practices applicable to the capital market, in order to promote the trust in the systems with which it works. COMPA engages in a timely dialogue with all stakeholders, including shareholders, customers, employees and their representatives, government and other entities.

**Responsibility to customers and consumers** to ensure their right to security of use, information, choice, expression, correction, education, in relation to the products and services provided by our organization;

**Involvement in community development** as a way of recognizing that we are part of the community, of the rights due to its members, but also of the elements of culture, religion, tradition and history or of the partnership with it. COMPA will contribute to the quality of life in the community to which it belongs by supporting innovative programs in the fields of health, education, social and environmental services as well as cultural and civil projects. This involvement will always ensure the independence of individuals and communities from COMPA.

COMPA managers constantly ensure that there are and operate efficiently, adequate organizational structures to effectively identify, monitor and manage the aspects of Social Responsibility and performance relevant to our business. COMPA is committed to measuring, auditing and reporting on the performance of its Social Responsibility actions.

The lines of action are implemented in a credible way, through a wide action of communication with the stakeholders of our programs in this field and by engaging the entire staff of our organization in this regard.

COMPA will inform its partners, contractors and providers of the Social Responsibility Policy and will involve them to achieve coherence with this policy.

#### **b) Social and related aspects workforce**

In the context of the difficult labor market climate generated by the Covid-19 pandemic, COMPA has pursued a policy of increasing the adaptability of staff to the changes the company is going through. During this period, the company relies on the availability of employees to develop new skills as well as to take over additional responsibilities in case of restructuring certain activities.

With a staff of over 1800 employees, COMPA is one of the main employers in Sibiu County.

### 3.1. Employment workforce

#### Total numbers as of December 31, 2019 - 2021

Between 2019 and 2021, the number of staff decreased significantly at the beginning of the pandemic, after which it remained approximately constant, thus having a decrease of 11.1% compared to 2019 and a decrease of 0.75% compared to the end of 2020, generated both by the decrease of orders but also by the increase of labor productivity.

The reduction of staff was made with priority among the staff employed with fixed-term employment contracts in 2020, and in 2021 mainly due to natural losses (resignations, retirements).

	2019	2020	2021
Employees with ILC for an indefinite period	1962	1796	1654
Employees with ILC for a determined period	120	69	197
<b>TOTAL STAFF</b>	<b>2082</b>	<b>1865</b>	<b>1851</b>

#### 3.2. Gender diversity - Share of women in total employment as of December 31, 2019 - 2021

The number of women in the total number of employees between 2019 and 2021 remained relatively constant, marking as a share a slight increase in 2020 to 33.6%. The relatively high share of women in an industrial environment is mainly due to technological changes but also to the trust placed in the area of responsibilities and coverage with skills.

	2019	2020	2021
<b>Share of women in total employees (%)</b>	<b>30,6%</b>	<b>33,6%</b>	<b>31,71%</b>

### 3.3. Age diversity

#### Breakdown by age and occupational category of the total workforce at 31 December 2020

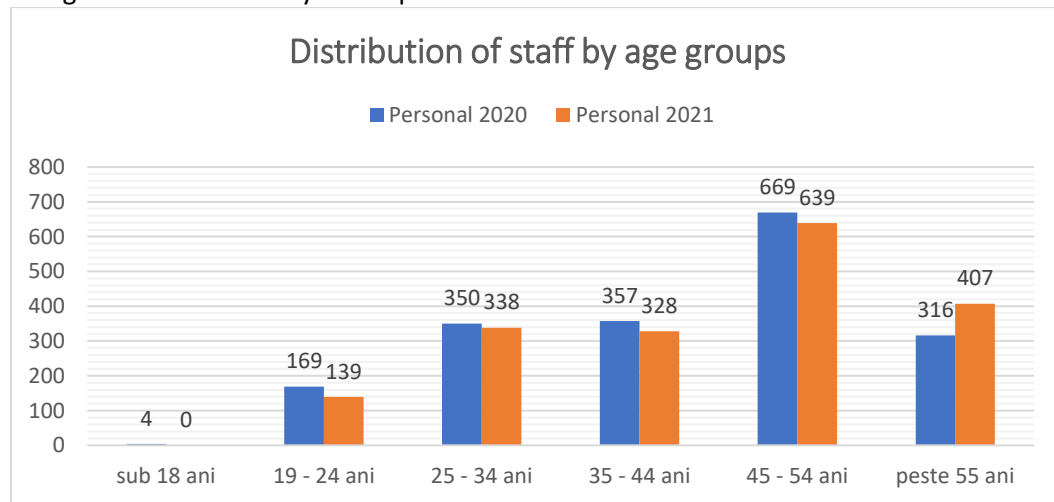
The most representative age category, for both men and women, is the staff aged 45-54.

Age	TOTAL from which:	of	MDP	MIP	TESA execution	TESA management
Under 18	TOTAL, which:	0	0	0	0	0
	Ladies	0	0	0	0	0
19 - 24 years	TOTAL, which:	139	93	28	18	0
	Ladies	48	28	12	8	0
25 - 34 years	TOTAL, which:	338	146	71	100	21
	Ladies	83	44	11	26	2
35 - 44 years	TOTAL, which:	328	150	58	70	50
	Ladies	106	65	6	27	8
45 - 54 years	TOTAL, which:	639	430	118	59	32
	Ladies	250	201	14	32	3
Over 55 years	TOTAL, which:	407	229	89	63	26

Age	TOTAL from which:	MDP	MIP	TESA execution	TESA management
Ladies	100	65	5	28	2

COMPA is concerned with the development of staff throughout its professional career, on the one hand helping young people to integrate as well as possible in organization, but also ensuring and using the experience of the elderly.

The graph below shows the age distribution of staff in 2021 compared to 2020. The analysis of the evolution shows an increase in the share of experienced staff and especially those in the age category over 55 years, due to the increasing level of technicality of the processes.

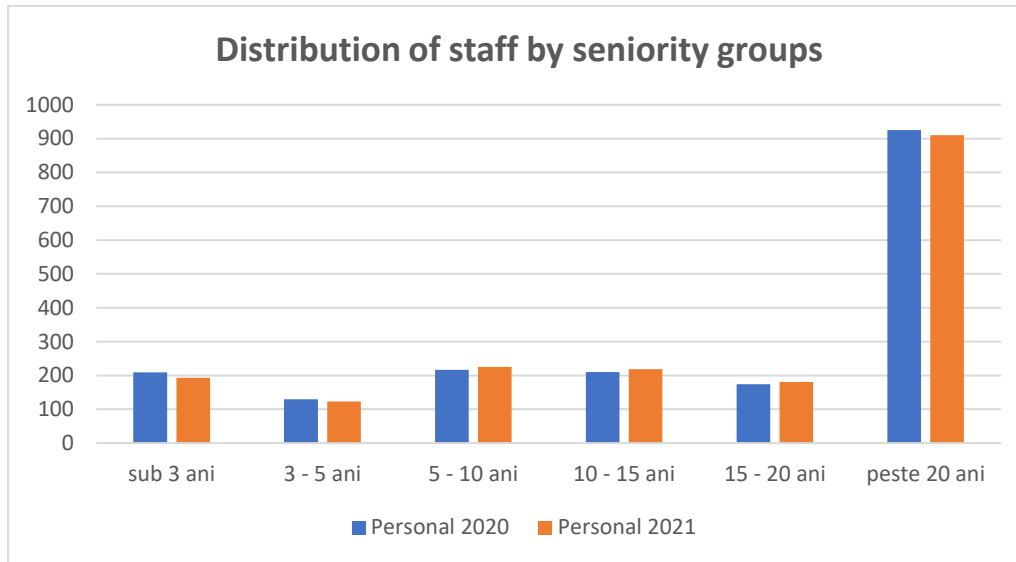


### 3.4. Distribution of the total workforce at 31 December 2021 by seniority and occupational categories

The seniority tranche that includes the most employees is that of employees with more than 20 years of experience (910 people - 49.16%).

Seniority / persons	TOTAL from which:	MDP	MIP	TESA execution	TESA management
Under 3 years	TOTAL, which: of 193	140	23	30	0
	Ladies 69	50	8	11	0
3 - 5 years	TOTAL, which: of 123	73	24	24	2
	Ladies 48	31	7	10	0
5 - 10 years	TOTAL, which: of 225	106	48	54	17
	Ladies 54	34	7	10	3
10 - 15 years	TOTAL, which: of 219	109	39	49	22
	Ladies 64	38	4	20	2
15 - 20 years	TOTAL, which: of 181	89	26	34	32
	Ladies 55	40	2	9	4

Seniority / persons		TOTAL from which:	MDP	MIP	TESA execution	TESA management
In 20	TOTAL, which:	of 910	531	204	118	57
years	Ladies	297	210	20	61	6

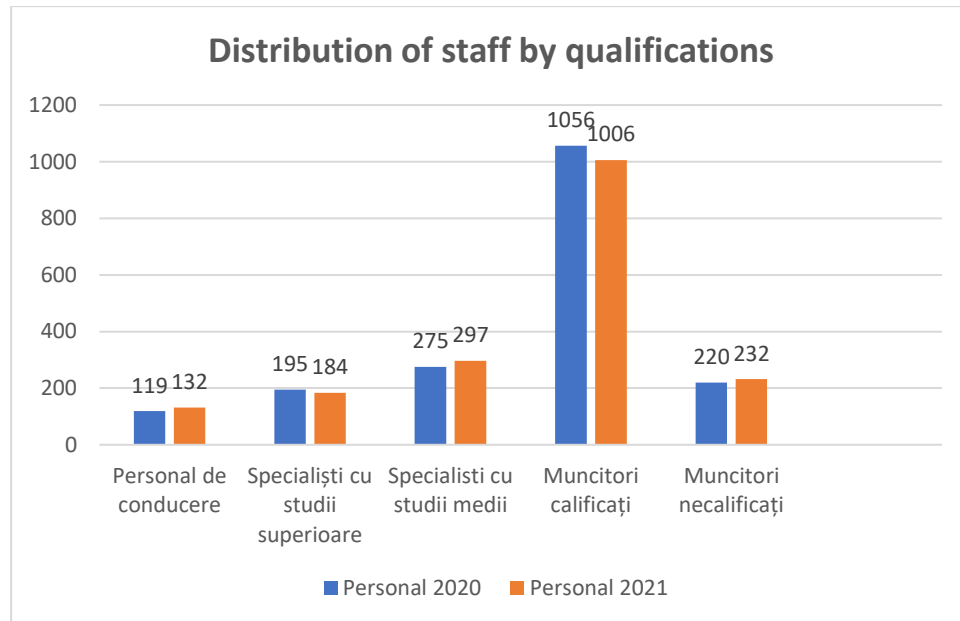


The graphic above shows the evolution of staff by seniority in 2021 compared to 2020. The distribution of staff by seniority during 2021 has remained relatively the same as in 2020.

It should be mentioned that in COMPA, the increase in seniority in salary, respectively seniority in work is calculated taking into account all the work experience of employees and not only seniority in the company.

### 3.5. Distribution of the total staff at 31 December 2021 by a qualifications structure (according to COR)

	TOTAL from which:	Women
Management staff	132	15
Specialists with higher education	184	64
Technicians and other specialists in the technical and accounting field	134	65
Administrative officials	149	135
Service workers	14	1
Skilled and assimilated workers	1006	237
Unqualified workers	232	74



### 3.6. Personnel fluctuation

Analyzing the evolution of staff turnover over the last 3 years, we found an improvement in this indicator in 2020, primarily due to the decline in global economic activity, but also the measures established by COMPA to remedy this situation aimed at reporting the level of wages and benefits in the area, qualification / requalification courses offered to employees, concluding apprenticeship contracts, granting rent allowances, providing transport for commuting employees, reimbursement of transport value for other employees, improving working conditions (air conditioning, noise reduction, social spaces , etc.).

During 2021, staff turnover increased again, both due to the recovery of the economy and due to the increase in labor demand in the local market.

	2019	2020	2021
Personnel fluctuation	19.43%	18.30%	22.16%

### 3.7. People with disabilities on December 31, 2021

#### Number of disabled workers by staff category and by sex

The number of disabled employees in COMPA, of 19 people, was well below the figure of 4% of the total number of employees (74 people) required by law, despite the efforts that COMPA makes to attract people with disabilities.

Also, for the amount related to the difference in jobs in which no disabled persons are employed, COMPA purchased, on a partnership basis, products made from the own activity of disabled persons employed in authorized protected units.

		TOTAL from which:	MDP	MIP	TESA execution	TESA management
<b>People with disabilities</b>	<b>with</b>	<b>TOTAL, which</b>	<b>of</b>			
		<b>19</b>	<b>11</b>	<b>5</b>	<b>3</b>	<b>0</b>
	<b>Women</b>	<b>4</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>0</b>



**3.8. People on childcare leave**

**Number of employees on parental leave, by staff category and by sex**

The situation presented below shows that the beneficiaries of parental leave are both among women and, in large numbers, among men.

		TOTAL from which:	MDP	MIP	TESA execution	TESA management	
Employed parental leave	on	TOTAL, of which	51	38	3	10	0
		Women	43	31	2	10	0

**3.9. Continuous training for staff**

The continuous development of human capital through the training of skills to support the company's development strategy is a priority for COMPA.

Therefore, the training of all staff in the continuous training process aims to eliminate the gap between the skills required by the job and the existing ones, ensuring integrated, validated, certified staff at the job, acquiring / expanding the skills to meet the challenges posed by the new wave in technological evolution of production (Industrialization 4.0, digitization, etc.)

The training programs developed in COMPA aim to respond to the needs of each employee. In order to achieve this goal, the Vocational Training Center was set up in 2005. The programs developed by the center aimed at the qualification / requalification of employees in trades such as: operators of machine tools with control - numerical, welders, mechanical locksmiths, machine mechanics, toolmakers, metrologists, drills-threaders, etc. In 2021, the educational offer was diversified by authorizing the course "Entrepreneurial skills".

So far, 3,000 people have earned a qualification through this center. The Vocational Training Center is the place where the new employees are familiar with the operation on MUCN and with the specific requirements of the job, a necessary step in the process of integration and validation in the workplace.

Next, we intend to diversify, to adapt the educational offer by authorizing new programs required by the projects developed within COMPA, especially in the context in which among COMPA employees are also foreign citizens.

The situation of the qualification / specialization courses carried out in the last three years is the following:

QUALIFICATION / SPECIALIZATION COURSE TYPE	NUMBER OF CERTIFIED PERSONS		
	2019	2020	2021
NUMERIC CONTROL MACHINE TOOL OPERATOR	17	17	5
WELDER	25		20
METROLOGICAL TECHNICIAN	18		31
STIVUITORIST	72	33	46
ROLLER DRIVER	29		
DRILER - THREADER		24	1

In order to ensure / maintain the competencies of the employees on their jobs, the individual training needs are collected annually, and are centralized in the Annual Training Plan, structured on the following main areas in which COMPA employees participated as follows:



THE FIELD OF QUALITY	NUMBER OF PARTICIPANTS		
	2019	2020	2021
Requirements Integrated Quality-Environment-OSH compliant management IATF 16949: 2016, ISO 14001: 2015 and ISO 45001: 2018	2260	1965	1851
ISO 26000 social responsibility	2260		
Process Auditor VDA 6.3 + auditor card	15		1
Requirements of IATF 16949: 2016	57	7	30
Product Safety Representative PSR			1
8D and 5 Why?	24	28	39
Basics of statistics - Minitab	14		
Auditor SR_EN ISO 17025:2018			2
<b>THE TECHNICAL FIELD</b>			
Project Management	6		
Energy management	1		
Power Plant Laboratory Analyst			2
<b>ANNUAL CERTIFICATION OF SPECIAL PROCESS OPERATORS</b>			
Thermists, galvanizers, painters, welders, brazers, etc.	139	123	89
<b>TRAIN ON CUSTOMERS SITE</b>			
Additive Manufacturing Formnext	2		
DMG	4		
Index Multispindle GDI	5		
Programming and repairing Chiron 5 axes			4
<b>POSITION VALIDATION OF NEW EMPLOYEES *</b>			
Number of people trained	289	213	585
Number of training / employee hours	105.57	73.117	100.82

\*We mention that when calculating the indicator number of training hours / employee / year, these hours were not included.

The number of hours / employee / year indicator is monitored in the COMPA dashboard. We want to constantly increase this indicator in order to transform ourselves into an organization that learns continuously throughout life.

Analyzing the evolution of the indicator in the last 3 years we notice a decrease in the value of this indicator in 2021 when, at the end of the year, there was a higher than usual value of unplanned absenteeism, due to increasing illnesses among staff.

	2019	2020	2021
<b>No. of training hours / employee / year</b>	<b>26.90</b>	<b>28.90</b>	<b>27.83</b>

### 3.10. Apprenticeship

For new employees who want to acquire a qualification or retrain, COMPA develops apprenticeship programs that allow them to easily integrate into new jobs, obtain a recognized certification, raise their level of knowledge, satisfaction of responsibility. Currently, 8 COMPA employees follow these programs and at the end of the two years of study they will obtain the qualification of operator for numerically controlled machine tools.

In 2021, a number of 5 apprentices graduated the program and were certified as operators of numerically controlled machine tools.

In the future we intend to increase the number of new employees who follow apprenticeship programs and who will obtain qualifications of level 2 (drill-threader) and level 3 (operator of machine tools with numerical control, mechanical locksmith, etc.).

### 3.11. Projects developed with European funds

In order to become increasingly competitive in terms of productivity, quality, customer satisfaction, conservation of resources and the environment, investment in human capital will continue to increase, including by attracting European funds or other sources.

So far, COMPA has implemented or is in the process of implementing projects designed to develop the skills of their employees, projects that aim to facilitate the transition from school to active life of pupils and students.

Project	Title	Implementation period
<b>PROJECTS BEING IMPLEMENTED</b>		
<b>Project being implemented:</b> <b>POCU / 626/6/13/133017</b> <b>Objective:</b> Optimizing the transition of 325 students from the educational system to the professional environment	INSPIRE - Necessary Initiatives for Innovative Internships for Economic Revitalization	10.2021 – 08.2023
<b>Project being implemented:</b> <b>POCU / 633/6/14/132241</b> <b>Objective:</b> To develop sustainable skills by organizing and carrying out internships, including dual technical education at a future job, for 183 students.	Start for a secure job and qualification!	09.09.2020 - 09.09.2022
<b>PROIECTS COMPLETED</b>		
<b>POCU / 469/3/12/128888</b> <b>Objective:</b> To develop the skills of 142 employees in order to adapt staff to the dynamics of potentially competitive economic sectors. <b>Target Group:</b> 142 COMPA employees participating in qualification-retraining courses	Qualified employees for a more secure future!	02.09.2019-15.05.2021
<b>POCU / 90/6/13/6/14/107011</b> <b>Objective:</b> To facilitate the transition from education to working life for 70 students and 240 pupils through on-the-job learning programs in an activity sector with high competitive potential. <b>Target Group:</b> -70 students -240 students	Learn for a secure job!	07.06.2018-04.09.2020

### 3.12. Sustainable school-enterprise partnerships

The company's partnerships with the institutions of technical and vocational university education in Sibiu date back to the 70s with the establishment of the Institute of Higher Education, currently the Faculty of Engineering "Hermann Oberth" and IPAS High School and currently the Technological High School "Henri Coandă".

The proximity to university and vocational education institutions is part of COMPA's policy to train future generations of specialists, to develop the employment capacity of young people facilitating the transition

from school to active life through internship programs, masters, private scholarships, implementation and development of projects benefiting from non-reimbursable funds, etc..

The partnerships are mainly aimed at involving COMPA in two areas related to improvement:

- Theoretical training through contributions to the adaptation of the university curriculum in local development to the needs of the employer for vocational and technical education.
- Practical training by ensuring the access of pupils and students to modern work environments, to high-performance technologies and equipment, to the knowledge and understanding of the processes developed on the production lines, to the familiarization with the rigors of the industrial environment.

### **3.13. The practice of pupils and students in COMPA**

The technological practice and laboratory hours of the pupils and students have been carried out since 2005 in the Vocational Training Center, a modern technical platform that is equipped with state-of-the-art equipment and in the production workshops.

The vocational training center is the place where the students from the final years carry out the laboratory hours in the discipline of Machining technology on numerically controlled machine tools, and the students discover the secrets of operating on numerically controlled machines, how to measure and maintain equipment. these equipments.

By equipping the center in 2021 with two welding simulators, students practicing in dual education who will become toolmakers and people who follow the qualification course "Welder", have the opportunity to acquire the skills required by this profession.

The 3D printer, another acquisition for the center, contributes to the development of digital skills of pupils and students, programming and physical realization of parts, various objects, contributes to increasing the interest and involvement of practitioners in solving work tasks.

Starting with 2015, students with specialization in mechatronics, automation, electronics, electrical engineering have the opportunity to complete their knowledge and train the skills needed to troubleshoot electronic components and automation in the Laboratory for electronics and automation. This is the right place where practitioners have the opportunity to always learn something new, to experiment, to develop.



### **3.14. COMPA and dual education**

COMPA throughout its existence for over 135 years has been permanently based on vocational education, being one of the companies that anticipated the need to implement the dual education system.

The beginnings of dual education in COMPA were in 2005 with the commissioning of the Vocational Training Center, a modern technical platform equipped with numerically controlled machines and which was made available to the Technological High School "Henri Coandă", a high school with which we still have partnerships since its establishment.

Every year they attended the courses of numerical control machine operator and mechatronist, a number of approximately 55 students who studied in a traditional educational system but with many dual elements: internships, laboratories, scholarships, various benefits financial (payment of dormitory, meal, transport, supplies) and job offers for all graduates.

The campaigns to promote the educational offer and the benefits brought by the dual education in which COMPA participated together with the Technological High School “Henri Coandă” in a sustained way materialized in the constant attraction of students to vocational and technical education.

The following classes and specializations currently operate in the high school:

<b>CLASS IX</b>	<b>No students</b>	<b>SPECIALTY</b>	<b>Qualification level</b>	<b>Practice contract with COMPA</b>
Dual education	32	Machine tool operator with numerical control	3	20
Technological high school education	16	Mechatronics technician	4	5
<b>CLASS X</b>				
Dual education	35	Machine tool operator with numerical control	3	27
Technological high school education	25	Mechatronics technician	4	0
<b>CLASS XI</b>				
Dual education	23	Machine tool operator with numerical control	3	23
Dual education	8	Mold technician	3	5
Technological high school education	23	Mechatronics technician	4	2
<b>CLASS XII</b>				
Technological high school education	23	Mechatronics technician	4	20

During the three years of study for students in dual education, specialization in machine tool operator with numerical control and tool-die maker, respectively 4 years of study for technical high school education, specialization in mechatronics technician, COMPA offers students the following package of benefits:

<b>Financial support / Incentive / Form of support provided to students</b>	<b>Value / student (lei / student)</b>
Monthly scholarship	200 lei/ month – dual education 200-350/ month - high school*
Occupational medicine examinations and compulsory medical tests in order to carry out the practical training stage (depending on the field of activity)	95 lei / student
Work equipment	152 lei / student
Protection equipment	66 lei / student
Providing a meal / day at the combined practice site	12 lei / day
Necessary supplies during practice	100
Accommodation for dormitory students	150 lei / month
Meal for dormitory students	16 lei / day
Tools	1025 lei / year / student
Semi-products	89 lei / year
The maintenance of the equipment from the COMPA Training Center is ensured	21 lei / student / year

\* The value of the scholarship / student / month from high school is: 200 lei / month, 9th grade, 250 lei / month, 10th grade, 300 lei / month, 11th grade and 350 lei / month, 12th grade.

Currently, 102 students from the “Henri Coandă” Technological High School have concluded internship contracts, COMPA committing itself to offer them educational support and a job suitable for training.

Some of them will graduate from dual education and will acquire the qualification of operator at machine tools with numerical control and tool-die and graduates of technological high school education will become mechatronic technicians.

Please note that for students in technological high school education, COMPA offers the same facilities and benefits as for dual education, although the methodological rules for this level of qualification are not yet approved.

Graduates who want a job in COMPA can fill positions that are in a wide range in the field of manufacturing, maintenance, control, etc. with a career development perspective that starts from the status of beginner operator / technician to that of regulator, line manager.

COMPA permanently supports the partner educational institutions, contributing substantially to their material base through sponsorships, machinery, SDVs, semi-finished products and equipment for practical training.

Thus, the “Henri Coandă” Technological High School benefited in:

- school year 2019-2020 of three fully equipped locksmith stands, equipped with 18 workstations
- school year 2020-2021 by a numerically controlled lathe equipped with the necessary SDVs
- school year 2021-2022 two welding simulators are be made available to students
- a 3D printer will be made available to students in the 2022-2023 school year, and the support does not stop here.

In the future, we aim to identify working methods and tools to effectively increase practice, to improve student-instructor-tutor communication, to identify early deviations from performance standards set for students, to increase the role of representatives COMPA in the competence examination commissions, and the practical test of the competency exam to enable students to present their ability to serve a job while respecting the quality and quantity requirements required by customers.

### **3.15. Relationship with trade unions**

#### **Trade union membership on 31 December 2021**

COMPA recognizes the free exercise of trade union rights, according to the legislation in force and the international conventions to which Romania has acceded, as well as the freedom of opinion of each employee. In order to exercise trade union rights, COMPA also provides, free of charge, the material basis necessary for the functioning of trade unions.

The representatives of the employees elected in the management bodies of the trade unions benefit from the reduction of the working time by 5 days every month, for trade union activities. This right is also enjoyed by the representatives of non-union employees.

Also, for them, the employer undertakes to guarantee the maintenance of the job for the entire period of maintaining the position and two years after the expiration of the term.

In order to communicate well with the unions, the company's management organizes weekly meetings with them in order to solve the current problems that have arisen in the activity.

Freedom of association can be suggestively exemplified in the table below.

From the presented data it results that the number of personnel belonging to a union is 65.32%.

	No union	Independent Free Trade Union	Arsenal union	TESA union
<b>Nr. pers. / Union</b>	642	1077	98	34
<b>Trade union membership (%)</b>	34.68%	58.19%	5.29%	1.84%



During 2021, one additional act to the Collective Labor Agreement applicable at the level of the COMPA Group was concluded between the Administration and the trade unions, regarding the following aspects:

- indexation of the salary grid with a fixed amount, resulted from applying the percentage of 6.30% (value of inflation) to class 14 (the average salary grid class), that is 200 lei gross;
- along with the indexation of the salary grid, the benefits deriving from it were indexed with the same percentage (Christmas and Easter bonus, holiday bonus, travel allowance, etc.).

### **3.16. Human capital management**

Regarding human capital management, we started from the premise that the achievement of strategic objectives depends primarily on the human factor. The development of the company involves elements that create long-term value and that can ensure the future performance of the organization.

COMPA aims for the human resources policy to be in line with the general objectives of the company, in line with the existing values in the organizational culture, adapted to the current socio-economic context, focusing mainly on:

- Ensuring the availability and continuity of the workforce by preserving the values of the organization;
- Early recruitment of graduates with higher education;
- Increasing the level of versatility by broadening the scope of competencies;
- Reducing the integration period of new employees, graduates of technical vocational education, through internships;
- Focusing on individual training to increase staff skills and efficiency;
- Consolidation of the performance pay system;
- Capitalizing on the expertise of experienced employees through mentoring programs;
- Staff awareness of job responsibilities;
- Involvement in the implementation of the Social Responsibility management system;

### **Strategic objectives**

The main strategic axes pursued in the projection of the following years are:

- Involvement in the development of university, high school and professional technical education, by supporting the integration of theoretical knowledge with practical ones, through internships at a potential job;
- Providing human resources through involvement in supporting dual education, apprenticeship, qualification programs, including through programs funded by European funds;
- Working conditions and climate to ensure a high level of satisfaction;
- Creating a culture of coaching and mentoring;
- Development of soft skills and specific skills;
- Development of the framework in which communication with employees is carried out to support performance and trust, as well as in special crisis situations;
- Encouraging telework as an employee-employer advantage;
- Partial transfer of the training activity in the online environment;
- Reassessment of motivation strategies, including for staff involved in on-the-job training;
- Digitization and efficiency of HR processes;
- Reprofessionalization and transformation of skills, including for digitization;
- Human resources development projects, financed from European funds;
- Career development programs.

### **Respecting the human rights**

The human rights program implemented in COMPA includes an ensemble consisting of:

**Code of business conduct**

This code aims to define, for all COMPA affiliated entities - employees, shareholders, suppliers, customers, etc., the integrity standards and their observance in the company's activities. The code is an integrated element of the COMPA principles, which describes the basic rules of conduct, which we must follow and refers to: employees, company, customers, suppliers, shareholders, community and the world.

**Procedure for receiving and resolving employee complaints**

In COMPA there is a system for resolving employee complaints that regulates how they can address petitions filed in their own name. The petitions concern social issues related to work. The system stipulates how these petitions are recorded, distributed for settlement and dispatch of responses to petitioners.

**The procedure for reporting and sanctioning acts of corruption**

During this year, in COMPA, a procedure was implemented where facts can be reported by employees, customers, suppliers, shareholders, third parties, etc., of corruption, acts of violation of laws and regulations, values, principles and applicable rules. in society.

There were no cases of corruption during COMPA 2020, but there is a constant concern in preventing such situations by making staff aware of ethical rules.

The procedure also establishes measures to protect those who report such violations. Its main purpose is to strengthen transparency and encourage the disclosure of actions giving rise to suspicions of serious breaches of the COMPA Policy, without fear of consequences.

**Procedure for applying disciplinary sanctions**

This procedure allows the sanctioning of the company's employees in case of violation of the legal norms, of the provisions of the Internal Regulation or of the applicable Collective Labor Agreement, of the instructions, orders or legal dispositions of the hierarchical managers. These issues are dealt with in the Rules of Procedure, which contain specific provisions regarding their application.

During 2021, a number of 99 disciplinary sanctions were applied for various disciplinary offenses, as follows:

<b>Type of disciplinary misconduct</b>	<b>Nr. sanctions applied</b>
Non-compliance with the work schedule and unmotivated absences	9
Promotion of non-compliant parts	48
Failure to observe the way of working	11
Failure to wear personal protective equipment	2
Other disciplinary offenses (alcohol consumption, attempted theft, smoking in illegal places, circumvention of the access system, etc.)	9

During the above-mentioned period, no disciplinary violation was reported related to the violation of the principle of equal treatment, respectively of discrimination of employees, of intimidating behaviors or of hostility towards any employee. Likewise, no acts related to sexual harassment or any other unwanted behavior at work were reported.

<b>Type of sanction applied</b>	<b>Nr. sanctions applied</b>
Written warning	61
Reduction of the basic salary for a period of 1 - 3 months by 5% - 10%	28
Disciplinary termination of the individual employment contract	10

Mainly, the latter were due to the fact that during the periods of reduction or interruption of activity, a fairly large number of people left the company, presenting themselves at work and accumulating unjustified absences.

**Respect for freedom of association**

The COMPA administration recognizes the free exercise of trade union rights, according to the international conventions to which Romania has acceded, as well as the freedom of opinion of each employee.

The COMPA administration undertakes to adopt an impartial position towards trade unions and their representatives in society.

The union is the official representative body of the union members, of the COMPA employees before the administration, and it recognizes the union as a democratic organization and a factor of progress and supports its activity. The connection with the unions is based on trust, good faith and promptness in informing.

Trade unions defend the rights of their members, arising from labor law, the Collective Bargaining Agreement within the company, individual employment contracts, before the courts, other institutions or state authorities through their own or elected defenders. The employer has the obligation to invite elected delegates of the representative trade union organizations to participate in the boards of directors or in other bodies assimilated to them, in discussing the issues of professional, economic, social, cultural or sports interest.

**4. OCCUPATIONAL HEALTH AND SAFETY**

**Maintaining good health, improving safety and ensuring motivating working conditions for COMPA employees is a legal and social obligation, and is also an essential element of the company's success.**

**The benefits of good occupational safety and health:**

- helps to demonstrate that the company is socially responsible,
- protects and improves brand image and brand value,
- helps to maximize worker productivity,
- improves employees' devotion to the company,
- builds a more competent and healthier workforce,
- reduces costs and downtime,
- allows the company to meet customer expectations regarding OSH and
- encourages the workforce to stay active longer.

**The main principles of applicable OSH are:**

- Commitment and leadership to improve OSH
- Active OSH policies and procedures
- Proactive risk assessments
- Trained and competent workers
- Effective measures to keep young people under control
- Continuous monitoring and review processes

**a. Accidents at work (with ITM> 3 days)**

	<b>2019</b>	<b>2020</b>	<b>2021</b>
No. of work complicated accidents	0	1	3

The organization has established, implements and maintains a process of reporting, investigation and taking concrete actions to control and correct all incidents.

Accidents at work with temporary incapacity for work are investigated by a commission that established the circumstances and causes that led to the occurrence of the event, the violated regulations and the

measures that must be taken to prevent the occurrence of other similar cases. Corrective action is appropriate to the effects or potential effects of the incident.

**b. Distribution of accidents at work by causes**

	2019	2020	2021
No. of accidents related to serious risks	0	0	0
No. of accidents related to uneven areas complicated, slip uneven areas	0	0	0
No. of accidents caused due machines malfunction	0	0	0
No. of traffic accidents - handling - storage of materials	0	1	1
No. of accidents due inadequate workload	0	0	1
Nr. of accidents due to wrong actions of the worker	0	0	1

Accidents at work in 2021 had as causes:

- non-compliance with the rules of safe use of the forklift;
- failure to supervise candidates during the practical test;
- proper use of work equipment;

**c. Slight accidents without ITM or with ITM <3 days**

	2019	2020	2021
Head injuries	1	1	0
Eye injuries	0	0	0
Injuries to the trunk	0	0	0
Injuries to the upper limbs	2	0	0
Injuries to the lower limbs	1	0	0
<b>No. of accidents yearly</b>	<b>4</b>	<b>1</b>	<b>0</b>

Most minor accidents (50%) resulted in injuries to the upper limbs. The main cause is contact in the upper limbs with objects with sharp or moving edges (moving parts or components of moving machines, tools, chips). Actions have been taken to eliminate or control the causes that led to the accidents.

**d. Occupational diseases**

	2019	2020	2021
Nr. de occupational diseases	0	0	0

In the last three years, no occupational diseases have been reported due to the appropriate environmental conditions that comply with occupational health and safety requirements.

**e. Number of days of temporary incapacity for work due to accidents at work**

Temporary incapacity for work - temporary reduction of physical, psycho-sensory or intellectual potential due to an accident.

	2019	2020	2021
No. of days temporary incapacity of work	0	80	187
No. of incapacity temporary work	0	1	3

**f. Number of permanent disabilities (partial and total) reported**

Permanent, partial / total disability (disability) - permanent reduction of the physical, psycho-sensory or intellectual potential due to an accident.

	2019	2020	2021
No. of days incapacity partial permanent	0	0	0
No. of incapacity partial permanent	0	0	0
<b>TOTAL incapacity permanent</b>	0	0	0

Accidents at work did not have serious consequences

**g. Number of fatal accidents: work, road**

	2019	2020	2021
No. of fatal work accidents	0	0	0
No. of fatal road accidents	0	0	0
<b>TOTAL fatal accident</b>	0	0	0

**h. Control and monitoring of activities in high and specific risk areas**

High and specific risk areas are those areas where risks have been identified that may lead to accidents or occupational diseases with serious, irreversible consequences, respectively death or disability (eg explosion hazard, noise above the permissible limit and electrocution).

	hazards	Nr. workers
Boiler room	explosion, hearing loss	7
Cogeneration station	noise	6
PA8 etand transformation points	electrocution	4
Pressure receptacle storage areas	explosion	0
Noise areas above the permissible limit complicated	hearing loss	67
<b>TOTAL</b>		<b>84</b>

Based on the risk assessment, technical and / or organizational measures are established and applied for these areas to reduce the exposure of workers such as: appropriate signaling of the area, delimitation of the area and limiting access to them. Actions to implement the measures established following the risk assessment for high and specific risk areas are a priority in the prevention and protection plan.

**i. Number of accidents whose victims were employees of personnel leasing companies or companies providing services in the company**

	2019	2020	2021
No. of accidents of temporary employees or service providers	0	0	0

**j. Emergency situations and ability to respond**

Possible emergencies are identified and plans are implemented for the planned response to these situations, including first aid. Measures are taken to train workers for planned responsiveness and for regular testing and exercise of responsiveness.

**k. Number of fires**

	2019	2020	2021
No. of fires recorded	4	1	0

The causes of the fires were non-compliance with legal regulations on smoking and improper operation of work equipment.

In order to increase the response capacity, according to the legal provisions, a Private Service for Emergency Situations (SPSU), type P2, is set up, equipped with two intervention trucks.

**l. Ensuring consultation and participation of workers in OSH issues**

The organization has established and implemented a mechanism for consulting workers' representatives and which allows their balanced participation in discussing all issues related to safety and health at work. Emphasis is placed on consulting and participating in workers who do not hold managerial positions.

Consultation involves two-way communication based on dialogue and exchange of ideas  
Participation allows workers to contribute to OSH decision-making processes

	2019	2020	2021
No. of CSSM meetings	4	2	2

The lower number of OSH meetings in 2020 and 2021 is due to the pandemic during 2020.

**m. Monitoring the health of workers**

Occupational medicine ensures the surveillance of the health of workers in order to ensure the prevention, detection, dispensary of occupational and occupational diseases, as well as the maintenance of the health and working capacity of workers.

**1) Number of clinical examinations, by type of examination**

	2019	2020	2021
Nr. clinical examinations at employment	395	183	543
Nr. transfer clinical examinations	162	200	150
Nr. exams consult occupational medicine	20	8	13
Nr. periodic clinical examinations	1943	1767	1631

**2) Number of employees declared fit / unfit for employment by the occupational physician**

	2019	2020	2021
No. employees declared "conditioned fit" on the job	157	131	164
No. employees declared "unfit" for the job	3	3	-

Workers declared "fit" were made by the occupational physician recommendations on dispensary care to specialists, avoiding risk factors for workers' health.



**n. Sensitive groups**

Specific risk-sensitive groups, such as: pregnant women, young people under 18 and people with disabilities, are protected against the dangers that specifically affect them, according to the legislation in force.

**1) Number of pregnant women and young people under 18 years**

	2019	2020	2021
Nr. pregnant women	21	23	20
Nr. young people under 18	17	9	17

The working conditions, nature, degree and duration of exposure of persons belonging to sensitive groups and carrying out activities likely to present specific risks for them generated by chemical agents, processes and working conditions shall be assessed.

**o. Hazard identification and risk assessment of occupational injury and illness**

A continuous and proactive process for identifying hazards is established and implemented in the organization, a process that takes into account:

- non-routine activities and situations
- human factors
- relevant past incidents, including potential emergencies
- design of workspaces, processes, installations, machines / equipment, operational procedures and work organization, including their adaptation to the needs and capabilities of workers
- existing and proposed changes in organization, operations, processes, activities and OSH management system.

The essence of the method consists in identifying all hazards in the analyzed system (job, activity) based on predefined checklists and quantifying the size of the hazard based on the combination of severity and frequency of the maximum foreseeable consequence.

The hazards were identified and the risks related to all activities carried out in COMPA were assessed.

In order to eliminate, reduce or control the risk factors, measures have been proposed that are an integral part of the prevention and protection plans related to the compartments / workshops.

**Level of occupational safety and health risk:**

Global risk level	little	medium	big
Risk level by compartments / workshops (no.)	25	3	0

In conclusion, the results obtained from identifying and assessing the levels of safety risk at work and at the level of compartments / workshops indicate a good level of safety and health at work.

**p. Working conditions**

COMPAs pays constant and sustained attention to the conditions of the working environment with regard to measures to eliminate or minimize the risks posed by exposure to noxious substances, in particular by:



- compliance with the exposure limit values;
- the design of work processes and the use of appropriate equipment and materials in such a way as to avoid or minimize the emission of noxious substances which may present a risk to the safety and health of workers at work;
- the application of collective protection measures at the source of the risk, such as: adequate ventilation and appropriate organizational measures;
- the application of individual protection measures if exposure cannot be prevented by other means.

Annually the determinations of the quality indices of the work environment are made: mineral oil vapors, aliphatic hydrocarbons, powders, fumes, acids, bases, noise, microclimate (temperature, currents, lighting, humidity, CO), etc., and in the SSM management programs reduction targets are planned.

No exceedances of the quality indices of the working environment were found, except for the noise level in the processes of stamping, polishing or generated by some installations (eg boilers, compressors, etc.).

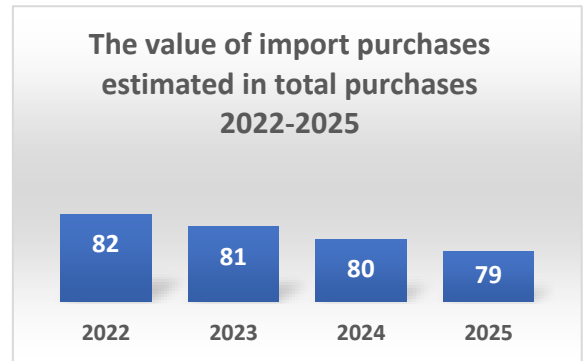
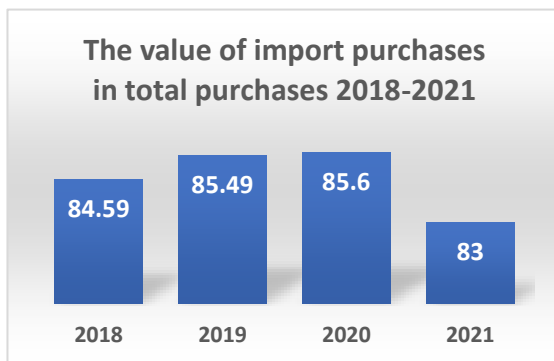
**COMMERCIAL ACTIVITY**

**1. PURCHASING ACTIVITY:**



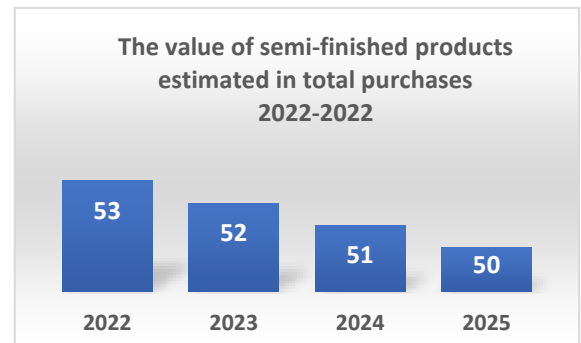
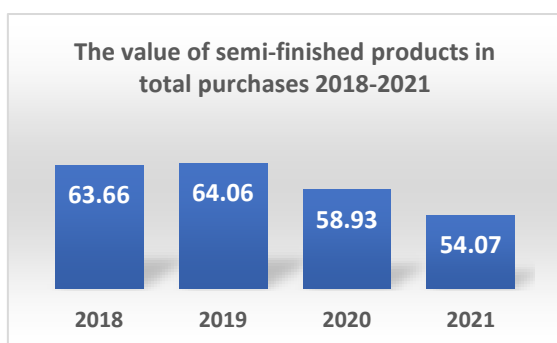
The purchasing activity has developed continuously in recent years, with the development of the company. The company's focus on large customers in the automotive industry but also on those in the non-automotive industry, has led to a considerable expansion of the database of suppliers as well as an increase in the share of suppliers in imports, in total purchases. This is due to the high level of specialization required of suppliers. COMPA has gone from the purchase of mainly basic materials to the purchase of imported semi-finished products, due to the increase of the technological level of the company and implicitly of the specialization in certain fields. In the context of the current market, a continuation of the trend for the coming years can be estimated.

However, the company's strategy is to increase the share of domestic procurement in order to minimize transport costs and ensure better integration of suppliers. This has not been possible in the past, as the high degree of specialization of most of the products supplied has made it impossible to insure them domestically.



**1.1 ESTIMATED EVOLUTION OF THE PURCHASE OF SEMI-FINISHED PRODUCTS**

In the next period it can be estimated that the value of semi-finished products in total purchases will decrease in favor of basic materials, largely due to the development of new processes in both the automotive and non-automotive sectors for which most operations are done in-house. The development of these projects will lead to an increase in raw material purchases, especially forging raw materials. The purchasing strategy is also based on finding internal suppliers, to shorten delivery times and reduce delivery costs.



**2. RISKS AND OPPORTUNITIES IDENTIFIED WITHIN THE PURCHASING DEPARTMENT:**

- Risk and opportunity have one thing in common: uncertainty - Both are unpredictable events that can have negative or positive effects.
- Risk is an uncertain event that, if it occurs, has effects on the organization's objectives and strategy.
- Opportunities can lead to the adoption of new practices, the launch of new products, the opening of new markets, the approach of new customers, the development of viable partnerships to address the needs of COMPA or its customers.

At the level of the Purchasing department, the following risks and opportunities are identified and treated:



- **RISKS:**

- The likelihood of entering a new global recession, which will affect the car industry more than in the past in the context of a global epidemic.
- Economic instability of certain suppliers as well as insolvency of some suppliers.
- Increased flexibility is required of suppliers, reference quantities are fewer and variety is greater; the accuracy and quality requirements are increasing and complex.
- Monopole position on the market of suppliers of components and raw materials with special characteristics.
- Quality problems generated by suppliers with an impact on end customers that affect the image of COMPA.
- Large number of suppliers at company level to be managed.
- Long supply times from some suppliers and minimum quantities imposed by them.
- The accelerated rise in prices generated by inflation and especially by the unprecedented rise in the price of electricity and gas which have a strong influence on both domestic costs and supplies.

- **OPPORTUNITIES:**

- Strengthen trade relations with existing suppliers.
  - Development of local suppliers for both ongoing and new projects.
  - Expanding the supplier base on existing products in series production or new projects.
  - Know-how in a wide range of processes and areas that offer a strategic advantage.
  - Development of specific knowledge for the staff within the department, by participating in various training courses, workshops, etc.
- Risks and opportunities are analyzed and treated periodically within each department of COMPA, through a procedural way of working. Processes are implemented regarding the identification, assessment and prioritization of risks and opportunities, followed by the economic application of resources for their elimination, reduction or promotion, as appropriate. In order to keep them under control, action plans and timeframes shall be drawn up for the treatment, prevention and mitigation of the impact of risks, as well as action plans and timelines for the development of a strategy for the materialization and development of opportunities.

### 3. THE MAIN OBJECTIVES OF THE PURCHASING DEPARTMENT ARE:

In the context of market globalization - the need to align the market with stock quotes for most products by obtaining a price index with 100% inclusion in MEPS. (Management Engineering and Production Services - price indicator on the metallurgical market, which provides price estimates).

Finding sources of supply to ensure the highest possible competitiveness of the prices of raw materials and materials supplied, stability and sustainability of the supply chain.

Market research and finding new supply solutions as well as the development of suppliers with whom there are collaborations in order to obtain the best level of price and quality in the supplied products.

Collaborate with suppliers that respect COMPA standards, principles and vision in the field of quality, environment and occupational health and safety by holding certifications, such as:



- **ISO 9001** (Formalized system that documents the structure, responsibilities and procedures needed to achieve quality management effectively).  
Certification to the ISO 9001 standard is a minimum requirement, mandatory for all suppliers of COMPA products and services, this being an exclusion criterion in the market prospecting phase.
- **IATF 16949** (International Automotive Task Force - this standard aims to develop a quality management system that ensures continuous improvement, focusing on preventing defects and reducing variations and waste in the supply chain, regulations applicable and valid in the automotive industry).
  - COMPA wants all its suppliers of raw materials and materials whose products are part of the automotive sector to improve their quality management system by joining the IATF. To this end, COMPA provides support to its suppliers through the supplier development program. COMPA annually promotes a supplier development program, through which it selects an existing supplier, which it provides support in improving quality-environment systems by optimizing production and control processes, training on techniques applied in lean-manufacturing, 6sigma, quality core tools, Kaizen (continuous improvement), 5S, etc.
- **ISO 14001** (eco-management standard that allows organizations to minimize environmental effects and compliance with laws, regulations and other environmental requirements as well as the continuous improvement of these aspects).  
COMPA suppliers must adopt a similar environmental policy by attesting to ISO 14001, this is one of the main criteria for selecting suppliers.
- **ISO 45001** (standard for occupational health and safety management systems, the objective of ISO 45001 is to reduce accidents at work and occupational diseases, but also to promote and protect physical and mental health).  
COMPA suppliers must adopt a similar occupational health and safety policy, by attesting to ISO 45001. This is a second main criterion applied in the selection of suppliers.

▪ **ENVIRONMENT**

COMP A gives priority to environmentally friendly purchases and raw materials, materials, chemicals, parts, components, equipment and protective materials. A particularly important aspect for the protection of the environment is the proper management and management of chemicals and hazardous waste. For this reason, COMP A has aligned itself and requires its suppliers to align with a number of requirements in the field, such as:



**REACH 1907/2006** (Regulation, Evaluation and Authorization of Chemicals) - a regulation of the European Union, adopted to improve the protection of human health and the environment against the risks posed by chemicals, while increasing the completeness of the EU chemical industry. It also promotes alternative methods for assessing the hazards of substances, in order to reduce the number of animal tests.

In principle, REACH applies to all chemicals; not only those used in industrial processes, but also in our daily lives, for example in cleaning products, paints, as well as in items such as clothes, furniture and electrical appliances. Therefore, the regulation has an impact on most EU companies.

★ **CLP 1272/2008** (Classification, Labeling and Packaging of substances and mixtures) The Regulation on Classification, Labeling and Packaging is based on the United Nations Global Harmonized System (GHS) and aims to ensure a high level of protection of health and the environment; free movement of substances, mixtures and articles.

★ **Conflict Minerals** - a regulation aimed at stopping the financing of armed groups through trade in minerals from conflict zones. The regulation obliges EU companies to responsibly choose the source of their imports of tin, tantalum, tungsten and gold and to ensure that their supply chains do not contribute to the financing of armed conflicts.

COMP A suppliers must comply with these requirements and provide information on the products supplied, such as the content of elements and chemicals, the components of the products and the quantity and hazardous effects of the elements and chemicals contained, safety data sheets, warranty periods and regulatory compliance. to which COMP A aligned (REACH, CLP, Mineral Conflict, etc.).



All this information must be transmitted by COMP A as well as by COMP A suppliers throughout the supply chain.

- COMP A promotes and recommends its suppliers to promote voluntary activities to protect the environment, biodiversity, the natural environment, the conservation of energy and irrecoverable natural resources, reduce the amount of waste generated by their organization and improve the means of transport of their own materials and products. It also recommends reducing and streamlining packaging for products to be delivered to COMP A, especially the use of reusable packaging, the use of substitutes for single-use wooden pallets, and the implementation of the design and use of environmentally friendly packaging.
- COMP A suppliers must align themselves with a number of clear environmental protection objectives that COMP A requires, through the Green Procurement Guide:
  - ✓ Compliance with legal and environmental requirements.
  - ✓ Selection of raw materials and materials with low impact on the environment.



- ✓ Purchase of products with low energy consumption and natural resources, low pollution risks.
- ✓ Design of ecological / recoverable packaging eg: reusable boxes, reusable pallets.
- ✓ Use of recyclable materials with high energy efficiency.
- ✓ Establishment of a system for the collection / recovery of waste from the packaging provided.
- ✓ Selection of authorized companies for the recovery / disposal of waste from the packaging provided.
- ✓ Designing processes that generate small amounts of waste and scrap.
- ✓ Reducing the loss of materials and energy resources used.
- ✓ Promoting sustainable procurement.

COMPA is working diligently to further integrate environmental sustainability into all aspects of its supply chain functions, requiring suppliers to take a similar approach in this direction. COMPA and its suppliers maintain a collaborative supply chain that minimizes environmental impact and improves long-term sustainability for the planet and the communities it serves through innovation and performance. (A recent example of the change in sustainable packaging has been the provision of durable products for protective masks in response to the COVID-19 pandemic. COMPA, together with a local partner, has replaced disposable masks with reusable face masks., the environmental impact of this type of waste has been considerably reduced).



COMPA ensures a continuous supply flow by using its own transport fleet, correlating deliveries with product supply, reducing the impact on the environment by reducing the carbon footprint.



COMPA suppliers must adopt progressive labor, health and safety, ethics and environmental policies that meet or exceed all applicable international human rights laws, norms and standards. Policy guided by the UN Global Compact, the UN Guiding Principles on Business and Human Rights and the principles set out in the International Declaration of Human Rights and the International Labor Organization Declaration on Fundamental Principles and Rights at Work.



COMPA suppliers must have a policy that covers employees, suppliers, partners and communities. This policy must include ethical recruitment practices, diversity, anti-harassment, discrimination, support for women's rights and equal pay, individual confidentiality, reporting and anti-retaliation policies. Do not tolerate the use of child labor, force labor or trafficking in human beings in any form - including slave labor, imprisonment, corporal punishment in its operations or in the supply chain.

Suppliers and business partners of COMPA must comply with the laws on safety, individual security, prohibitions on trafficking in human beings and the use of minor children, together with the laws ensuring freedom of association and collective bargaining rights and comply with the relevant minimum wage and maximum regulations. , including overtime pay, as appropriate, and provide decent living conditions.

All COMPA suppliers must comply with applicable laws and regulations. They must not have been sanctioned / penalized by law enforcement for non-compliance with the law or the occurrence of incidents that significantly affected the environment, or social incidents (work without legal forms, discrimination, etc.), these aspects being regulated in the policy of COMPA procurement.

To increase the impact on the local community, COMPA works and encourages its suppliers to work with protected unit entities as well as ECOVADIS certified suppliers. An example in this direction is given by the COMPA print fleet, which comprises over 90% EPSON equipment (platinum winner ECOVADIS 2020 - a verification tool for companies covering a wide range of non-financial management systems such as: environment; work and human rights; ethics but also the impact of sustainable procurement).

COMPA also works with suppliers in both the top CSR Romania 2020 and the top CSR Europe. (CSR - Corporate Social Responsibility).

The specific requirements for responsible supply chain practices are also found in the IATF 16949 quality standard through the item "Corporate governance". These requirements include an employee code of conduct, an anti-bribery policy and an ethics-raising policy ("warning policy"). Adopting the requirements for responsible supply chain practices and transmitting them throughout the supply chain as well as adopting the requirements of the IATF 16949 management system is a priority for COMPA and its suppliers.

The selection of COMPA suppliers, their monitoring and evaluation, is done in accordance with the rules of IATF 16949 and following a market prospecting and a comparative analysis. To this end, suppliers of products and services must demonstrate that they have adopted, or are willing to adopt, an approach similar to that of COMPA, in relation to the environment and social responsibility, and are achieving good results in this regard. This proof is made by certification to ISO 14001 and ISO 45001 and verification is done by completing the self-assessment questionnaires that COMPA sends annually to suppliers, through which suppliers declare whether there have been environmental or occupational health and safety incidents within their company. Through quality contracts and agreements concluded with its suppliers, COMPA ensures the transmission throughout the supply chain to suppliers and sub-suppliers of the requirements of quality, environment, social responsibility of both COMPA and its customers.



Suppliers are monitored in a database of accepted suppliers in order to maintain ISO and IATF certifications and are required to notify COMPA in advance if they wish to waive one of the certifications registered at the beginning of the collaboration. COMPA will analyze and make a decision on the continuation of the collaboration with the supplier in question.

COMPA has developed and requires its suppliers to develop a contingency plan for key suppliers by diversifying the supply chain that can be put in place in case of emergencies. By implementing this requirement in the supply chain to suppliers as well, a constant production flow is ensured in order to meet customer requirements throughout the supply chain.

The evaluation of service suppliers is made taking into account the problems of quality, environment, health and safety at work and emergencies, related to the respective provider. The final score in the evaluation is given according to these indicators.

The monthly monitoring and evaluation of suppliers of products and services and their information on a quarterly basis by issuing a scorecard on the level of fitness recorded ensures an approach based on the principles and values of the quality of the automotive sphere. If the supplier is in the yellow or red zone, it will be placed in the database of suppliers with problems, requiring the preparation and follow-up of a corrective action plan with clear actions, deadlines and people responsible for solving problems and relocating the supplier to the green zone.

COMPA maintains and requires its suppliers to take a proactive approach to environmental impact management by maintaining and continuously aligning internal procedures and regulations with legal / environmental requirements regulated by national and international bodies as well as transmitting these requirements throughout the supply chain. In order to verify the alignment of suppliers to these procedures, the annual re-verification of COMPA suppliers is done on the basis of self-assessment questionnaires that include sections on environmental issues, occupational health and safety, local factors, transparency, etc.



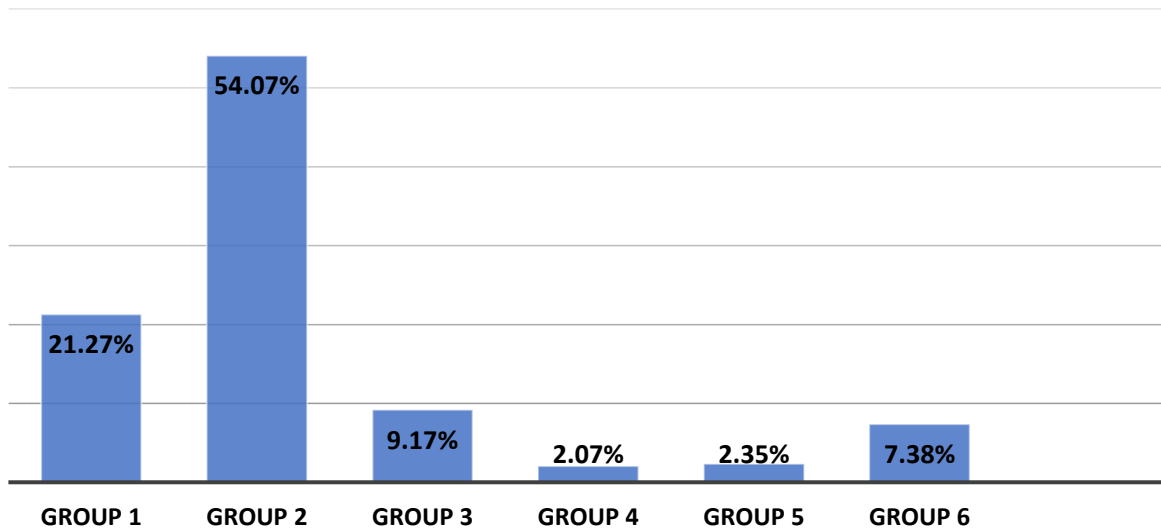
COMPA suppliers must comply with the requirements of quality, environment and social responsibility, COMPA ensures compliance with these aspects by drawing up an audit plan, which seeks to conduct audits of suppliers of raw materials and materials, as well as by annual survey of all suppliers. of products and services.

By annually recertifying approximately 100 suppliers of raw materials and supplies, COMPA ensures that product quality is maintained throughout the supply chain.

COMPA encourages and supports the local business environment through existing business relationships, existing contracts and new / future projects in which these partners are / will be involved. It prioritizes where possible business development with local partners and encourages its suppliers to do the same.

The distribution of COMPA suppliers is as follows:

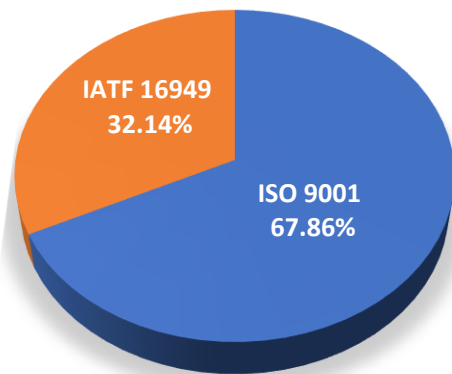
### Weight of purchases by groups of materials



**Group description:**

- Group 1 - Sheet metal, Tape, Bar, Pipe, Wire, Stainless steel
- Group 2 - Components & Semi-finished products
- Group 3 - Tools & devices
- Group 4 - Plastics, Rubber, Abrasives, Verifiers, Rubber parts, etc.
- Group 5 - Chemicals, Lubricants, Paints, Gases, etc.
- Group 6 - Miscellaneous, Packaging, Services, Maintenance, Labor Protection etc.

### SUPPLIER CERTIFICATIONS



**4. Future strategy:**

In order to increase confidence in the Mineral Policy in conflict areas, starting with 2021, COMPA will require suppliers to prove their adherence to the Conflict Minerals policy by completing the “Responsible minerals initiative” questionnaire regulated by the relevant authorities.



In order to manage a responsible supply chain, COMPA implemented in 2021 a "Guide to social responsibility" which aims to encourage its partners and suppliers in terms of compliance with the principles of social responsibility. The terms and conditions of COMPA shall clearly provide for a prohibition against any use of child labor or any other form of forced or involuntary labor, ill-treatment of employees or corrupt business practices in the provision of goods and services. COMPA contracts with suppliers will set out the expectations regarding the legal observance of data protection and privacy, salaries, hours and conditions of employment, selection of subcontractors, anti-discrimination, health and safety at work.

COMPA has integrate ethical, social, environmental and gender criteria, including occupational health and safety, into purchasing, distribution and contracting practices and policies to improve coherence with social responsibility objectives and will continue to pursue these issues throughout the supply chain. COMPA also support the encouragement of supply chain organizations to adopt similar policies, without allowing anti-competitive behavior. These points will be included in the conditions of purchase and contracting of COMPA. Monitoring of supply chain organizations in order to prevent compromising the organization's social responsibility commitments will be done annually by completing a self-assessment questionnaire by suppliers that will include a set of questions assigned to social responsibility, as well as by direct audit of suppliers.

COMPA aims to support SMEs by raising awareness of the areas of action of social responsibility and good practice and providing additional assistance in achieving socially responsible goals. The organization's commitment to pay fair compensation for the goods it purchases or uses through contracts / purchase orders.

For better information on the social and environmental conditions in which the purchased goods and services are produced, COMPA is requesting the completion of a Self-Assessment Questionnaire of the potential supplier for products or services that will include issues related to social and environmental conditions.

In addition, COMPA suppliers will certify by survey the following points:

- Applying the company's business practices in accordance with the COMPA Supplier Code of Conduct or a similar code of conduct published by their company.
- Adopt your own code of conduct or similar document expressing a commitment to conduct business ethically, honestly and in accordance with all applicable laws.
- Distribution to suppliers of the COMPA Supplier Code of Conduct or a similar code of conduct published by their company.
- Adopt a security policy that is in line with the principles set out in the COMPA Supplier Code of Conduct.
- Suppliers' responses to the survey will be reviewed and scaled, if necessary, to address the risk.



## **II. COMPA SALES ACTIVITY**

### **1. SALES STRATEGY**

The activity of the sales department consists in promoting the products and services offered in order to develop the company in an efficient, sustainable way and to of course increase the company's profitability.

Particular attention is paid to the promotion of new technologies in the field of hot forging and surface coating with ZnNi alloy in order to assimilate new products to cover existing production capacities.

COMPA currently operates in the automotive sector with a share of approximately 83.9%. The partnerships developed with the major Tier 1 suppliers in this industry (BORG WARNER, BOSCH, GARRETT, JTEKT, DACIA-RENAULT, SCHAEFFLER, ZF, etc.) ensure a continuous and sustainable development of the company. The great variety of existing processes in COMPA ensures the constant expansion of the products offered. The resulting positive effect is to increase the level of know-how on each process and maintain a high degree of diversity in terms of products made.



However, the car industry is sensitive to global economic change. In response to the negative effects of the decline of diesel engines, COMPA, with relatively high exposure to component production for this application, has already established strategies to win new projects completely independent of diesel engines.

An important and noteworthy project in the above context is the manufacture of high-pressure injection pump components for petrol and hybrid engines. It is a project that counterbalances the exposure on components for diesel and which also involved the successful realization of a fully automated production line within the company. Other new types of products for the transmission system for 100% electric cars or steering gear have also been assimilated, products that are outside the diesel sphere and are of the future.

It is well known globally that the production of automotive components for diesel vehicles has decreased, due to the trend to encourage the production and use of petrol or electric vehicles. The pandemic caused by COVID 19, accelerated this process, transforming the automotive industry and, consequently, decreasing the demand for internal combustion engine components, especially diesel.

It is therefore a certainty that the car industry is currently undergoing a transformative process and a massive restructuring. A range of components that COMPA produces today have an uncertain future in the medium and long term. In this sense, our strategy must follow two directions: Thanks to its experience in this field, COMPA will continue to invest in the production of future car components that align with the requirements of this new car industry with all its challenges.

Given the volatility of this industrial segment in the coming years, COMPA strategy must be one of diversification. Continuous efforts are being made by society to identify industrial areas that have potential in the future. In recent years, COMPA has started a series of production activities for other industrial segments, such as: the CNC machine building industry, water pump components, etc.

Given the high percentage of activity in the automotive sector, a strategic direction has also been established to ensure the reduction of dependence on this industry. In this context, the organization has also established a performance indicator that aims at an annual increase in turnover in the non-automotive sector.





The Marketing-Sales Department is directly responsible for this indicator, and with the support of the other functions involved, it has a continuous concern in identifying and developing new projects with clients from other industries.

Another strategic direction that COMPA places great emphasis on is development as an integrated supplier.

Integrated supplier means the possibility to offer customers complex products and assemblies that involve the use of as many processes as possible in COMPA, these being listed here:

- ✓ Hot forging
- ✓ Mechanical processing (turning, milling, gearing, grinding)
- ✓ Machining on multi-axis machines
- ✓ Tool manufacturing
- ✓ Processing on special materials
- ✓ Manufacture of metal components through a 3D printing process
- ✓ Embossing
- ✓ Electrochemical deburring and abrasive paste deburring
- ✓ Welding
- ✓ Laser cutting of tubes, pipes and sheets
- ✓ Cutting sheets with large thicknesses up to 50mm with Oxi gas
- ✓ Spring Manufacturing
- ✓ Brazing
- ✓ Heat treatments
- ✓ Cathaphoretic, liquid and powder coating
- ✓ Galvanic coatings (Zinc plating, Zn Ni)
- ✓ Washing on special machines, including in a vacuum environment
- ✓ Automated cell assembly
- ✓ Measurements and control of parts on machines in 3D coordinates

By developing as an integrated supplier, more added value is generated, the level of know-how is automatically increased and implicitly the company's profitability. Starting from this strategy, considerable investments have been made in recent years in the hot forging process and in its optimization. Hot forging is a technological process that underlies many components required by the automotive industry and beyond. Having this technological process in the factory, we can offer complete / integrated solutions for making products to customers.

Some examples of forged parts, made in COMPA:



To ensure a prosperous business relationship with its partners, COMPA also strictly pursues another important indicator aimed at customer satisfaction. This activity or line of action is also imposed by the specific quality standard for the automotive industry, namely IATF 16949. Through this indicator, all customers in the automotive industry and all-important customers of the company that generates a turnover are monitored on a monthly basis. significant. The main aim is performance in terms of quality, logistics, etc.

This indicator monitors the collaboration with each client in real time and can intervene quickly if certain problems are detected that may damage the business relationship with that client or, on the contrary, actions can be taken to improve the collaboration.

Another aspect worth mentioning regarding the satisfaction of customers' requirements is the one related to social responsibility. COMPA's main customers are multinational companies with a minimum of 10,000 employees and who are aware of the role and impact of their business in society. Each of these customers has a code of conduct that defines their ethical and social responsibility principles to be respected throughout the supply chain. Thus, COMPA has also integrated these social responsibility requirements into its working procedures, acting accordingly.

## 2. RISKS AND OPPORTUNITIES IDENTIFIED WITHIN THE SALES DEPARTMENT

Risk and opportunity have one thing in common: uncertainty - Both are unpredictable events that can have negative or positive effects.

- Risk is an uncertain event that, if it occurs, has effects on the organization's objectives and strategy.
- Opportunities can lead to the adoption of new practices, the launch of new products, the opening of new markets, the approach of new customers, the development of viable partnerships to address the needs of COMPA or its customers.

At the level of the Sales department, the following risks and opportunities are identified and treated:



- **RISKS:**

- Volatility of the car market: Diesel decline where COMPA has an important portfolio of products, increasing the share of electric cars that have much fewer components.
- Global decrease in component orders for the automotive industry due to the COVID 19 pandemic and the semiconductor crisis.
- The accelerated rise in prices caused by inflation and especially by the unprecedented rise in the price of electricity and gas which have a strong influence on both domestic costs and supplies. - The likelihood of entering a new global recession, which will affect the car industry more than in the past in the context of a global pandemic.
- Economic instability of certain customers as well as the insolvency of some customers.
- Increased flexibility of deliveries is required, the quantities per reference are less and the variety is greater; the quality requirements being more and more complex.
- Quality issues generated with impact on end customers affect the image of COMPA.

- **OPPORTUNITIES:**

- Strengthen business relationships with existing customers.
- Identification and development of business with customers in the field of hot forging on specific HATEBUR, where COMPA has free production capacities.
- Expansion in other industries outside the automotive sphere, in order to diversify the range of customers (eg WILO, DMG MORI, VESTAS customers).
- Extension of the customer range on products already existing in series production (eg: sprockets, forged axles and parts for the steering box, mechano-welded assemblies for various industries, etc.)
- Focus on the execution of parts-parts in order to increase the added value.
- Know-how in a wide range of processes and areas that offer a strategic advantage.
- Development of specific knowledge for the staff within the department, by participating in various training courses, workshops, etc.

Risks and opportunities are analyzed and treated periodically within each department of COMPA, through a procedural way of working. Processes are implemented regarding the identification, assessment and prioritization of risks and opportunities, followed by the economic application of resources for their elimination, reduction or promotion, as appropriate. In order to keep them under control, action plans and timeframes shall be drawn up for the treatment, prevention and mitigation of the impact of risks, as well as action plans and timelines for the development of a strategy for the materialization and development of opportunities.





### 3. EXISTING NON-AUTO PROJECTS AND NEW NON-AUTO PROJECTS

Starting with 2018, the partnerships with various renowned companies from other industries have intensified. These new businesses bring a number of benefits to the company such as: increasing turnover, reducing dependence on a single industry, developing new technologies, increasing the level of know-how, increasing the level of flexibility, creating new jobs, and so on



#### 3.1 THE HAULOTTE PROJECT - TRADITIONAL NON-AUTO PARTNER



A successful non-auto project that has developed in recent years in COMP A is the one with the French company HAULOTTE. It is a world leader in the production of lifting equipment and materials. No less than 235 different mechanically-welded components and structures are made in COMP A, generating an annual consumption of > 6,000 tons of steel.

Several dedicated production areas have been allocated in COMP A for this type of products.

#### 3.2 THE DAIKIN PROJECT - TRADITIONAL NON-AUTO PARTNER



The partnership with DAIKIN started in 2005. The company is one of the world's largest manufacturers of air conditioning systems, and COMP A produces a wide range of copper pipes, through a special brazing process. This customer is delivered annually a number of ~ 185,000 pieces made from 23 different references. And in this relationship with DAIKIN, COMP A has set up a dedicated production workshop.

#### 3.3 VESTAS AIRCOIL PROJECT - NEW NON-AUTO PARTNER

During 2020, a new business was started with VESTAS AIRCOIL, a Danish manufacturer, a leader in the production of cooling systems for the marine industry and other industrial applications. In COMP A, various precision mechano-welded assemblies are produced, which are then processed on CNC machines and protected against corrosion by a process of liquid painting or thermal galvanizing, depending on the final application.

A few examples of parts which are produced in COMPA for this client:



### 3.4 DMG-MORI PROJECT - NEW NON-AUTO PARTNER



A large-scale project was concluded between COMPA and DMG MORI, one of the world leaders in the production of CNC machinery and equipment.

COMPA has already arranged 2 dedicated workshops where both the complete cabins and a number of > 160 different components that are part of the CNC machines are produced, and the development plan continues. During 2021, a new, automated electrostatic painting line will be installed to ensure quality at the highest standards in an environmentally friendly process.

COMPA enjoys the recognition of efficiency from customers, the most recent event of this kind being the award of the strategic partner award in 2019 by DMG MORI during the 22nd edition of the EMO (Machine Tool World Exposition) in Hanover.

### 3.5 THE WILO PROJECT



Another important project outside the automotive sphere and which strongly strengthens the business and the future of COMPA is the partnership developed with WILO, one of the world's largest manufacturers of high-tech pumps and pump systems for residential and commercial construction, management water and other industries. This company offers innovative solutions and smart products for water transport in an intelligent,



efficient and environmentally friendly way. Through the sustainability strategy and together with its partners, the company makes an important contribution to the protection of the climate and the environment.

COMP A has set up a production workshop dedicated to this customer, in which over 150 types of pumps are produced on lathes and state-of-the-art CNC machining centers, and then the parts are phosphate and painted cathodically for corrosion protection.

It is very important to mention that despite the global economic crisis generated by the pandemic, COMP A's production for this customer was stable. WILO, due to the fact that it serves several industries, was very little affected. During 2021 COMP A won a new package of parts for a new WILO project and this will definitely consolidate the partnership.

Both of the above-mentioned customers are directly following global carbon reduction trends and have strong commitments in this regard.

### **3.6 DEVELOPMENT RESEARCH CENTER**



The research - development activity, component of the COMP A strategy on medium and long term, knows a significant intensification and allocation of resources in the last years. In this sense, a new Research & Development center was inaugurated. The main objectives of the center are to carry out machinability studies in order to optimize current technological processes and to test alternative processing technologies to be implemented in mass production.

By using state-of-the-art technologies, such as 3D printing of metal components and ultrasonic processing on advanced materials, COMP A aims to develop new products.

Within the research and development center, various prototypes are produced using a wide range of processing processes.

The turnover on the non-automotive sector has doubled in value in the last 5 years. COMP A's intention is to maintain this trend in the future so that production for non-automotive components represents at least 25% of total turnover.

## MANUFACTURING

The Manufacturing Department within COMPA SA carries out its activity in order to fulfill the general objectives of the company in the Strategic Dashboard.

The production activity within COMPA SA consists in the creation of a diversified portfolio of automotive components (injection components, subassemblies and turbocharger components, windscreen wiper subassemblies and components, cassette and steering column subassemblies, cold-wound springs, stamped parts, forged parts, etc.) as well as non-automotive (metal fabrications, air conditioning pipes, various machined components for machine tools, industrial pumps, etc.) which involve the use of various manufacturing processes as follows:

- Machining on numerically controlled machine tools
- Deep drilling
- Tothing
- Running grooves
- Reworking
- EDM processing
- Robot welding
- Processing of parts from strips and sheets by cold forming
- High accuracy wash
- Cataphoretic dyeing
- Electrostatic field painting with water-based paint or powder paint
- Galvanic coatings
- Brazing copper pipes
- Heat treatments
- Electrochemical deburring
- Assembly
- Forging
- Laser cutting
- Oxygen cutting
- Cold winding

### **Description of the objectives, targets and responsibilities established for the performance of the activity of the Manufacturing Department in performance conditions**

The objectives of the manufacturing activity are mainly derived from the objectives of the company and refer to:

- increasing the company's profitability to cover operating costs and allow future developments
- reducing costs by identifying improvement projects
- reducing costs with non-quality
- increase process performance
- increasing the level of safety at work.

The indicators necessary to achieve the objectives of the Manufacturing Department were established following the decisions of the managerial analysis performed at the beginning of the year. It is necessary to constantly adapt to the conditions in which it operates, in order to reduce risks and establish development opportunities.

Following the audits carried out by the certified bodies, the Manufacturing Department contributed to maintaining the certifications of the Integrated Management System (according to ISO 9001, ISO 14001, ISO 45001, IATF 16949) valid for the period 2021-2023.

Compliance with the legal requirements regarding quality, environment and OSH as well as the reduction of occupational safety and health risks for all current and special activities, has been achieved through the use of appropriate techniques and practices, by ensuring adequate working conditions to reduce the number of accidents at work and / or occupational diseases.

The Manufacturing Department is organized on profit centers, structured to meet the requirements and needs of each customer, at the level of each workshop there are available all the necessary support functions: logistics, maintenance, technical, quality. Risks and opportunities are treated individually by each manufacture, depending on the specifics and requirements of existing processes. The following are the most important existing manufacturing workshops within COMPA SA.



**PROFIT CENTER FOR THE MANUFACTURE OF PUNCHED PARTS 130.**

**TYPES OF CARS:**

(Machinery with 16t to 400t tonnage)

Automatic presses      Mechanical presses      Welding robot  
Washing machines      Rotofinish      Lathe Machine  
Guillotine scissors      Belt sanders  
Manual, eccentric and hydraulic presses

❖ Suprafața de producție	2679 mp
❖ Număr muncitori direct productivi	26
❖ Număr muncitori indirecti productivi	12
❖ <u>Capacități capac fulie pompa Dacia generația 1</u>	776.000 buc. / an
❖ <u>Capacități capac fulie pompa Dacia generația 2</u>	1.853.000 buc. / an
❖ <u>Capacități BOS Volkswagen</u>	350.000 buc. / an
❖ <u>Capacități BOS TOYOTA 9904407195</u>	1.350.000 buc. / an
❖ <u>Capacități Suport arc E6FT5 Z001A23</u>	20.000 buc. / an

**Injector processing and assembly 620 factory**

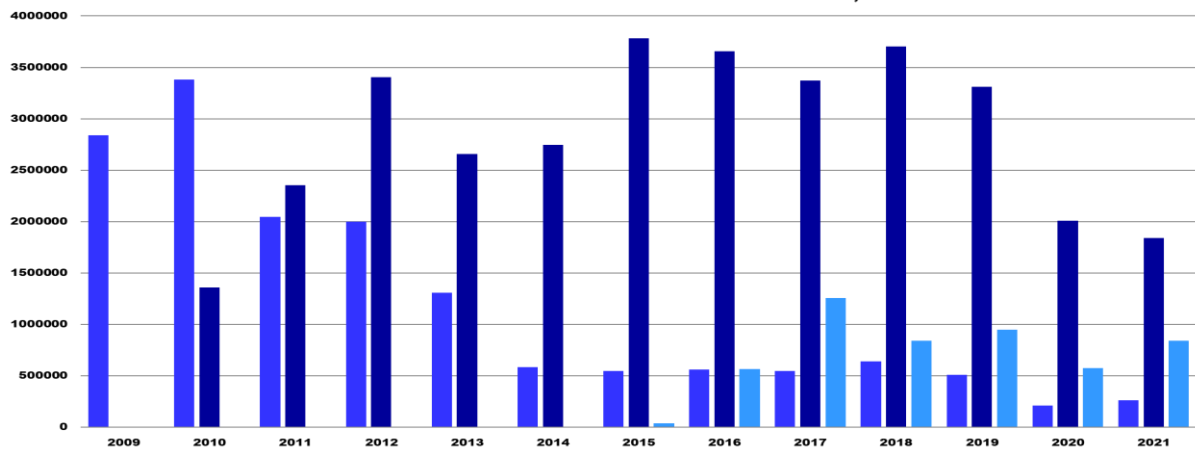
Production area      5000 sqm  
Number of directly productive workers      232  
Number of indirectly productive workers      74

**Processes:**

- Machining - CNC Chiron, Spinner, Mazak, Supfina, Rene Clement, SW, SMOC, Thielenhaus,
- Electrochemical deburring - Sermatec
- Abrasive Deburring - Kennametal
- Phosphating - COMPA SA
- Laser marking - SEF Touraine, ES TECHNOLOGY
- Assembly - CMO, CIMA, SANVER
- Washing - Aquaresse, Curtis, Durr, Ecoclean, Hidroem, Sermatec

<b>Injector type</b>	<b>Processing lines</b>	<b>Assembly cells</b>	<b>No. of injector types</b>
NHB 1.3	1/2	1	11
NHB 1.5 & 1.6	5	3	14
NHB DAF F2P	3	1	10

**VOLUME PRODUCȚIE**



Injector production will continue to be high in the coming years due to SOP in October 2021 new variants for PSA and QMC customers respectively.

**GDI INJECTION PUMP BODY PROCESSING FACTORY 640**

Production area 1651 sqm  
 Number of directly productive workers 24  
 Number of indirectly productive workers 20  
 Processing capabilities 2350 pcs / exchange  
 Customers: VW, PSA, Renault, FCA

The automatic production line served by robots, integrates the following processes:

- Machining - CNC index with 5 shafts and counter-shaft (7 machines for machining op. 10 and op.20)
- Electrochemical deburring - Extrude Hone
- Laser engraving
- Washing - Eco Clean
- COMP A SA automatic control stands

**LATHE PARTS AND AFM FACTORY (Abrasive Deburring)**

	At. 630	At. 320 AFM
❖ Număr muncitori direct productivi (Direct workers)	170	45
❖ Suprafața de producție (Production area)	3216 m <sup>2</sup>	781 m <sup>2</sup>
❖ Suprafețe auxiliare Logistică+Mentenanță (Auxiliary area)	706 + 155 m <sup>2</sup>	
❖ Capacități: (volumes)	buc/zi (parts/day)	tipuri (types)
■ NHB	13.000	10
■ Nozzle GMC	36.000	35
■ Nozzle ZBLN	2400	2
■ Nozzle NNC	8000	5
■ Nozzle (op.25)	15.000	8
■ Nozzle (op.20-30-40)	4.500	5
■ Carcasa magnetica (Magnetic frame)	4400	2
■ NHB MX	3300	6
■ Piston Guide	750	2
■ Spring Chambers	750	4
■ AFM valve	90.000 pe săpt. ( /week)	14
■ AFM Nozzle	7000	4



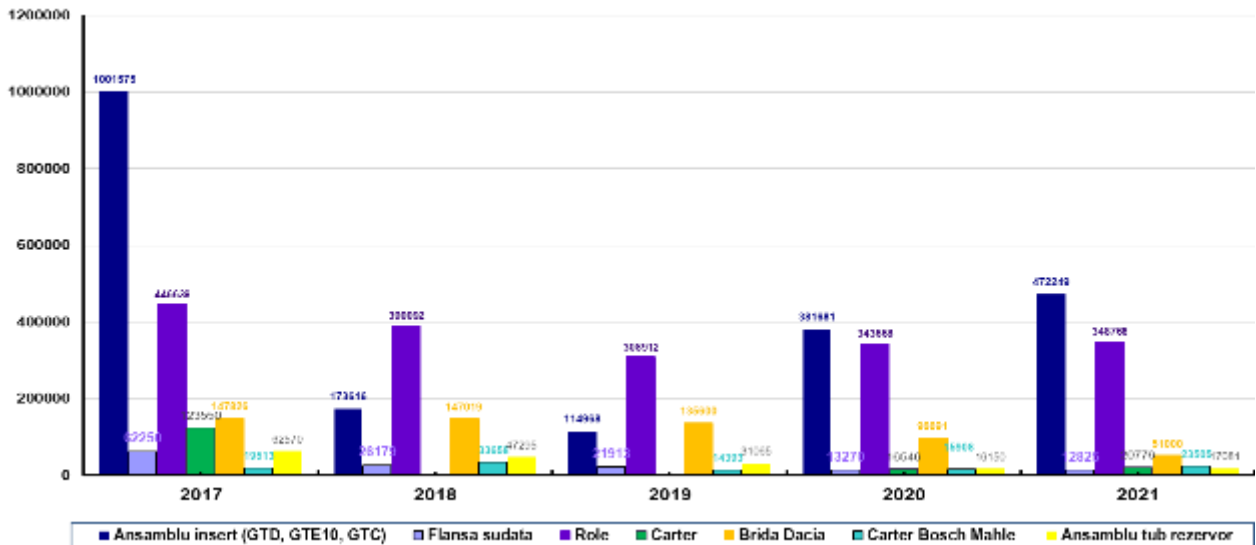
**MANUFACTURING AND ASSEMBLY FACTORY SUBASSEMBLIES AND BLOOD-BLOWING COMPONENTS 750**

Production area 4319 sqm  
 Number of directly productive workers 77  
 Number of indirectly productive workers 33

CAPACITY	pcs / day	types
Cartridge / Nozzle Ring	1800	4
Nozzle Assembly (Cartridge / Insert & Nozzle Assembly)	1400	26
Center Housing Assembly	600	15
Role (Roller)	4500	7
Dacia flange (Output long trans line)	570	1
VCST	2370	2
BALLNUT ZF	420	1

Processes and facilities:

Products	Used	Producer	Putting in function
Assembled flanges Carters Insert assembly	Numerical control machine	Mazak	2019
	Numerically controlled machine (horizontal + vertical)	Spinner Mazak Gildemeister	2014
	Numerical control centers	Spinner Mazak	2003
	Mounting stands (marking; riveting; pressing; welding) Marking - riveting - pressing unit	COMPAs SA COMPAs SA	2003 2018
	Washing machines	Unitech Annemasse	2003
Rolls	Numerically controlled machine	Swing	2004
Dacia bridle	Numerically controlled machine	Spinner Mazak	2015
	Brooch machine	Klink	2015
	Washing machine	Mafac	2015
VCST	Numerically controlled machine	Mazak Mg	2018
BALLNUT	Numerically controlled machine	Mazak	2018 2021



**FACTORY ASSEMBLY SUBASSEMBLY BOXES AND STEERING COLUMNS INCLUDING HEAT TREATMENT (450A AND 450B)**

Production area 2600 sqm + 1700 sqm TT  
 Number of directly productive workers 54  
 Number of indirectly productive workers 18  
 EBOS line capabilities 10683 pcs / day  
 Finishing line capabilities 10350 pcs / day  
 Pinion variants 10  
 ZF axis variant 2  
 Rack Stopper variant 1  
 EBOS equipment

Line	Machinery	Number
D	Disc saw	2
	Milling and centering machine	2
EP	Mazak QTN 200	2
	Braked car	1
	Profiroll	1
AEP	Mazak QTN 200	2
	Rollex	1
	Press machine	1
MF	Imprint stand	1
	Marking machine	1
Welding	Welding stand	1

Line	Machinery	Number
	Washing machine	1
Traub	Traub Lathe	2
XNCe	Mazak QTN 200	3
	Profiroll	1
EPSe	Mazak QTN 200	4
	DMG	2
TD	Gleason Pfauter	2
	Mazak QTN 100	1
	Mazak QTN 200	1
	Deburring CNC	1
E	EMCO	2

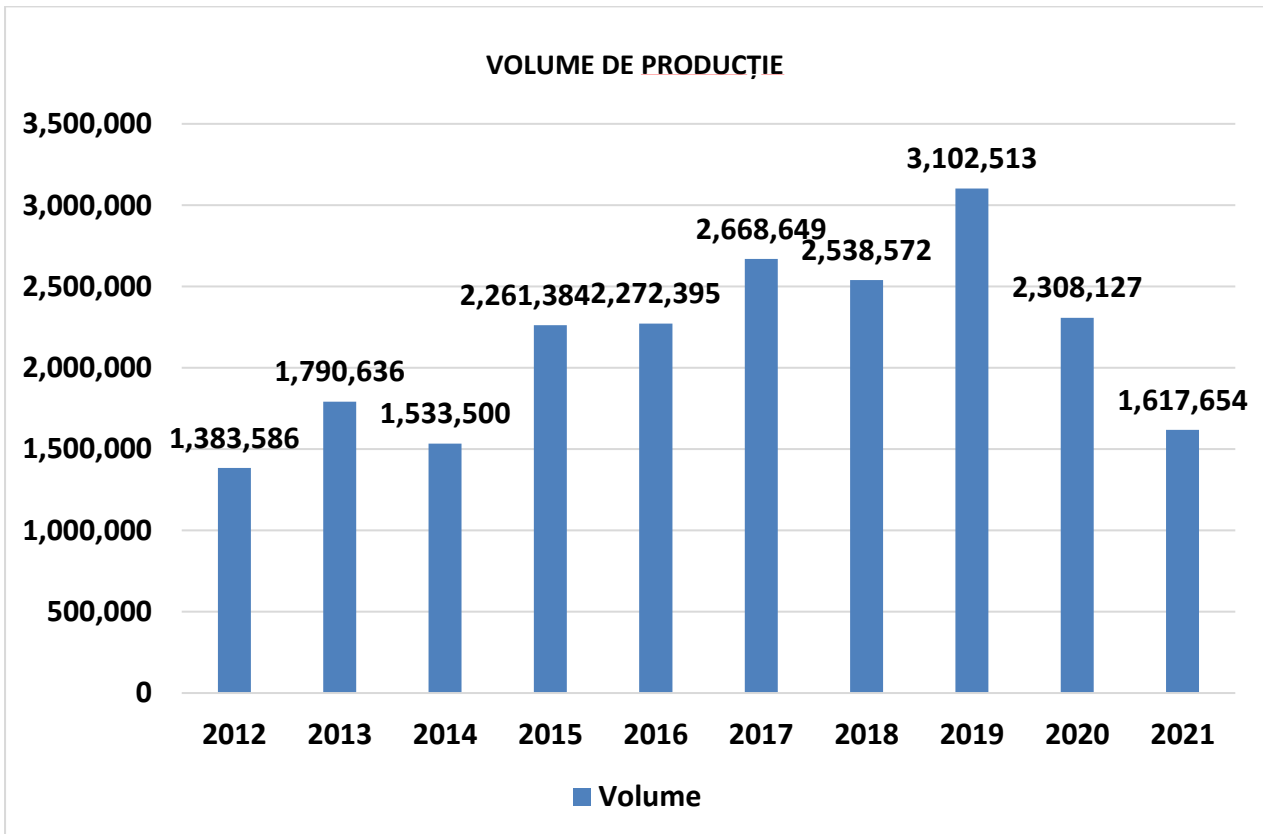




**Finishing machines**

Line	Machinery	Number
XNCf	Galdabini	2
	Tacchella	1
	Studer S22	1
FP	Studer S22	1
	Gleason Pfauter	4
PF	DMG CTV 160	1
PHf	Mazak QTN 100	4
	Studer S22	1
	Gleason Pfauter	1
	Mazak VTC 200	1
	Mazak QTN 250	1

Line	Machinery	Number
Mg	DMG CTV 160	4
packing	Uniflux	3
	Java	2
	UPA	1
	Washing and drying machine	1
	Pin mounting machine	1



The forecast received from the client as well as the new ongoing projects will ensure the alignment of volumes and turnover starting with 2022 at a similar level prior to 2020.



**HT machines**

Cementing furnaces	5	UTTIS
Carbonitriding furnaces	3	UTTIS
Return ovens	4	UTTIS
Vacuum tempering furnace	2	
Induction hardening system	1	INDUCTOHEAT
Hardening installation below 0 degrees	1	

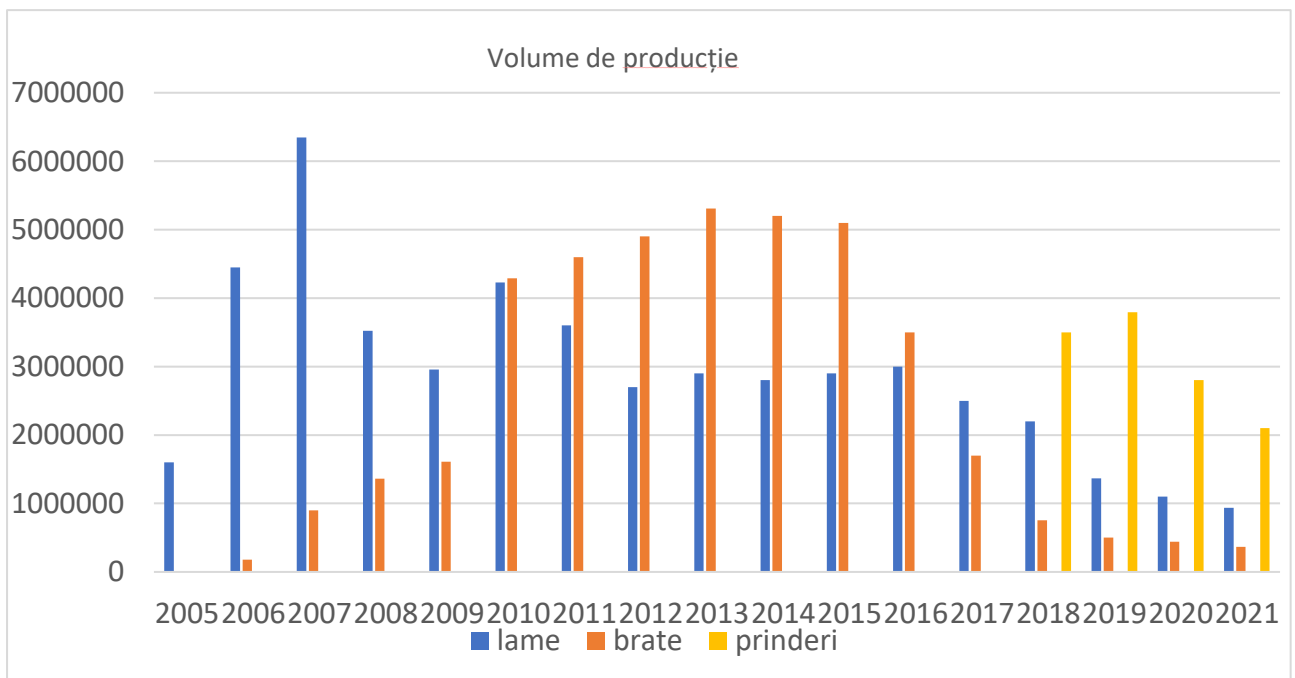
**PROFIT CENTER MANUFACTURING WINDSCREEN WIPER SYSTEMS 460**

Production area 5031 sqm

Number of directly productive workers 95

Number of indirectly productive workers 34

Name of equipment	Buc.	Producer
Wiper blade assembly lines	10	COMPAS SA, others
Wiper arm mounting lines	4	Pekon, others
Preparation for painting (phosphating) + drying installation	1	Eisemann
Automatic cataphoretic painting line	1	Eisenmann
Automatic water-based paint installation	1	Eisenmann, Wagner GmbH
Drying oven	1	Eisenmann





For the future development of this manufacture, a letter of nomination was received from the customer, which will allow the relaunch of the wiper arm manufacture, gradually until reaching a volume of about 4 million pieces annually by 2024.

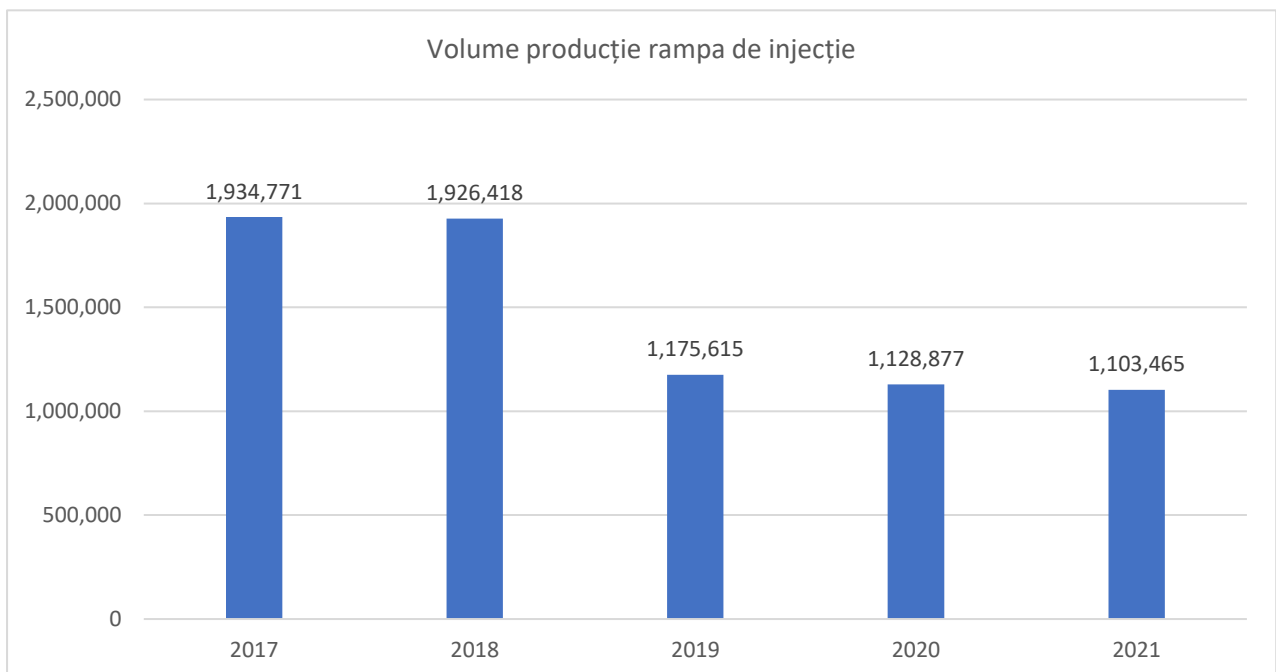
COMPAS SA was also nominated for a new business, namely the manufacture of stamping wiper rods.

The SOP of this new business will take place in 2022. The projected annual volumes are about 6 million pieces.

**770 Injection Molding Workshop (COMMON RAIL MANUFACTURING)**

Production area	2160 sqm
Number of directly productive workers	62
Number of indirectly productive workers	15
Investment in machinery	€ 10 thousand
Processing capabilities variants	5000 pcs / day 24
Customers	FPT, BMW, HMC, Deutz, Iveco, Cummins, Mercedes

Name of equipment	Buc.	Producer
Percussion marking stand	10	COMPAS SA
Chiron DZ18.2 KW Magnum	10	Chiron
Mollart Drillsprint MK4 LD2-750	10	Mollart
Deburring stand	10	COMPAS SA
Washing machine	2	Mafac
Deep hole endoscope inspection posts	3	COMPAS SA





**WORKSHOP MANAGEMENT COMPONENTS CONTROL SYSTEMS COMMERCIAL VEHICLES 650.**

Production area	972 sqm
Number of directly productive workers	21
Number of indirectly productive workers	9
Investment in machinery	€ 4 million
variants	12
Customers	Iveco, Mercedes
An SOP	February 2021
Annual capacities	360,000

TRIAL	MACHINERY	PRODUCER
Turning	I turn 8 shafts and counter-shaft	Index
Marking	DM marking stand	COMPA SA
Running grooves	Profiroll	Profiroll
Electrochemical deburring	ECM	Extrude Hone
Induction hardening		Inductoheat
Rework	Automatic grinding machine	Studer
Micro-crack control and demagnetization		Uniflux
Washing	Dry washer	Ecoclean
Endoscope internal control	Stand control	COMPA SA

**QUALITY - ENVIRONMENT ACTIVITY**



COMP A quality and environmental system consists of policies, procedures, plans, resources, processes, practices, and specification of responsibilities and authority designed to achieve product quality levels, customer satisfaction and company objectives. The Quality and Environmental Department’s goal is to assure the quality and safety of COMP A products.

For several years now, COMP A has been certified according with IATF 16949: 2016 and ISO 9001: 2015 standards, and adapted the quality system to customer requirements, needs and expectations.

COMP A Quality-Environment organization chart is structured as follows:

- Process and Product Quality Department assigned to each workshop, with the following processes:
  - Incoming inspection and management of supplier quality complaints
  - Product/process checking and measurements
  - Carrying out final checks and audits before delivery
  - Production quality and environment non-conformities management
  - Quality customer service
  - Quality planning and process validation
  - Measurement laboratories equipped with state-of-the-art measuring equipment Fig. 1, 2, 3, 4
  - Cost of poor quality and managing the measures to reduce the material waste and additional controls.
- Product and process audit performed according with VDA 6.3 and VDA 6.5 standards
- Cleanliness expert responsible for improving the cleanliness condition and testing according with customer specifications and VDA 19
- Physical-chemical laboratory responsible for analyses and tests according with applicable norms and customer specification
- Heat treatment laboratory responsible for preparing and testing of heat-treated products. In 2021 COMP A invested in new equipment for better process control and to prevent customer complaints. Fig 5, 6, 7, 8



Fig. 1 CMM Zeiss (COMP A has 20 machines available for complex measurements)



Fig 2. Precise and accurate optical machines

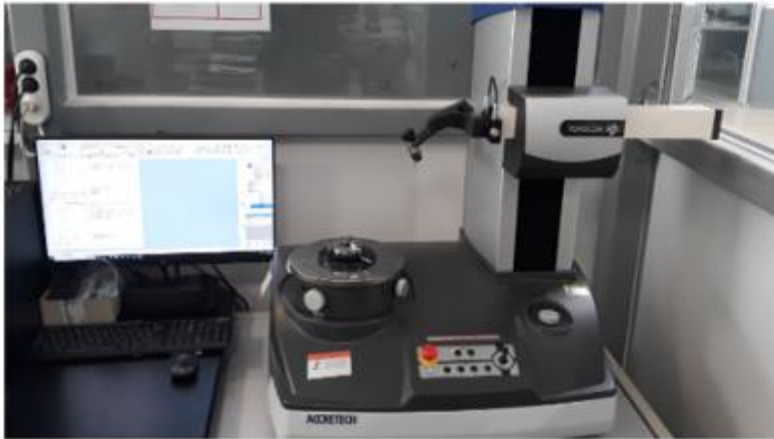


Fig. 3 Accretech form tester (0.5  $\mu\text{m}$  accuracy)

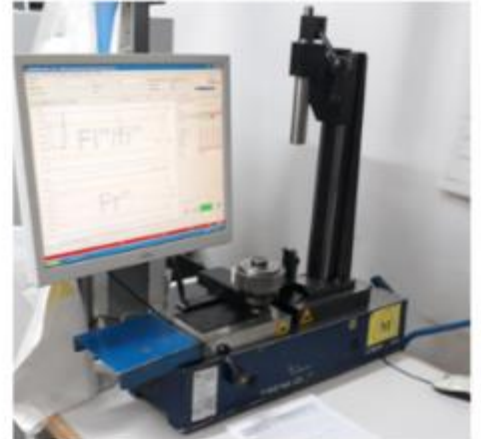


Fig. 4 Gear inspection machine



Fig. 5 MICROSCOP ZEISS AXIOSCOPE 5



Fig. 6 Cito-Press30



Fig. 7 Duramin-40 AC1



Fig. 8 Ammonia gas analyzer





Every year, we review the adequacy and effectiveness of our Management System and adapt it to customer requirements, changed risks, and new legal requirements.

COMP A monitor the processes during the year based on key performance indicators (KPIs) that include safety and quality performance. To figure out these indicators, we check, among other things, whether formal requirements are met, and the content is complete. We use these activities as a basis for defining any required improvement measures, which are implemented by the responsible functions and then checked on a regular basis. The relevant management levels of COMP A continuously receive reports on these monitoring activities.

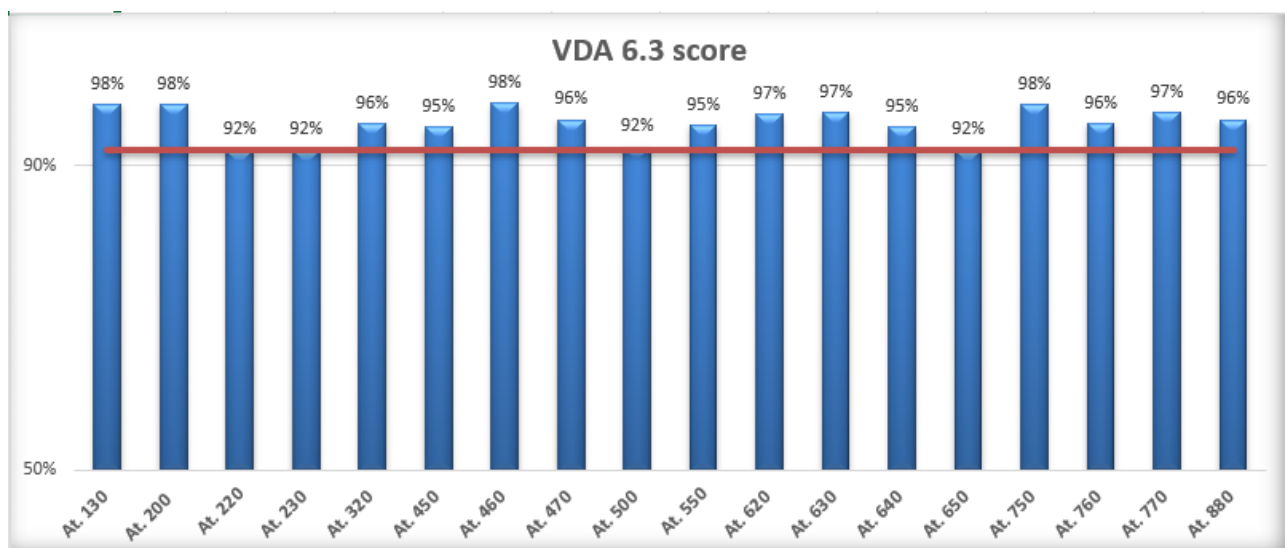
Although 2021 has been a difficult year, with global crisis caused by pandemic, the results in terms of product safety and quality were maintained. In the table below, one of the most important quality indicator PPM (parts claimed per million delivered) shows a steady trend and it can be observed the remarkable result in automotive business where single digit PPM was achieved during the last two years.

	2018	2019	2020	2021
	<b>Customer PPM</b>			
<b>Automotive</b>	8	24	8	9
<b>Non-automotive</b>	296	642	336	420

In terms of customer satisfaction, in accordance with automotive practices, the performance is usually monitored on the customer portal which provides a monthly dashboard with COMP A evaluation. In particular, the scoreboard monitors the performance of several indicators (i.e., quality, procurement, logistics and responsiveness) and additional information about product development and available certifications. These results are then shared internally with the board of directors as part of a monthly quality report.

Any failure to meet the scorecard objectives is the subject of corrective action plans shared with the customer and their long processing times can trigger internal audits focused on specific issues.

Following the internal audit VDA 6.3, the distribution of the score on each workshop is presented below.





In 2021, COMPA revised the system for assessing and monitoring the risks related to product integrity (product safety and conformity). For this purpose, following the nominalization and training of PSO representative, the quality assurance system was updated with a matrix of responsibilities as can be seen in the table below.

#	Roles / Organizational units; R: Responsabil, A: Approvale, S: Support, I: Information							Input data	Action	Release dates	Applicable documents
	Quality - environmental	Technical responsible	Project manager	Quality Manager	Manager Operational	Audit	PSD				
1	I	R	R	I	I	I	I	Legal requirements / standard requirements / customer requirements	Identify and define special product or process characteristics	Identify the characteristics related to IP	Special characteristics treatment according internal documentation
2	S	R	S	I	S	I	I	IP characteristics - product-process	Risk Analysis - DFMEA / FMEA	Actions taken to eliminate or control risks	Special characteristics treatment according internal documentation
3	R	R	S	I	I	I	I	List of special characteristics	Identifying the characteristics in documents: PC, PD, work Instructions etc	Marking and identification of risks in documents	Elaboration procedura of internal documents
4	S	S	S	A	A	R	I	Results of previous audits / documentation / customer satisfaction / IP incident history / risk analysis	Planning and perform the audit	Plan / audit program	Quality system audit and Process product audit according internal procedure
5	S	S	S	S	S	R	I	Audit Questionnaire	Perform audit	Audit results	Quality system audit and Process product audit according internal procedure
6	R	R	S	S	R	S	I	Identifying IP issues found following the audit	Measure Audit Plan	Establishing the actions, deadlines and people responsible for solving identified	Quality system audit and Process product audit according internal procedure
7	S	S	S	S	S	R	I	Re-audit of identified issues / products	Close audit report	Effective actions implemented - Closed action plan	Quality system audit and Process product audit according internal procedure
8	R	R	R	A	R	S	S	IP customer complaints	Treatment of internal or external non-conformities regarding IP following informations or customers complaints received	Closed action plan / 8D analysis with corrective actions implemented	Analysis and treatment of customer complaints internal instruction
9	R	I	I	I	I	I	S	Data from specialized portals (NHTSA / KBA / DVSA /	Monitoring specialized portals + customer satisfaction	Identify possible IP issues for similar	Product Integrity and Safety Procedure
10	R	I	I	I	I	I	I	Data from specialized portals (NHTSA / KBA / DVSA / RAPEX )	Reporting IP issues that may affect COMPA products and convening the analysis team to prepare the analysis and	Identifying possible IP problems with similar products and treating them	Product Integrity and Safety Procedure
11	R	I	I	A	I	I	I	Data from specialized portals (NHTSA / KBA / DVSA /	Monitoring indicators	Achieving an indicator in the imposed targets	Product Integrity and Safety Procedure
12	I	I	I	R	I	I	I	Legal requirements / standard requirements / customer requirements	Nomination of PSO responsible and responsibilities definition	responsibilities defined in the internal procedures and job description	Product Integrity and Safety Procedure
13	S	S	S	I	S	S	R	Duties and responsibilities defined in the internal procedures and job description	Training personal involved in IP issue (multifunctional teams)	Training report	Product Integrity and Safety Procedure
14	R	I	I	I	I	I	S	Duties and responsibilities defined in the internal procedures and job description with reference to IP	Training personal involved in IP issue (multifunctional teams)	Training report	Product Integrity and Safety Procedure
15	R	I	I	I	I	I	S	Analysis of previous problems and actions taken	Applying the Lesson Learned	Prevent IP problems	Lesson Learned Procedure

The recalls reported on the RAPEX (Rapid Exchange Information System) portal are checked and similar risks are assessed. If potential problems are identified, an internal analysis is performed and the client's opinion is requested.

**RISKS AND OPPORTUNITIES**



**RISKS:**

Increase of customer complaints and internal scraps for the new projects developed in 2021 (intermediate shaft and NHB PSA) due to failure modes not identified during PFMEA analyse.

Repetitive complaints received from final customers caused by unappropriated root cause analyse.

Customer complaints received for new projects with a high degree of complexity due to improper deployment of customer requirements.

Degradation of serial production not identified with statistical controls

Delayed responses to customer complaints and requirements due to insufficient resources and qualifications

Safety issues, caused by products not complying with customer and legal requirements

Inadequate training and integration of new operators

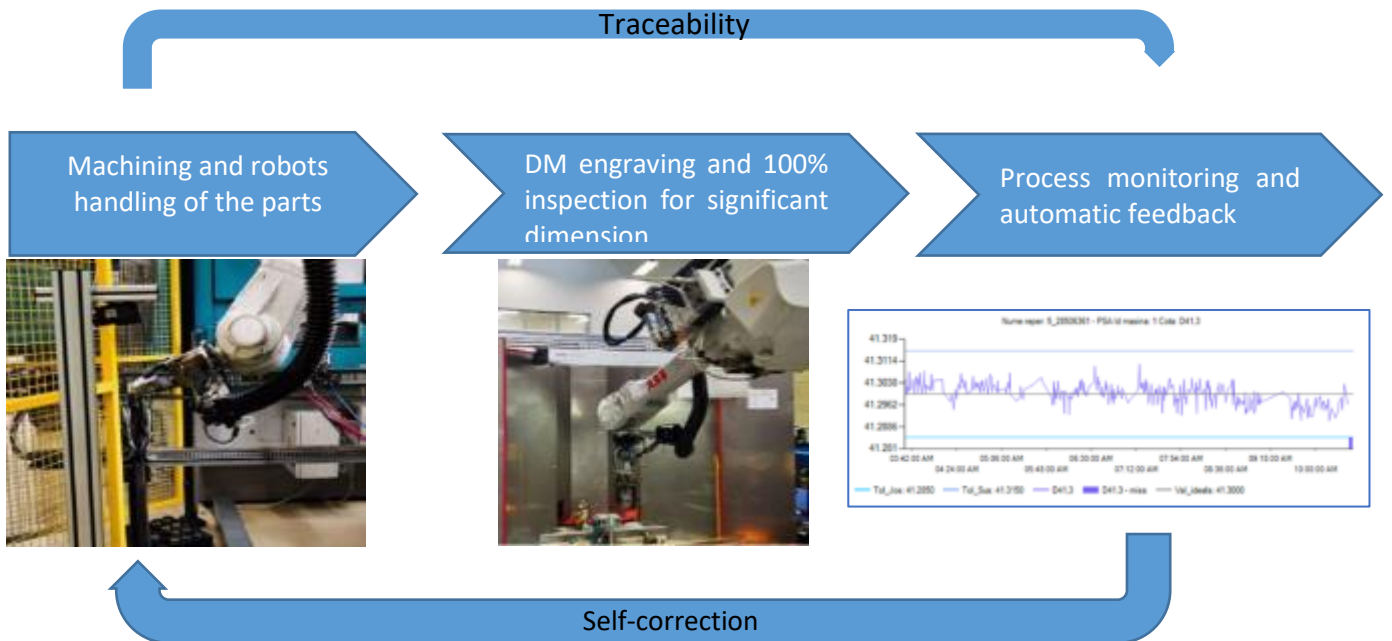
Quality complains not closed in time due to complexity of the issue.

All management levels evaluate the risks on a yearly basis to keep them under control. Based on risk evaluation, action plans are established in order to prevent and mitigate the impact.

**OPPORTUNITIES:**

COMP A continued to identify efficient and smart solutions applied in production and to take the opportunity to implement them in similar processes.

- New projects are designed with automatic controls located in between process operations, to minimize the time for reaction in case of non-conformity or process degradation.
- The next step was to create the algorithm used for self-correction of the machine if process degradation is detected on the control station. Automated systems have been developed that consist of devices (usually programmable logic controllers (PLCs) or other commercial hardware modules) that can acquire and transmit data and are integrated with an automated interface that provides centralized monitoring and control for many inputs and outputs of the process.





Other opportunities:

Continuous development of detection and prevention systems with the help of the design / automation team (aspect noticed by many customers)

Improving the statistical monitoring software of the processes.

Opportunities to change production processes that can eliminate the risk of certain quality complaints.

Digitization of quality management data (Pareto diagrams, process performance, capabilities, etc.)

Introduction of the Process Flow Control system for product engraved with Data Matrix. Under this system, if a non-compliant product is accidentally promoted, the next operation step will automatically isolate that product.

Lesson learned implementation.

Product quality and safety assurance is essential for Quality - Environment department activity and the goal are to obtain a high level of customer's satisfaction that can determine their loyalty.



**LOGISTICS ACTIVITY**

The activity of the Logistics Department within COMPA SA is subject to clear rules, in order to contribute to the achievement of the general objectives of the company and at the same time responding to the specifications requested by the customer.

The Logistics function currently integrates the activities on the logistics flow: Supply, Production Logistics, Warehousing / internal flow, Sales.

Among the most important activities within the departments of the Logistics Department we can list:

**Supply**

- Orders of raw materials, materials, semi-finished products to COMPA accredited suppliers;
- Reducing stocks of raw materials and materials by optimizing orders to suppliers.
- Organizing the timely and safe transport of raw materials.
- Customs Service.

**Production Logistics**

- Production planning according to orders received from customers.
- Launch of products in manufacturing.
- Elaboration of the necessary materials for the realization of the manufacturing program.
- Production Tracking.
- Inclusion in the production costs of raw materials and materials.

**Storage. Internal flow**

- Preparation of entry documents for raw materials and supplied materials
- Storage / storage of products according to well-established rules, depending on their nature in specially designed spaces and using appropriate means of handling in order to preserve their integrity.
- Release of raw materials and materials to production departments
- Internal transport of raw materials and materials to production
- Disposal of waste from production sections to the landfill service and the RVMR service

**Sale**

- Launching orders received from customers in the SAP computer system.
- Delivery of products according to delivery terms agreed with customers.
- Organizing the timely and safe transport of finished products.
- Ensuring the timely collection of receivables.

**Description of potential risks associated with these activities**

The results and activity of the Company may be influenced by specific operational risks, including within the Logistics Department the following risks:

**Risks with major impact**

- Degradation of materials during transport
- Delay in production due to lack of raw materials, materials.
- Risk of accidental spillage of liquid hazardous substances / waste into the sewer system due to improper handling or uncontrolled storage

**Risks with medium impact**

- Supply of non-compliant material
- Incorrect stocks in the integrated inventory system.
- Failure to achieve the scheduled quantities on the manufacturing flow
- Risk of waste generation of hazardous substances and mixtures if the expiry date expires.
- Risk of accidental spillage due to improper handling or uncontrolled storage of hazardous waste

Efficient risk control has materialized through:

- measures to implement and comply with the documented procedures of the integrated system
- staff training,

- internal audits and controls of the integrated management system with verification of compliance with documented procedures;
- providing with human resources skills necessary to carry out the activities and processes within the COMP A SA.

Low impact risks

Degradation of materials / goods as a result of inadequate storage spaces

Stealing some materials / valuables

These risks have been minimized by measures to rehabilitate storage spaces as well as discouraging the criminal phenomenon through video monitoring and security.

**Description of the objectives, targets and responsibilities established for the performance in conditions of performance of the activity of the Logistics Department**

The objectives and targets of the logistics activity are mainly derived from the company's objectives and refer to:

- realization of the programmed BF (business figure) .
- achieving the turnover rate of trade receivables
- reduction of stocks of raw materials, tools and finished products
- delivery performance

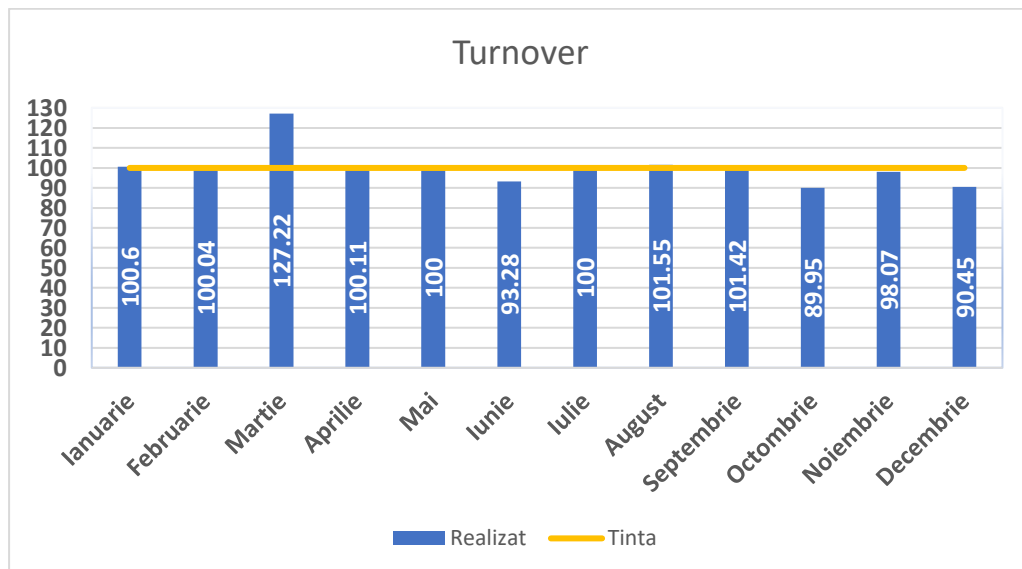
The targets for the objectives of the Logistics Department were set following the decisions of the managerial analysis performed at the beginning of the year.

For 2020, the challenges of targeting were higher, due to the health-economic situation we faced, mainly in the second quarter, but as can be seen in the evolution of the indicators presented in the graphs below, the trend of was increasing in the third and fourth quarters, in December we even reached 50% of the indicators.

All objectives, related indicators and their target performances were analyzed during the monthly analysis sessions and monitored according to the graphs.

For the indicators that did not have acceptable performances, analysis reports, action plans and changes in the system were established so that their result is a positive one that tends to fit into the proposed target.

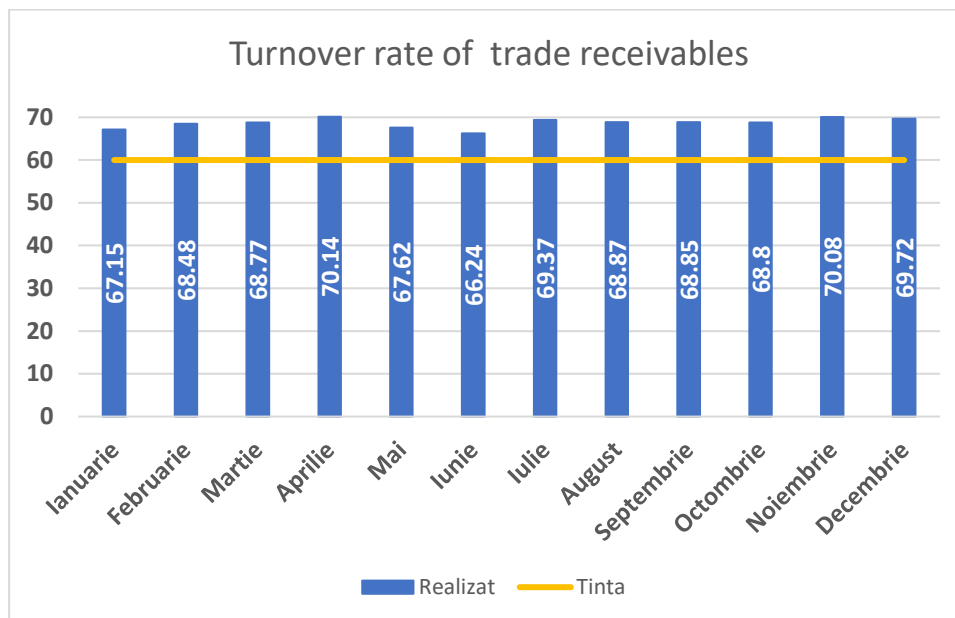
D1.1 Turnover





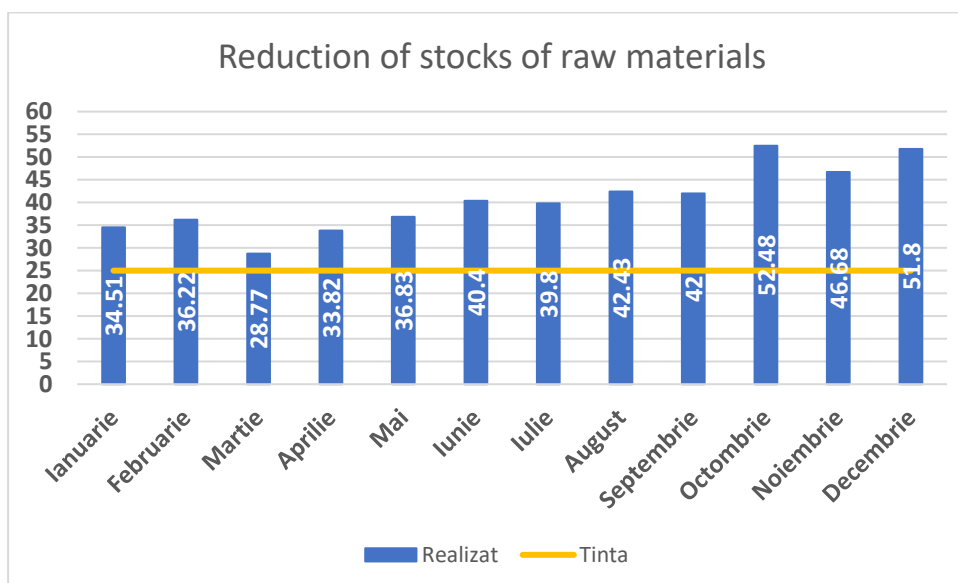
The realization of the turnover had a negative impact in the targeting period during October – December 2021 due to the health-economic situation.

D1.4 Turnover rate of trade receivables

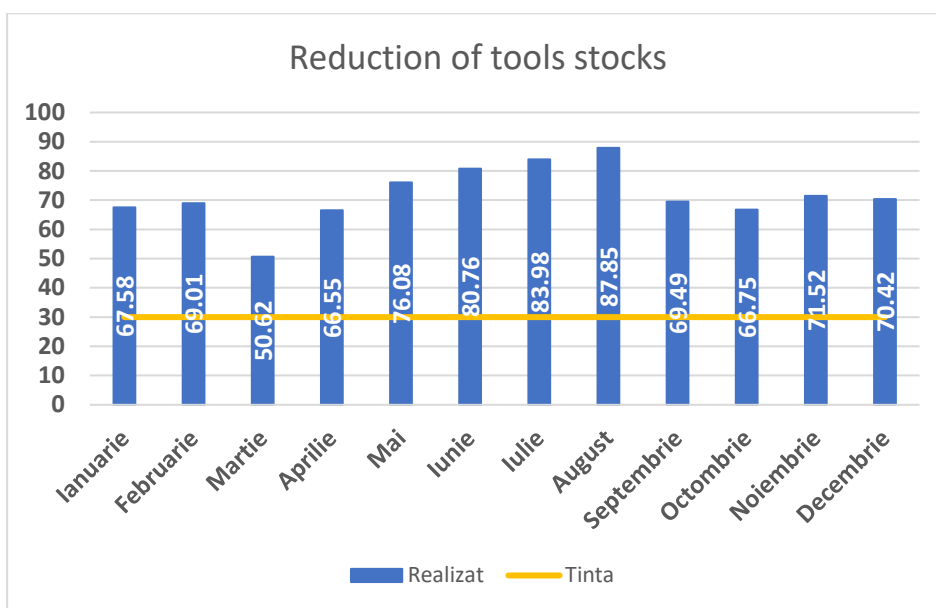


The turnover rate of trade receivables remained close to the target set throughout 2021, which means that the current working model for maintaining it in the target is a good one but will need to be improved in 2022 to not exceed the values established.

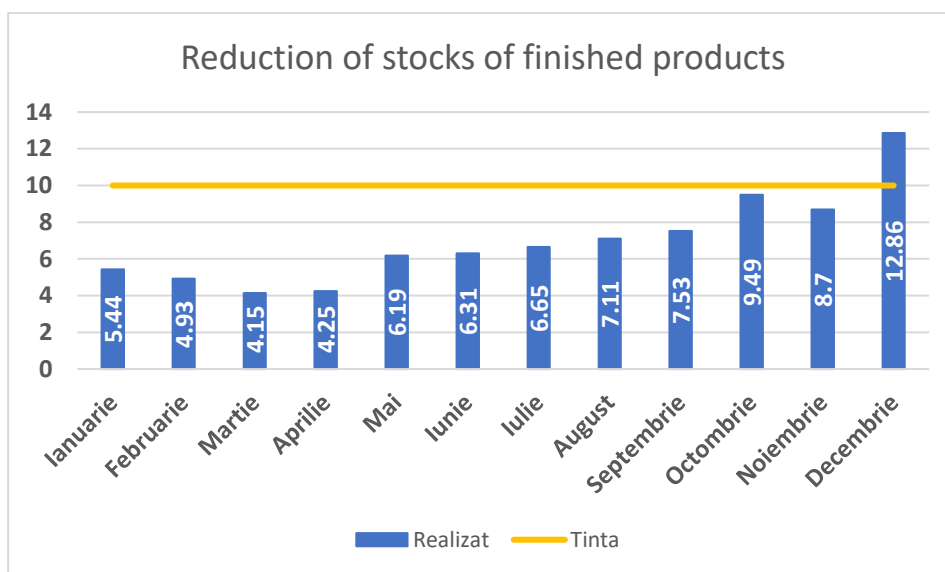
D3.9.1 Reduction of stocks of raw materials, materials



D3.9.2 Reduction of tool stocks



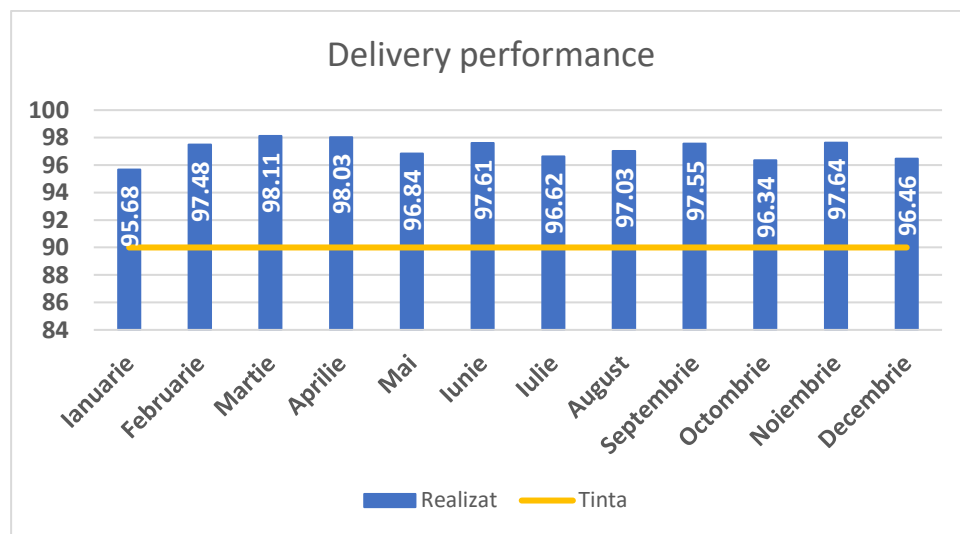
D10.1 Reduction of stocks of finished products



The level of stocks at the level of COMP A in 2021 is still quite high given the high growth recorded in 2020. This level remains high throughout 2021 and due to the lack of raw materials on the market being somewhat forced by its circumstances. we issue large orders to suppliers in the first months of the year.

Through monthly analyzes, adjusting orders to suppliers, optimizing the flow of materials at the level of workshops, it is desired to reach a level close to the target in 2022

D10.3 Delivery performance



Delivery performance been targeted throughout 2021, which indicates an intense concern of all those involved in customer satisfaction.

**Means and methods used by the Logistics Department**

In 2014, COMP A implemented the Applications and Products System (SAP), a high-performance management system, more reliable and more capacitive than the previous IT system. The SAP applications related to the Logistics Department aim at a better control of the logistics processes, as follows:

Materials management:

Elaboration of reports of necessity for auxiliary materials

Correct estimation of the need for raw materials, materials, which must be ordered from the supplier taking into account several variables, such as: stock, technological consumption, customer orders or supply period.

Accurate management and monitoring in real time, on all stocks of raw materials, materials.

Performing fast entries, exits and transfers of goods.

Warehouse management:

Defining and organizing complex storage structures with locations.

Optimizing the flow of goods by entering raw materials, materials in stock and collecting them from stock.

Production planning:

Production planning and necessary materials in the long, medium and short term. This is where both supply and production proposals are created, as well as their planning over time.

Operational production scheduling by allocating production orders to production lines and leveling production capacities.

Monitoring the execution of production orders, confirmation of activities performed and material consumption and their closing and settlement functions.

Cost control on each production order.

Sales and distribution:

Development and maintenance of nomenclatures: customers, contacts, products, services, etc

Creating sales orders for products or services based on orders received from customers

Creation and maintenance of delivery agreements for finished products.

Delivery of products with the following secondary activities:

- creating the delivery
- product packaging (if applicable)
- highlighting the removal of materials from stock
- issuing specific documents (packing list, shipping notice, etc.)

Preparation of the shipping notice and the tax invoice.

The creation and maintenance of delivery agreements is done automatically through EDI at the moment only for the Bosch customer, but its extension is intended for other customers as well.

For customers where there is no automatic interface, a specific interface will be used. Delivery requests will be downloaded from the customer's portal (Supply ON, Covisint, Garrett) and will be centralized by COMPA in a file that will be uploaded to the system through a transaction developed for this purpose.

**Objectives 2022**

Proposing and implementing plans to improve the results of the Logistics Department's activity is an ongoing process that is reviewed annually, thus setting new objectives and targets.

For 2022, the targets for the strategic objectives have been set according to the scoreboard:

No. crt.	The trial	The objective	indicator	UM / Target	Collection source	Measurement level	Measurement frequency
1.	Production logistics	Achieving 100% turnover.	D1.1 Fiscal value	% / 100%	realized value / programmed value x 100	direction	monthly
2.	Production logistics, purchasing logs and warehouses internal flow-sales	Reducing the turnover rate of trade receivables	D1.4 Turnover rate of trade receivables	Days / 65 days	Economic Director	section	monthly
3.		Reduction of stocks of raw materials, materials and components	D3.9.1 Raw material stocks	Stock days / 25 days	final material stock value / output value x 30 days	section	monthly
4.		Reduction of tool stocks	D3.9.2 Tool stocks	Stock days / 30 days	final stock value of tools / value of outputs x 30 days	section	monthly
5.		Reduction of stocks of finished products	D3.10 Stocks of finished products	Stock days / 10 days	final stock value management / turnover value x 30 days	section	monthly
11.		Supply Logistics And Sales Logistics	Reducing the cost of additional transport	D10.1 Additional transport	% / 0.1% of turnover	Achieved value / target value x 100	direction
12.	Sales Logistics	Compliance with delivery quantities agreed with customers	D10.3 On-time deliveries	% / 90%	Total pieces delivered / Total pieces ordered x 100	section	monthly



**Health, safety and environmental aspects.**

Underlying the occupational health and safety and environment policy is the identification and control of environmental issues and risks associated with all activities carried out within the Logistics Department, to ensure compliance with legal and other applicable requirements, pollution and accident prevention, occupational diseases, but also respect for the right of stakeholders to live in an unpolluted environment.

According to the laws, government decisions as well as the orders in force regarding health and safety at work, the list of legal requirements for SSO has been drawn up, from which we extract some of the most important obligations of the Logistics Department:

- measures for the operation of protection systems and devices, ventilation systems and other installations for the control of noxious substances in the work environment, as well as alarm, warning, emergency signaling and safety systems, if applicable
- first aid measures by designating workers applying first aid measures
- measures to maintain the technical condition of Logistics areas and premises, work equipment and related devices
- achieving a level of hygiene corresponding to the logistics areas and premises
- equipping the Logistics areas with medical kits for first aid
- signaling of emergency routes and exits, fire extinguishers, first aid kits related to Logistics areas
- making available to workers only work equipment appropriate to the work performed, which can be used by workers without endangering their safety
- training of workers in occupational safety and / or health in accordance with their own OSH instructions and the OSH training program
- maintenance and use, for the purpose for which they were made, the fire protection equipment provided
- compliance with fire protection rules, specific to the activities they organize or carry out
- ensuring the existence at each workplace of specific technical instructions for the normal use of the installation / equipment

The Logistics Department is committed to supporting actions aimed at limiting environmental risks by complying with applicable legislation, compliance with instructions and procedures, as well as training staff to know and learn their responsibilities regarding environmental issues and legal requirements.

Thus, the Logistics Department contributes to the positive change by supporting the staff to permanently improve their environmental practices.

The use of hazardous chemicals or biocides, the handling and storage of hazardous substances shall also be carried out in accordance with the safety data sheets submitted by suppliers and in compliance with the mandatory measures governing the purchase, transport, handling, storage, use and management of hazardous mixtures in COMPA, in order to ensure the protection of the environment, the safety of employees and to control and minimize the risk of accidents involving hazardous substances and mixtures.

The storage of various dangerous chemical substances and preparations is done taking into account the compatibility between the substances.

The record of hazardous substances and mixtures used is kept in the SAP (System of Applications and Products) program.

Persons handling, using, storing and transporting dangerous substances / mixtures are trained quarterly and know the measures to be taken in case of emergencies.

The Logistics Department carries out its activities in accordance with the environmental legislation, reflected in the company's environmental policy.

## TECHNICAL ACTIVITY

### Description of the activities realized by the Technical Direction

The technical and development activities carried out by the COMPA play an important role in the company's engagement for the development of the new processes and products according to the demand of the market and also the improvement of the processes existing in mass production.

In 2021 (new products; prototypes and homologation)

Percentage of new products in the last two years:

2020 semester I = 0,86%

2020 semester II = 1,07%

2021 semester I = 1,18%

2021 semester II = 1,56%

During 2021, new products was assimilated into manufacturing for which the necessary production capacities were ensured, with an impact on production in the following years. Despite the restriction due to Covid-19 we managed to approve new products presented in the list below:

- Injector body for commercial vehicles Dong Feng, customer Borg Warner;
- Pump body for gasoline injection (GDI) Renault, customer Borg Warner;
- Injector body PSA, customer Borg Warner;
- Lathe bodywork CLX 450, customer DMG MORI;
- Steering gear pinion CMP, customer JTEKT;
- Windscreen wiper lever, customer BOS;
- Components for machines designed to work at height, customer Haulotte;
- Two types, components in body pumps, customer WILLO;
- Intermediate shafts for electric vehicles, customer ZF;
- Output shafts for the steering system, customer ZF.

### The main activities of Technical Direction go in the following directions:

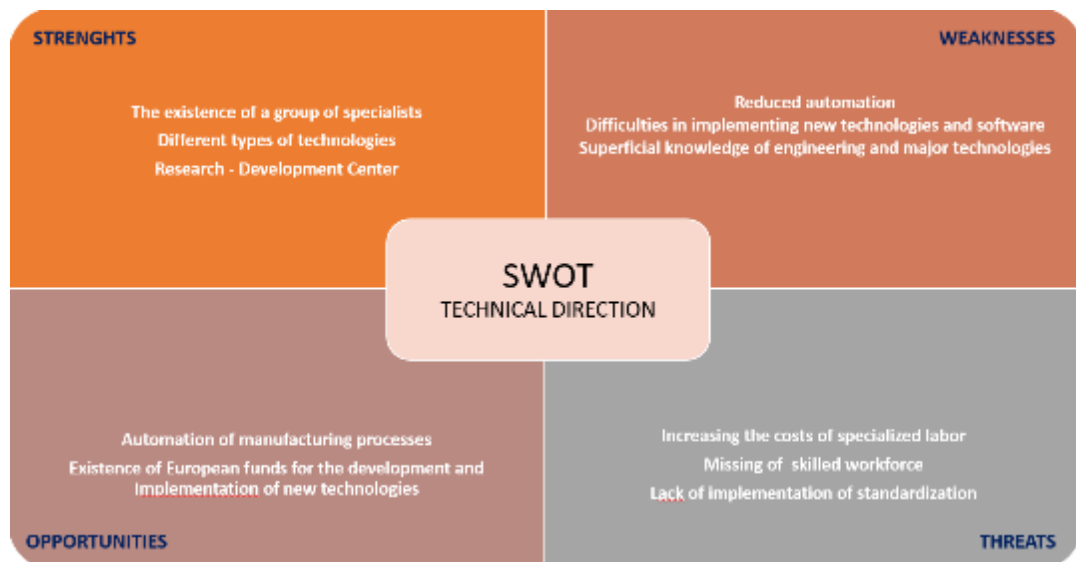
1. Process development of:
  - 1.1. Cold forming: successive stamping and transfer stamping;
  - 1.2. Hot forming: warm forging at average temperatures up to 900°C and high temperatures between 950°C and 1300°C, vertical and horizontal;
  - 1.3. Cold coiled springs;
  - 1.4. Welded mechanical components;
  - 1.5. Machining processes – the largest volume of processes;
  - 1.6. Special technologies: Heat Treatments, Painting, Electro-Chemical Coatings, Welding;
2. Development and design of special devices and other non-standard components required in COMPA processes;
3. Development and design of industrial automation and robotics carried out by COMPA;
4. Applied and experimental development research for COMPA manufacturing;
5. Continuous improvement of existing processes in COMPA;
6. Digitalization of production;
7. Creation and implementation of the industry 4.0 standard.



**The most important projects carried out during 2021, targeted:**

- A. Pump Body Manufacturing Process, RENAULT reference: process based on multi-spindle lathes, interoperable transfer with automated machines, checking characteristics during the process and an extension to the existing manufacturing line, composed by five-axis machining.
- B. Implementation of Additive Manufacturing, Ultrasonic technologies for prototyping and study of the optimization to the different phases of realization of machining technology, tools and active parts.
- C. Optimization of horizontal forging processes with large volumes of parts.
- D. Manufacturing cabin process with sheet metal cutting and bending operations, welding, sandblasting, phospho-degreasing, electrostatic painting, polymerization and assembly.

**The potential risks of these activities**



**Objectives, targets, responsibilities**

One of the major objectives is to diversify the type of products made by targeting non-diesel products for the automotive industry and targeting other non-automotive industries.

Medium- and long-term strategy:

- Implementation of the Industry 4.0.
- Robotization of cells and production lines, both for handling parts in machining, also for welding, assembly etc.
- Implementation of technologies with the lowest possible CO<sub>2</sub> footprint. The CO<sub>2</sub> footprint will need to be calculated for each process, new or old. It becomes an important point in the nomination of a project.
- Increasing the precision of processing and the accuracy of the products.
- Digitalization of manufacturing processes.
- Increasing the skills of process engineers and design engineers.



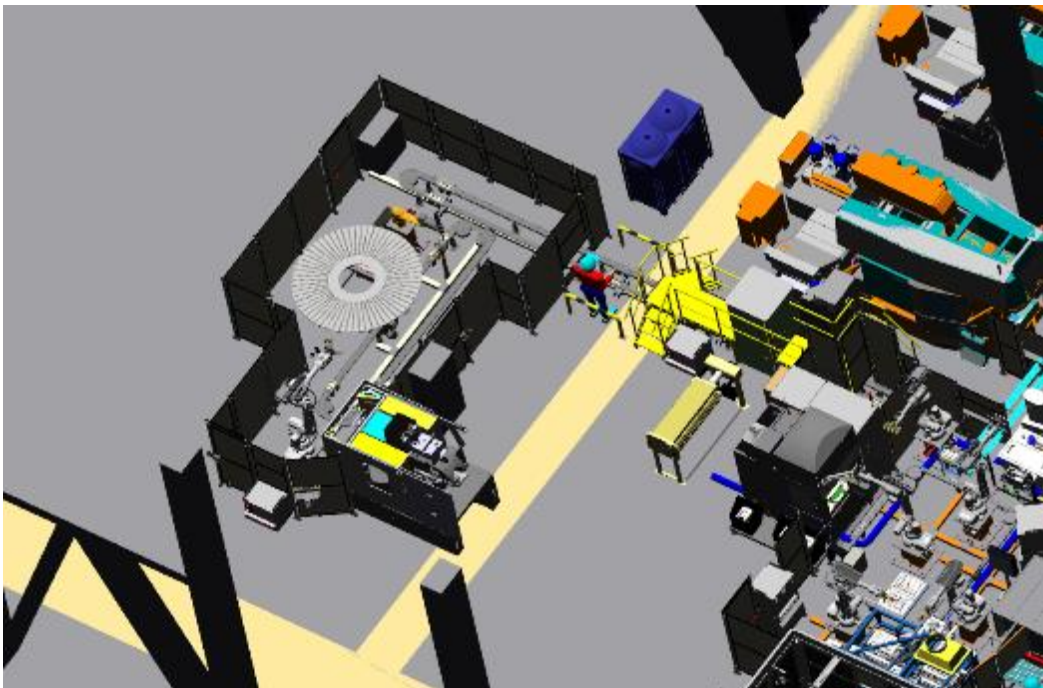
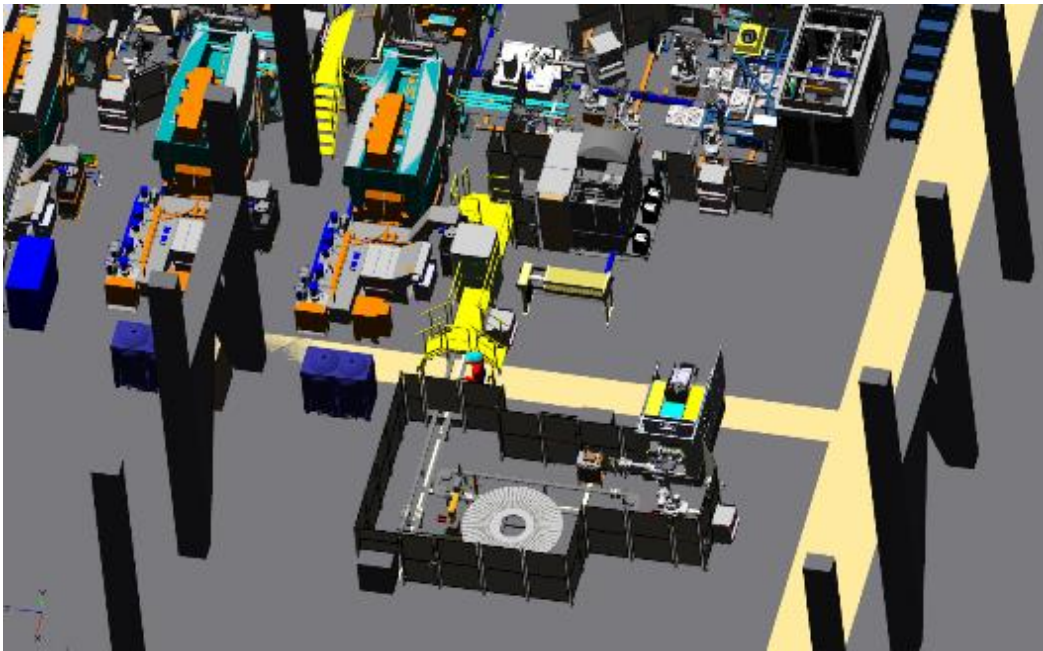
The Research and Development activity is a component of the medium and long term COMPA. It has received significant resources in recent years, becoming the COMPA Development Research Center, designed to test, validate, optimize and validate new technologies and improve existing technologies.

Objectives:

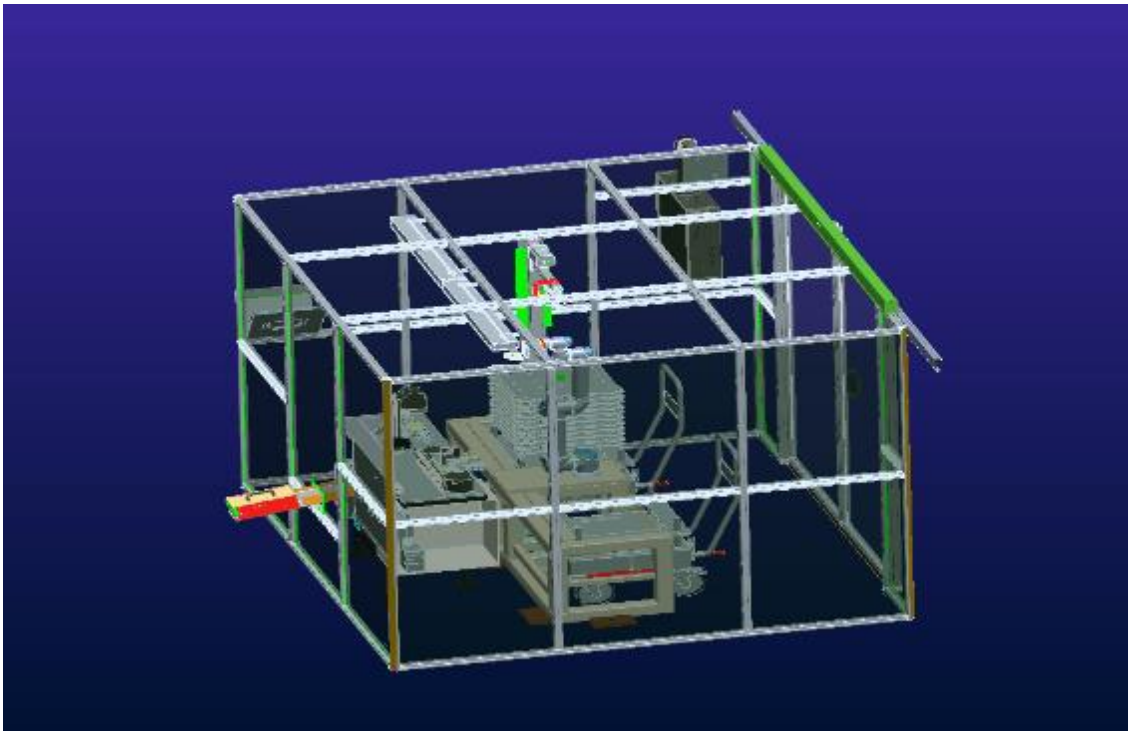
1. Machining:
  1. Achieving negotiated process variables (cycle time, cutting tools, productivity, workers use, etc.) annually for the first 5 processes in which they are not fulfilled.
  2. Annual improvement of PRODUCTIVITY, with at least 3% for the main (5) processes, relative to the turnover.
2. Forging:
  1. New and Reprofiled active parts execution technology:
    1. Increasing the number of possible profiles;
    2. Manufacturing technology as simple as possible;
  2. Optimization of forging tool design:
    1. Finite element analysis, using Forge software and using its facilities: semi-finished product optimization, „Die Analysis”, „Mastering the software” etc.);
    2. Geometric optimization of the active parts;
  3. Optimizing the execution of forging tools. Defining concepts to minimize the number of operations and execution time;
  4. Decreasing material consummation (semi-finished product optimization);
  5. Optimization of manufacturing change (of the reference):
    1. Change of active parts;
    2. Change of reference;
  6. Use of oil-based emulsion in horizontal forging;
  7. Study of forging texture.
3. Pressing:
  1. Use of specific carbons and surface coatings in making active parts;
  2. The study of the increase of the cadence of the pressing:
    1. Optimization of manufacturing change (of the reference);
    2. Change of active parts;
    3. Change of reference;
  3. Determination of the algorithm for calculating the durability of the active parts.
4. Automation and Robotics:
  1. Study of the implementation of robots in the operation and control of machine tools.

In 2021, several projects were carried out, which we present below:

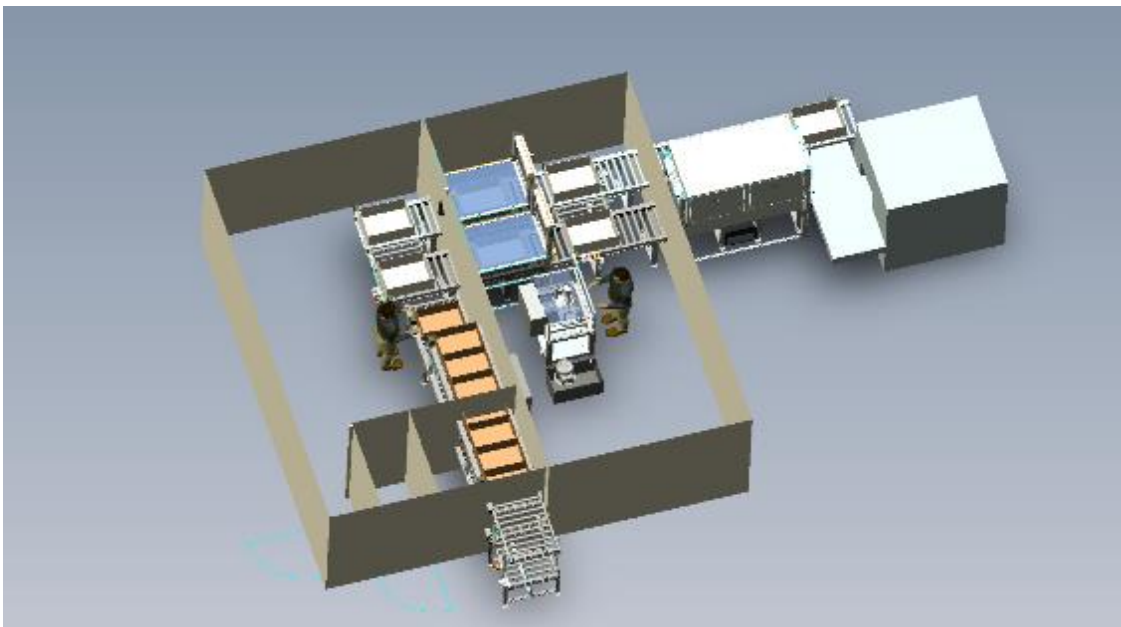
- In workshop 640 –GDI Pump Body, was performed the „Renault Extension” of the additional operation for the new Renault Pump Body reference. The extension is an automated appendix added to the Pump Body manufacturing cell:



- In the 630 workshops, the dimensional control stand of semi-finished product for shafts was implemented:

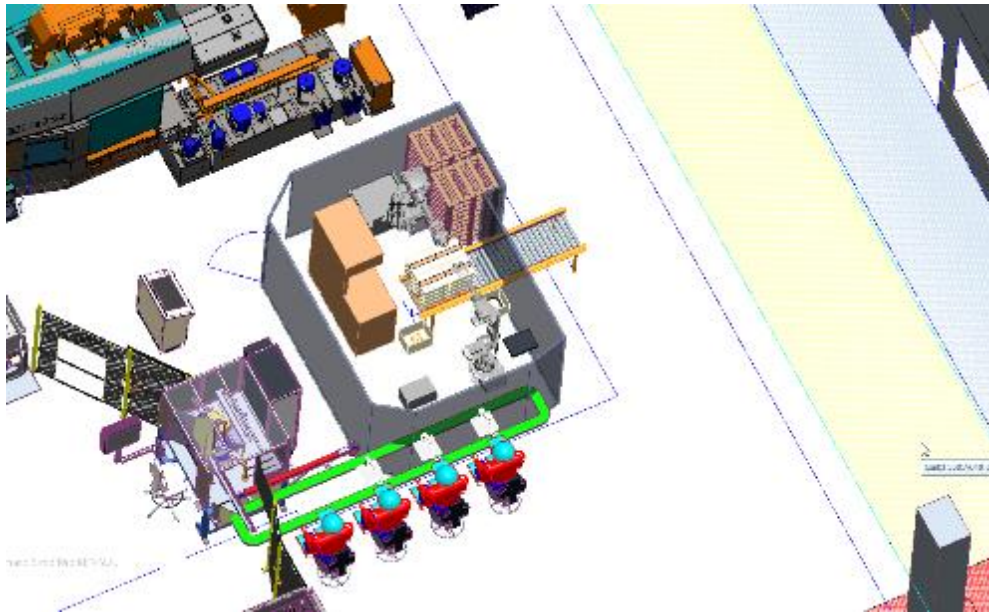


- The new accuracy requirements imposed by current manufacturing technologies have led to the creation of a Protected Chamber for the final washing and packaging of ZF customer products:

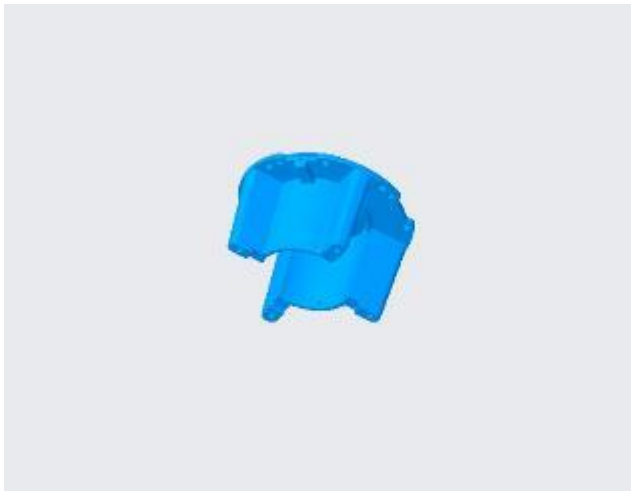


- The need for automation and robotization of manufacturing flows requires the realization of projects for automatic packaging of parts:





- In the WILLO workshop have been developed two types of housing which are components of a pump assembly:



**MAINTENANCE ACTIVITY**

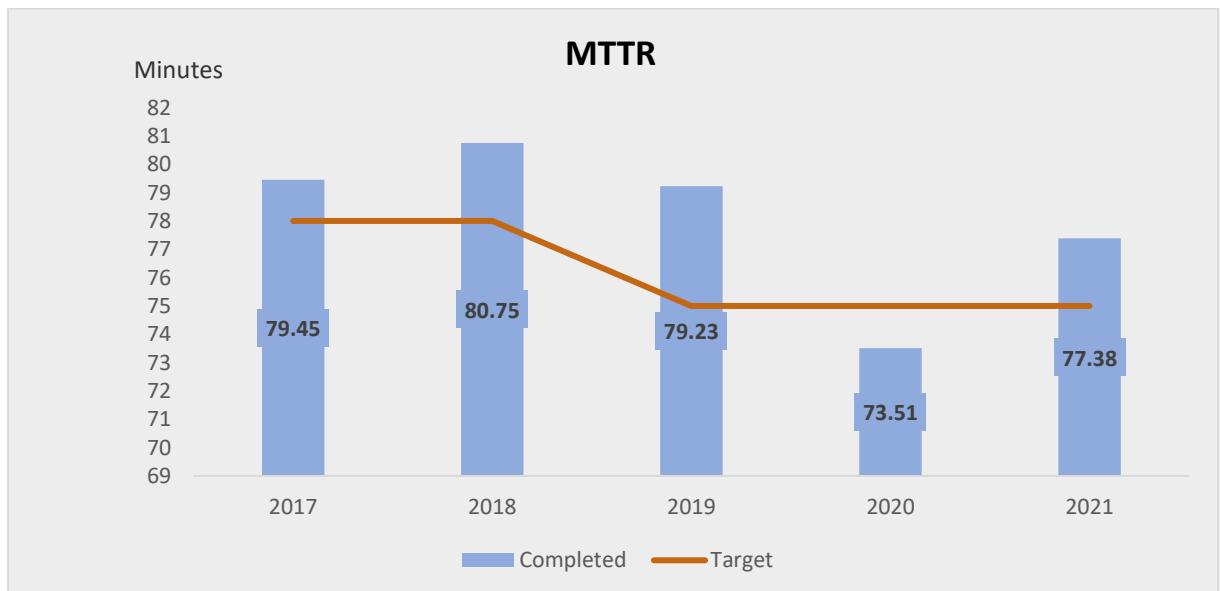
***Description of the activities of the Maintenance department***

The main objective of the Maintenance Department is to keep in good working order the technological machinery and equipment from COMPA. The maintenance activity is ensured for a number of approximately 1600 means of production, with a very wide variety, given by the different production processes existing in COMPA. Among the types of equipment that we find in COMPA are:

- Machining centers with numerical control Mazak, Spinner, DMG, Okuma, Chiron, Traub, Index;
- Vertical drills with numerical control Rene Clement and Mollart
- Numerically controlled grinding machines Studer, Thielenhauss
- Gleason Pfauter numerically controlled gear milling machines
- Profiroll groove rolling machines
- Laser cutting machines
- Automatic presses
- Welding robots
- KTL electrostatic painting installations
- Heat treatment lines
- Galvanizing and phosphating lines, etc.

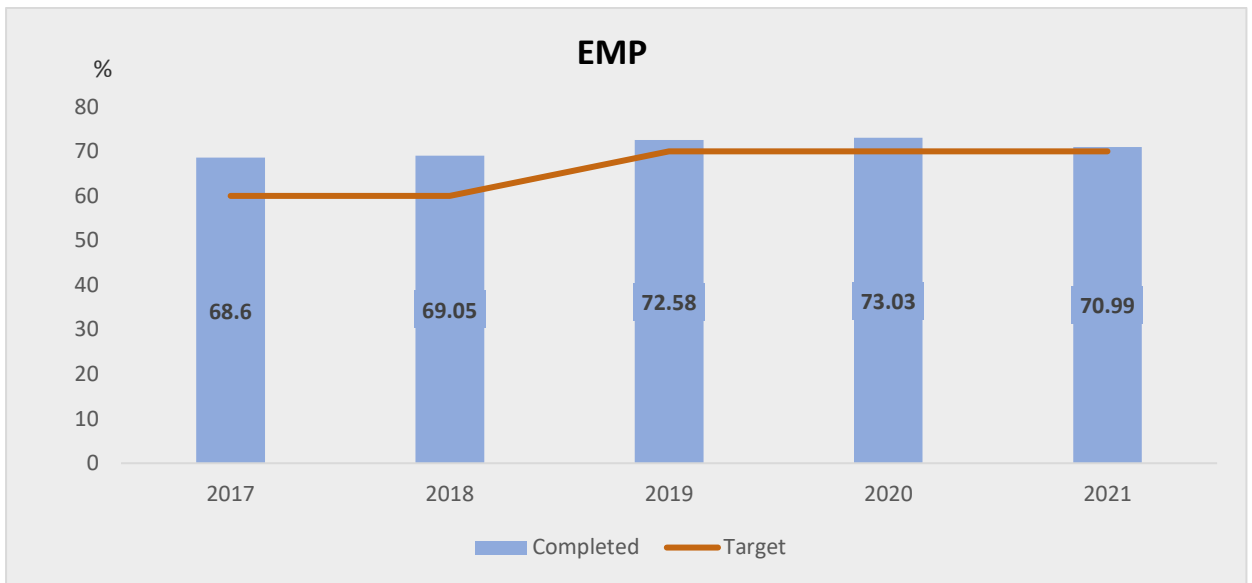
**The maintenance activities that ensure the realization of the planned production on these machines are:**

**Corrective maintenance** monitored by the indicator Average total repair time – MTTR





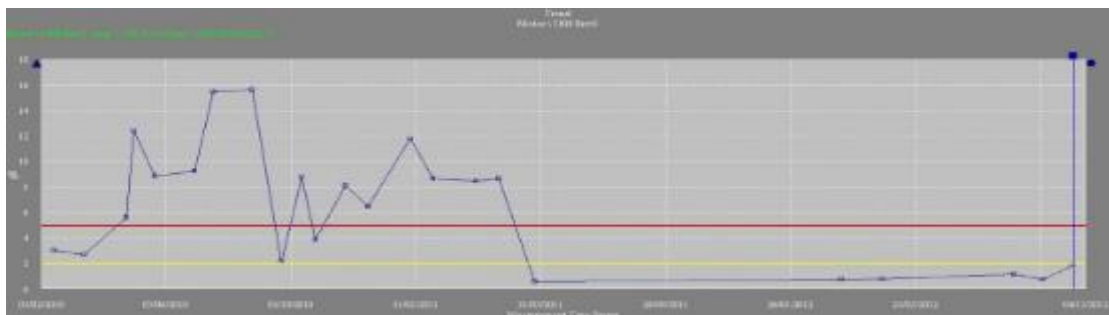
**Preventive maintenance** monitored by the indicator Efficiency of preventive maintenance - EMP

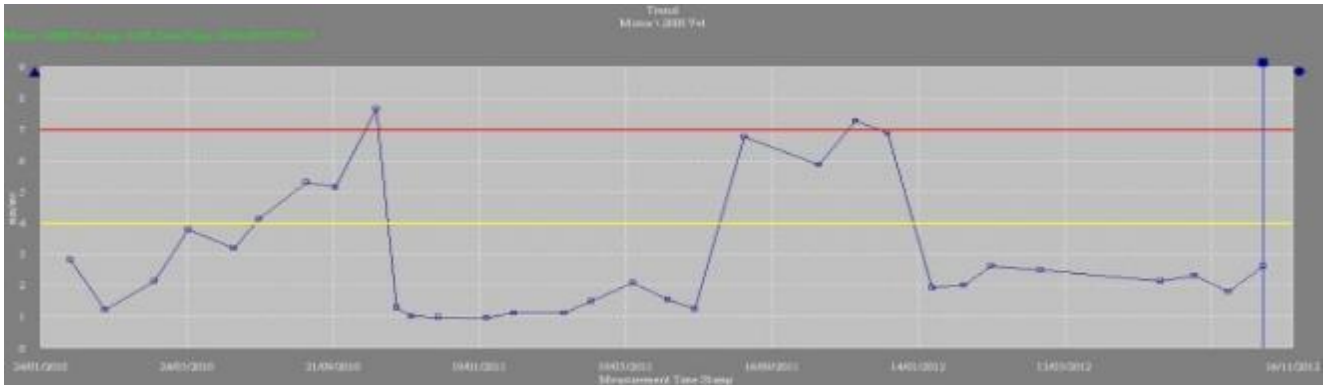


**Predictive maintenance** for critical technological machinery and equipment, made with: SKF kit for vibration analysis of moving mechanical assemblies.

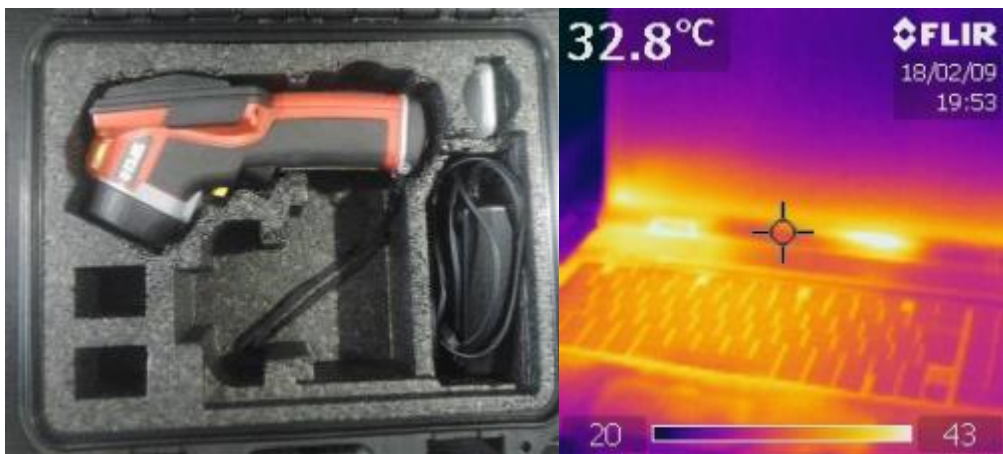


With vibration analysis reports in the following form:



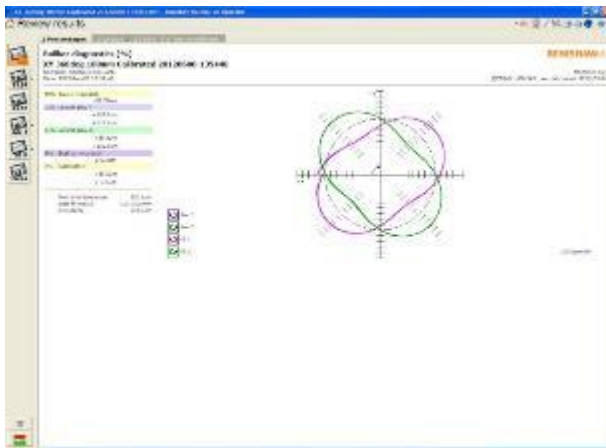


b. Thermographic analysis, performed with the thermal imaging device

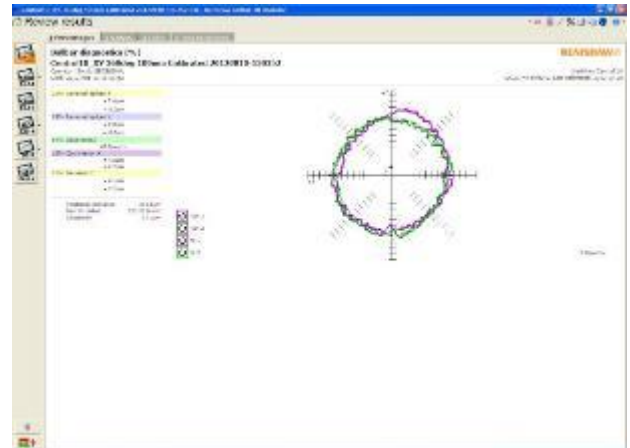


c. Qualitative analysis of the geometry of the machine tool axes, performed with the help of the BallBar kit Renishaw QC20.





**Problem**



**Revised**

**And services:**

***Electronic equipment repairs*** in the Electronics Laboratory that benefits from the following facilities:

-11 workbenches equipped with tools and equipment for the maintenance of electronic automation equipment



-1 mechanical bench for disassembly and assembly of electronic automation equipment

-1 washing and drying line consisting of:

- 2 washing machines (the first based on the use of a solution with microorganisms, the second based on the use of alkaline solutions in the ultrasonic field);
- 2 drying installations (the first based on hot air draft, the second based on a dehumidification installation)



-1 station for soldering-detaching components with infrared heating, with precise positioning of components





- 1 microscope for visual inspection of electronic circuits



- Data acquisition interfaces for diagnosing encoder and optical ruler measurement systems, namely Heidenhain's PWM20 and IK215 and Sick's PGT11



-Kits for predictive maintenance: SKF vibration kit, thermography chamber and Renishaw QC20 ballbar kit

Activities carried out in the laboratory:

-Repairs of electronic automation equipment regardless of type and manufacturer. Types of repaired equipment: voltage sources, frequency converters, servo drivers, measuring systems, optical rulers, encoders, distributed I/O modules, keyboards, display and operating panels, computers, numerical controls, PLCs, motors with systems attached (measuring), and others, the most represented manufacturers being Siemens, Fanuc, Mitsubishi, Rexroth (Bosch), Sew, Danfoss, Yaskawa, Heidenhain, Sick, Staubli, etc.

-Software troubleshooting, parameterization and program loading in equipment.

Equipment testing.

Training of maintainers.

Organizing workshops with collaborators from our suppliers.

Predictive maintenance by performing vibration measurements, thermographic measurements and axis geometry testing.

**Brooch repairs and balancing** for machines such as Mazak, Chiron, Grinding cone, etc. ;



**Transfer and relocation of equipment and production lines**, over time being transferred equipment and manufacturing lines from: -France - Delphi Blois. See below the picture of the Grinding and Deburring Line transferred to COMPA, from a section that has been transferred in its entirety to COMPA



-England-Delphi Sudbury,





-Germany-Bosch Rexroth and  
- Wilo-Dortmund,

- Turkey – Borgwarner Izmir (the relocation of an entire fabrication line in 2021 )

- Romania - Borgwarner Iasi (the relocation of a Sermatec electro-chemical deburring machine in 2021)

-Italy - DMG- See below the photo with DMG numerically controlled centers, from a section in Bergamo, which has been moved entirely to COMP A

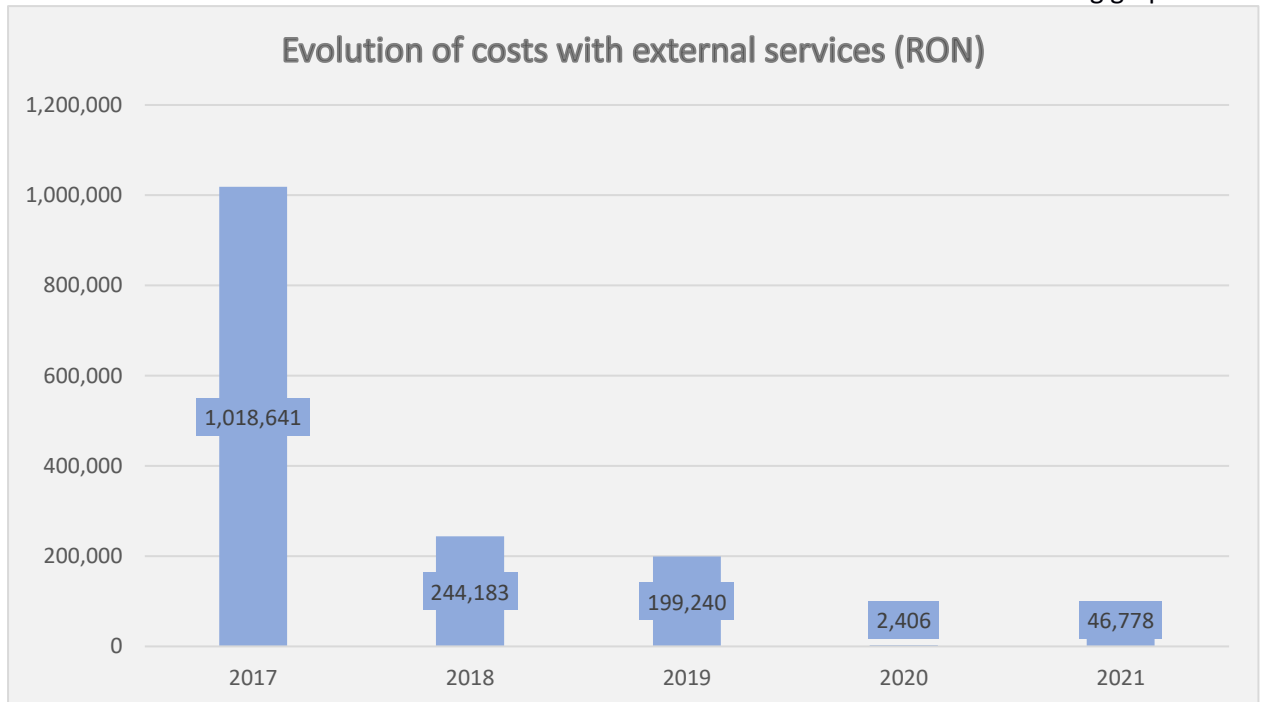


***ISCIR repairs and checks for lifting equipment and internal transport;***

***Activities that have an influence on social, environmental or resource saving aspects,*** such as the installation of air conditioning and filtration systems in COMP A workshops to create a better climate

The Maintenance Department of COMP A SA, had an average number of 135 employees in 2021.

A result of the takeover and execution of these services in COMPA can be seen in the following graph:



*The objectives of the maintenance department for 2022*

**The objectives of the maintenance department regarding the maintenance activities** are within the targets set for maintenance indicators, namely:

- MTTR-75 minutes
- EPM -70%
- Compliance with planned maintenance budgets.

**The objectives of the maintenance department regarding the services for 2022** are:

- the modification of a Mazak machine (type VTC) consisting in the addition of a new axis. The engineering and physical modifications will be done by the COMPA maintenance personnel – January 2022
- the relocation and commissioning of an exhaust and filtration installation for spring grinding machines - January 2022
- relocation of the cold wound springs workshop to the new location – March 2022
- the completion of commissioning of the line transferred from Wilo-Dortmund - May 2022

**Description of policies regarding the quality of maintenance department activities, risk factors, key performance indicators and the effect of policy implementation:**

The quality policy of the Maintenance Department ensures full compliance with the explicit requirements and expectations of employees, but also takes into account their implicit expectations, with maintaining the certifications of the Integrated Management System according to the standards for the permanent observance of the legal regulations and provisions. as the products and services put to the commitment of employees to be maintained at the same level of quality throughout their development.

**The Maintenance Department mainly aims at the following objectives:**

- Maintaining the certifications of the Integrated Management System according to the standard reference

- Continuous improvement of the level of employee satisfaction
- Maintaining maintenance costs in the area of efficiency for the activities carried out

**In the field of quality of maintenance activities, the following risks have been identified:**

Risks with a high initial impact (in the hypothetical case of risk occurrence, they would have a major impact). This category includes the risk of concluding quality audits with major non-conformities, which could lead to the suspension / cancellation of some certifications and the loss of some contracts.

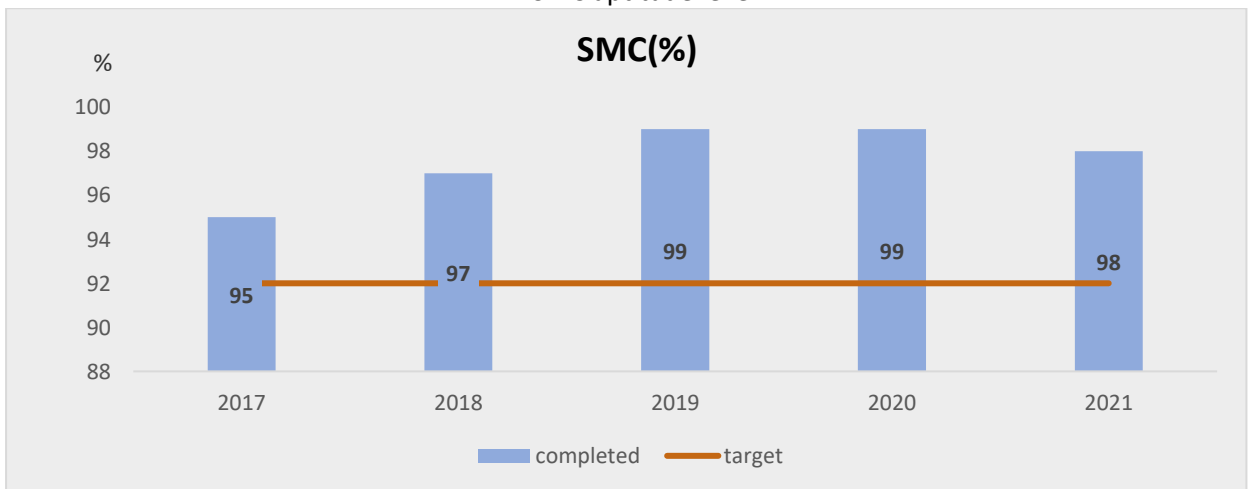
Risks with medium initial impact (in the hypothetical case of risk occurrence, they would have a moderate impact). This category includes the following risks: decreased effectiveness of the Integrated Quality Management System. In case of occurrence of these risks, the activity may be affected by the decrease of the employees' satisfaction, the loss of competitiveness, production losses, etc.

Risks are kept under control by: implementing and complying with the analysis procedures performed by the company's management and internal audit; monitoring and measuring customer satisfaction; fulfilling the training program.

Following the successful audits, the Maintenance Department did not create problems in maintaining in 2021 the Integrated Management System certifications (according to ISO 9001, ISO 14001, OHSAS 18001, IATF 16949) valid for the period 2018-2021.

System audits of the quality of maintenance activities did not find major non-compliances.

The main key performance indicator in the field of maintenance quality is:  
SMC aptitude level



*Description of policies on Environment and Occupational Health and Safety, risk factors, key performance indicators and the effect of implementing these policies.*

Underlying the environmental and occupational health and safety policy is the identification and control of environmental issues and risks associated with all activities in the organization, to ensure compliance with legal and other applicable requirements to which the organization subscribes to the prevention of pollution and accidents at work, occupational diseases, but also respect for the right of stakeholders to live in an unpolluted environment.

The policy of the Maintenance Department in this field aims at:

- Minimize the amount of waste generated and manage it safely when it cannot be avoided;
- Reducing consumption of natural resources;



- Reducing the impact on the environment associated with the activities of the maintenance department, present and future, by gradually replacing some technologies with others that have a low environmental impact;
- Prevent emergencies with an impact on the environment and occupational health and safety, by establishing and implementing coherent and effective measures to prevent major accidents involving dangerous substances;
- Adopt a preventive behavior against environmental pollution to continuously improve environmental performance;
- Make sure providing an optimal working environment for employees in order to maintain, primarily through preventive activities, the health and safety of employees;
- Ongoing monitoring of employee health and taking action to improve their health and for the prevention of accidents and occupational diseases;

The following risks have been identified in the field of environmental protection and SSO:

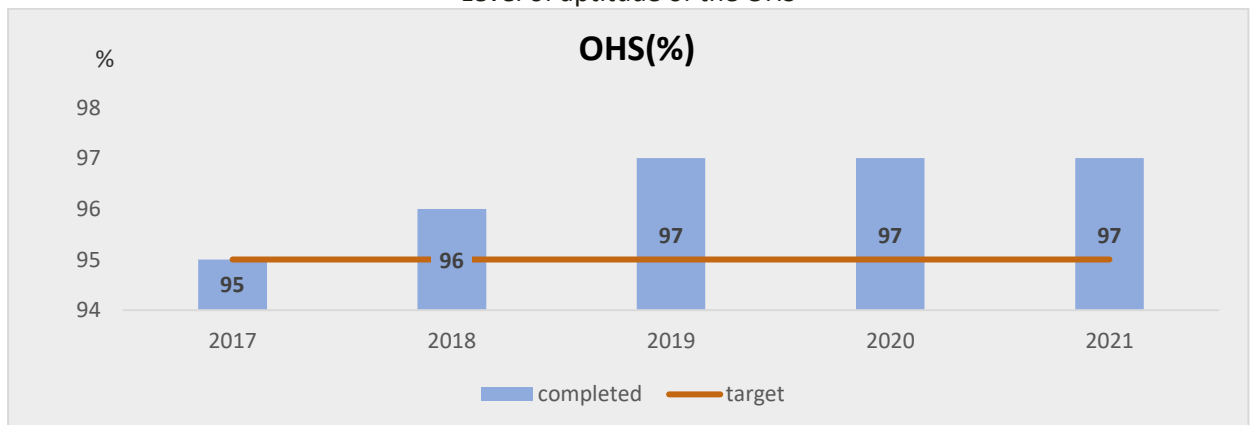
- Risks with a high initial impact (in the hypothetical case of risk occurrence, they would have a significant impact). In this category includes: emergencies with an impact on the environment and SSO; unsafe waste management; unpreventive behavior and increases bad impact on the environment through equipment wear.
- Risks with medium initial impact (in the hypothetical case of risk occurrence, they would have a moderate impact). This category includes: unjustified increase in consumption of natural resources; lack of measures to monitor the health of employees, to prevent accidents and occupational diseases;

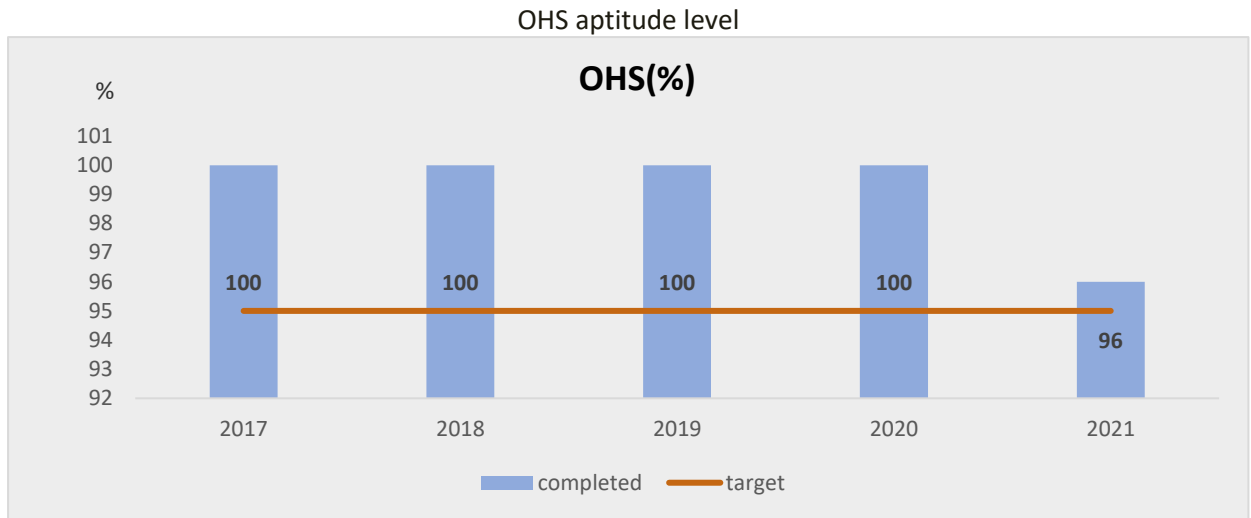
In the event of these risks, it is possible to apply sanctions for breaches of environmental regulations, endangering the safety of the health of employees and stakeholders, restricting production capacity by reducing the number of able-bodied employees.

Following the measures taken in 2021, all the risks presented above have been kept to a low level of impact. This effective control of environmental and SSO risks was made possible by: implementing and complying with waste management procedures, implementing and complying with emergency procedures, maintaining a company medical office and performing regular specific medical tests.

The main key performance indicators of the maintenance department in the field of environmental protection and SSO are:

Level of aptitude of the OHS





No new cases of occupational diseases were found in the department, events with a major impact on the environment or incidents with major effects on human health and safety. - The audits carried out did not find any major non-conformities.

*Description of social and personnel policy, risk factors, key performance indicators and the effect of implementing these policies*

The Maintenance Department through the Human Resources Department, develops and implements a system of internal regulations through which organizes the activities within the department so that they are executed efficiently, by allocating the necessary resources, identifying the risks and taking the necessary measures to cancel / reduce them to an acceptable level. The most important resource needed to achieve the goals is well-trained, motivated, honest and well-equipped employees. From a social point of view, the aim is to maintain a constructive collaboration relationship with the employees' organizations within the department and with the other interested parties, based on the legislation in the field, by:

- supporting a constructive trade union activity and concluding a Collective Labor Agreement specific to the employees of COMPA SA;
- permanent communication on all major aspects of the evolution of the organization and business with trade unions, considering employees as a third party interested in the success of the business;
- establishing and implementing ways to help disadvantaged and / or disadvantaged peoplespecial family responsibilities;
- establishing and implementing different facilities for all employees, depending on the potential of the organization and the needs identified;
- monitoring the health of employees by periodically performing specialized checks;
- supporting employees and their families when they are in difficult health situations;
- coverage of at least 50% of the costs of spa treatment tickets for employees;
- granting meal vouchers;
- supporting disadvantaged people and / or communities through sponsorships and at the request of COMPA SA employees;
- COMPA SA ensures equal opportunities for its current or potential employees by:
  - recruitment / promotion of staff in a transparent manner, taking into account the necessary competence and professional experience and the integrity of candidates;
  - ensuring the conditions for continuous training and improvement in the professions in which they work, but also for the protection of the environment and occupational health and safety;



- evaluating the activity and skills only on the basis of objective, sustainable, measurable, purposeful, consistently monitored and transparent performance criteria for all employees.
- creating optimal working conditions for staff stabilization.

The risks in this sector are at an average initial level (In the hypothetical case of risk occurrence, they would have a moderate impact).

In 2020, the following risks were identified: a decrease in the retention rate of existing staff or new employees, the allocation of an insufficient number of training hours. In the event of realizing these risks, the company may face increased recruitment costs, decreased quality of activities and maintenance services provided.

Through the measures adopted, most of the risks identified above have been kept to a low level, with the exception of the risk of retention of existing staff and new employees, which is at a medium level, being influenced by the shortage of candidates in the labor market, in especially with regard to qualified personnel.

To control the risks in this field, measures were taken to motivate staff through financial incentives and create a pleasant working environment, the implementation of the annual training and vocational training plan, the implementation of a training plane training and integration of new employees. The trade union organization has a high degree of staff representation, is a party to the collective bargaining agreement and is a partner in the implementation of social and personnel policies.

Among the actions of interest for the local community we mention the agreement concluded several years ago with Henri Coanda and Energetic high schools, and with Lucian Blaga University Sibiu for performing a number of practice hours by students, within the company, and granting scholarships for the best of them, and conducting professional retraining courses through European projects with the participation of qualified staff from the Maintenance Department.

The main performance indicators met in 2021 in this field will be presented by the Human Resources Department

*Description of the policy on respect for human rights, risk factors, key performance indicators and the effect of implementing this policy*

The Maintenance Department within COMPASS SA guarantees the observance of human rights, in accordance with the legal provisions, for its employees and collaborators, but also for the interested parties through:

- the provision of working conditions that respect the dignity of the individual and appropriate jobs in terms of safety and health at work;
- prohibiting any form of language intimidation, gestures, any other form of attack on the person;
- elimination of any form of discrimination based on sex / age / race / religion / political beliefs;
- firm rejection of child exploitation;
- rejection of collaboration with human rights organizations.

Violation of human rights can have as an impact the fall under the law, protests from employees or the public, the decline of prestige in society.

The risk of human rights violations has a medium initial impact, but through control measures, these risks have been kept to a low level. Provisions related to respect for human rights have been included in the internal regulations and in the collective act of work.

In 2021, no cases of intimidation or assault on a person were reported, nor were cases of discrimination based on sex / age / race / religion / political beliefs for staff in the maintenance department.





## **U.N.M. DEPARTMENT**

The Buildings and Utility Networks Maintenance Department (U.N.M.) is a support structure for all the processes and activities that take place within the company.

### **1 DESCRIPTION OF THE ACTIVITY OF THE ICR DEPARTMENT**

- **The ICR department is organized and carries out its activity in three workshops**

- maintenance, repairs and modernization of buildings, roads, sidewalks, platforms and parking lots
- maintenance, repairs and modernization of water networks, compressed air, domestic hot water, heating, hydrants and sewers
- maintenance, repairs and modernization of telephone networks, data, video, lighting, gates.

The most important achievements according to the Performance Indicators refer to:

- permanent maintenance in working order and in optimal conditions of the production platform and of all the company's functions.
- resolving emergency situations and requests, repairing and maintaining in the functional parameters of buildings, networks, installations, roads and access roads, to streamline logistics, to allow the production process to be carried out in adequate conditions and to offer personnel security in optimal conditions. working according to OSH requirements.
- modernization of existing workspaces, utility networks and arrangement of new objectives, corresponding to the company's requirements, in accordance with the legislation in force.

**In this sense, lately the following achievements must be highlighted:**

- **At the level of the production platform Unit I, H. COANDA street, in 2021 a number of 460 maintenance, repair, modernization and investment works were carried out, among which we mention a few:**
  - Arrangement of the dormitory for workers (all utilities for 60 places).
  - Automation, centralization of control and monitoring of the heating installation in all production halls to improve working conditions and reduce costs.
  - Installation in all production halls of control systems with card for presence.
  - Arrangement of the halls (formerly Cutting workshop) for workshop 550 - Cold springs
  - Arrangement of the Welding Workshop at Workshop 9000, (compartmentalization and insurance with utilities)
  - Redevelopment of office spaces and premises as well as utilities at Workshop 620
  - Arrangement and Installation of cooler and heating for Workshop 630 accuracy enclosure (Flange)
  - Mounted solenoid valves on the compressed air network for a more efficient distribution.
  - Dismantling utility networks from old machines and connecting to transferred machine utilities from Izmir to Workshop 620- line C7
  - Dismantling of old equipment and connection to SERMATEC equipment utilities transferred to Workshop 630
  - Connecting (digitizing) the equipment from the production sections to the company's data network.
  - Connection of new compressor and dryer to the compressed air network in the compressor station
  - Connection of vacuum oven and TQ5 oven to the Heat Treatment Workshop



- Automation and alarm systems installed at the entrance gates in the production halls.
- Insulated pipes and external networks (there are still small portions that are under construction)
- Replaced and insulated Estacada heating pipes (Hatebur forge Workshop area)
- Insulated cooling water pipes at Workshop 620 - work continues
- Insulated heating pipes DMG workshop
- Installation of compressed air boosters at Forge Hatebur Workshop
- Arranged and installed Sanitary installations for social groups, floors 3 and 4 of the Central Pavilion
- Replaced old and damaged storm sewer pipes at the Galvanizing Workshop
- Replaced the drinking water pipe and the hydrant pipe at the Central Pavilion
- Replaced, completed and installed new hydrants in the production halls
- Repaired skylights and replaced polycarbonate on 65% of production halls - under construction
- Repaired and replaced 60% of the total number of drains in the halls - continues
- Repaired and replaced waterproofing on halls and buildings in damaged areas - continues
- Epoxy resin cleaning at the Research Center, Sharpener, Workshop 630 - continued
- Replaced incandescent luminaires, as they break down with LED lighting
- Repaired or replaced gates and access doors and related automations for halls and buildings
- Fixed, replaced and monitored data networks, telephony, video and GSM access
- **At the level of the production platform Unit II, B-dul Victoriei Nr. 42-44**
- The project of reconversion of the production space into a space for housing, offices and hotel complex has been started and is in full swing (execution) both for the living spaces and for the hotel complex.
- The works are executed with specialized companies, and the ICR Department monitors the execution.
- **At the level of the production platform Unit III, Cisanadie**
- The unit was dismantled and the buildings and halls were demolished and will receive another destination after completing the cadastral formalities.

## **2. THE MAIN RISKS AND THEIR MANAGEMENT**

- **Risks**

The activity of the ICR department can sometimes be negatively impacted by:

- long supply periods with materials needed for the works due to: the supply circuit through SAP from the moment of the request until the approval and ordering of the materials or services
- supply delays due to suppliers
- Insufficient qualified staff to perform the complex, diverse and often urgent work that is the responsibility of the Department.

- **Risk management**

- Supply chain. The supply chain does not have a major impact on the development of the works that are carried out according to the plans, but for emergency works the decision-making supply chain and effective delivery, can often negatively impact the development of the production process and especially the deadlines.
- Medium and long term short term perspectives
- No other measures are required for the normal supply through SAP, but for the materials that must be supplied in an emergency regime, a more flexible approach is needed.

- **Remediation measures**

- A remedial measure could be to ensure a minimum buffer stock of materials that have the greatest impact on emergency works and to be refreshed according to the consumption generated by these works.



-Another measure could be a direct line with a supplier and an open order within a capped amount, for materials with emergency impact and to be checked weekly by the purchasing department and the general manager.

-Regarding the shortage of staff, in addition to attracting skilled workers from the labor market, the solution of educating young people with skills and their job qualification for the jobs of welder, plumber and electrician should be approached.

### **3. DESCRIPTION OF THE OBJECTIVES, TARGETS AND RESPONSIBILITIES ESTABLISHED FOR THE PERFORMANCE OF THESE ACTIVITIES**

#### **• Strategy and objectives**

- The strategy and objectives of the ICR Department follow the general strategic line of the company and within it it considers the following staged objectives. (short, medium and long term)

- Clarification of the legal, cadastral and topo situation of the company's premises.

- Digitization of data of drawings, situation plans and documentation Dep. I.C.R.

- Modernization, maintenance and remediation of fences and access gates

- Modernization and rehabilitation of roads, sidewalks, parking lots and platforms

- Maintenance and modernization of buildings, halls, warehouses and warehouses

- Maintenance, repair and renovation of water, air, thermal and sewer networks

- Modernization and repair of data networks, telephony, video monitoring, lighting and access gates

#### **- The main factors that can affect future development.**

- The main factors that can affect the future development are related to the general situation of the Romanian economy, of the automotive industry branch, but also of internal order, especially related to the lack of personnel and especially of the qualified one and of the technical endowment that must be permanently completed and modernized.

### **4. PROGRAMS DEVELOPED DURING THIS PERIOD TO ACHIEVE THESE OBJECTIVES**

- In order to clarify the cadastral situation, the registration activity in the eTerra platform of OCPI Sibiu was initiated - the Land Book of all the company's spaces

- All the spaces on the Unitarea I str H. Coanda platform are registered and we still have two positions on the list that are being processed and for which we have not yet received the registration.

- Digitization of documentation and data is a necessity and work is underway to update situation plans and drawings - permanently

- The modernization, maintenance and remediation of the fences and access gates will be done in stages following a project that is being prepared by the architect.

- The modernization and rehabilitation of roads and access roads is planned to continue with the connecting alleys, sidewalks and parking lots, which require interventions.

- The maintenance and modernization of buildings, halls and warehouses is part of the permanent concern.

- An architectural project for the modernization of the central pavilion is being completed.

- Workshop 550 - Cold springs hall has been arranged.

- The dormitory with 60 places for workers has been arranged (Stadium area)

- Interior design works are carried out in offices and premises in the production halls.

- The maintenance, repair and renovation of the water, air, thermal and sewerage networks is also a permanent activity, but it also involves the phased replacement of old or morally used pipes, especially those of drinking water.

- Modernization and repair of data networks, telephony, video, lighting and access gates is in full swing and is constantly considered a priority.

### **5. ONGOING MONITORING OF RESULTS AND EMPLOYMENT POLICY**

- All the programs, projects and works executed are permanently monitored at the level of the three heads of workshops as well as by the head of the activity of the UNM.



- Monthly analysis reports and proposals are made which highlight the problems that have arisen, the stage of their solution, those responsible for their follow-up and completion and measures and proposals for the future.
- The work policy takes into account the company's regulations, but also takes into account the specifics of the department which is related to the fact that each work is performed in different locations and each intervention is specific (has a very low repeatability) and requires different dimensional and distinct materials. at each intervention.

#### **6. ENVIRONMENTAL, HEALTH AND SAFETY ISSUES**

- Information on pollution prevention and control
- Regarding the prevention and control of pollution, the aim is to equip and install specific equipment (for example - a new hydrocarbon separator has been installed on the roof of the Swarf 9000 collecting point) and to act urgently to stop any damage and preventive replacement. of the defective parts or their remediation and the removal of the causes that could generate events, so that the soil is not affected or the substances with potential pollution do not reach the sewer network.
- The UNM department collaborates with the other structures of SC COMPA SA for the implementation of the project, which is in execution, for the production of energy from renewable sources (photovoltaic cells)
- Regarding the extraction of mineral resources, the UNM Department carries out the maintenance and repair of manholes, pipes related to fire water wells, which supply the Water Tower with the tank for the company's hydrant network.

#### **- Health and safety at work**

- The health and safety of the staff is a constant concern both at the level of the company and of the UNM Department.

In this sense, at the UNM department, the endowment of the workers with protection and work equipment and the observance of the labor protection rules are monitored and checked, taking into account the fact that the works are executed at height or in hard to reach places such as sewers. , is executed in various locations in the vicinity of the equipment while they are operating and must be made without affecting the continuity of production processes. Regarding the safety of buildings and halls, the UNM Department has generated a program for monitoring behavior over time, intervention where appropriate and reporting to the State Inspectorate for Construction, to ensure the smooth running of the company's activity.

This current tracking program targets functionality, status, and integrity:

- |  |   |
|--|---|
| - Facades, plinths and walls   | - Compressed air installations                                    |
| - Strength structure (pillars, beams, caissons)                        | - Plumbing  |
| - Concrete floors (most are covered with epoxy resins)                 | - Electrical installations, lighting, telephony and data networks |
| - Covers, skylights and drains   | - Fire prevention and alarm installations                         |
| - Doors, gates, windows and access roads                               | - Hydrant installations   |
| - Installations and networks of drinking water, industrial and cooling | - Roads, sidewalks, alleys, platforms and parking lots            |
| - Heating, steam and domestic hot water installations                  |   |



All activities were carried out in accordance with the program and requirements and there were no delays in monitoring, evaluating, maintaining and reporting their condition or events affecting or affecting the health and safety of staff.

Starting from these evaluations of their condition and functionality, preventive intervention was carried out through routine maintenance works, repairs or modernizations that ensure safe working and health conditions for all the company's staff.

During the production processes, unforeseen situations also appeared that required emergency interventions. These were always executed in a timely manner, without affecting the smooth running of the production.

Special attention has been paid and is being paid to the sanitary installations related to social groups, toilets, showers and changing rooms, which are executed according to norms and standards and permanently maintained at quality parameters through routine maintenance, repairs and renovations.

#### **7. Objectives, targets and those responsible for the 2022 program.**

- All these are part of the general strategy and the proposed objectives:

- Clarification of the legal, cadastral and topo situation of the company's premises

- Until the end of 2022, we propose that the legal situation of all the spaces on the platform Unit I Str. H. Coanda to be clarified and to be registered in eTerra at the Land Book of OCPI Sibiu

- Digitization of data of drawings, situation plans and documentation Dep. UNM

**We are working on situation plans and drawings so that they are constantly updated.**

- Modernization, maintenance and remediation of fences and access gates

- Studying together with the architect, a project to renovate the access gates in the company.

- Modernization and rehabilitation of roads, sidewalks, parking lots and platforms

- It is proposed for the phased rehabilitation of two alleys connecting with the main roads

- The first near the research center and the second between Delphi and Galvanization.

- Maintenance and modernization of buildings, halls, warehouses and warehouses

- Current works are being carried out on buildings and halls and the renovation of the Central Pavilion is in the execution phase

- Maintenance, repair and renovation of water, air, thermal and sewer networks

- Current, repair and modernization work and commissioning works are being carried out at the Durst and Willo Paintings.

- Modernization and repair of data networks, telephony, video, lighting and access gates

- It is a constant concern especially when replacing incandescent luminaires with LED luminaires as current luminaires fail.



**2. COMPA I.T. S.R.L.**

**1. DESCRIPTION OF THE ACTIVITIES UNDERTAKEN:**



The purpose of the establishment was to design and implement an integrated IT system for the parent company, to the existing international standards and to ensure the requirements imposed by the organization of profit centers of the company COMPA, as well as to ensure a computer network of computers extended throughout the company COMPA.

By implementing the integrated system in the parent company, COMPA-IT ensures the operation of this system at higher parameters, prepares reports and presents the new facilities of the system in order to capitalize at the highest possible level of opportunities that this very complex system can offer. and competitive.

The digital age has begun to change the way we work, produce and consume. Technology has become an integral part of our lives at work, at home and in the way we interact in society. Given the rapid change that occurs with the absorption of technologies in business processes, there is increasing pressure on competitiveness and response times as short as possible in relation to market requirements.



Through our activities we try to support the digital development of COMPA SA by implementing digital solutions to reduce repetitive working hours, reducing the use of information on paper by implementing solutions to achieve the goal of having "paperless" processes. We support the manufacturing processes, not only the administrative ones, by implementing connection solutions for all the machines and devices used in production, in order to be able to make SPC (statistical control) analyzes and not only, with the help of real-time data.

**2. ANALYSIS AND DESCRIPTION OF RISKS AND OPPORTUNITIES**

With the implementation in COMPA SA of the SAP solution (Software Solution) we opened the way to new digitization solutions that allow integration with COMPA SA customers and suppliers for a better and more efficient collaboration. Automation of logistics, financial, production, human resources processes brings with it greater job satisfaction and a greater ability to create better products.

Like many other companies, we are exposed to the severe general economic climate affected by the ongoing COVID-19 pandemic. Given the profile of activities, we have taken measures to allow as much work as possible at a distance, with 80% of employees working only from home. The staff, which ensures the critical part of the hardware coming in shifts of 2 weeks, but ensuring the expressive way of working through the directives given by the authorities. Although there were periods when the activity within COMPA SA was reduced, the digital development activity was not stopped, we continue to develop new solutions or to update already existing solutions.



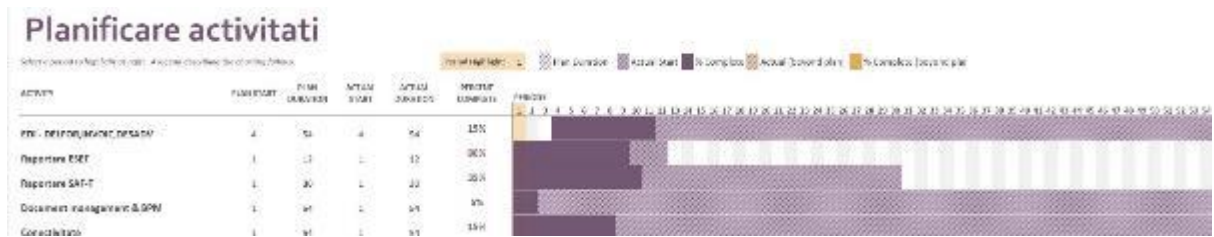
Although the risk of cyber attacks is increasing, there have been no incidents that will impact us. In order to keep the risk as low as possible, we keep in touch with application and equipment suppliers to always have up-to-date solutions with security packages.



**3. DESCRIPTION OF THE OBJECTIVES, TARGETS AND RESPONSIBILITIES SET**

The main objective of the company is to support the digital development of COMPAS SA by creating turnkey solutions that follow the principles of paperless and process automation. In addition, we deal with the maintenance, purchase of equipment and solutions to support the move towards the digital age.

In order to achieve our objectives, we aim to hire the best professionals available on the labor market to create and improve our products and services. In order to benefit from their expertise, we continuously improve working conditions, we have in mind discussions that highlight the evolution of each employee and align this evolution with the plan of professional stimulation and motivation.



**4. FUTURE STRATEGY AND OBJECTIVES**



We are updating the Electronic Data Interchange project with the possibility to introduce other messages, invoices, documents and other types to create a more diverse interface of communication with our customers and suppliers, thus increasing the productivity of our employees.

We are considering the implementation of a complete document management system that will allow the digitization of the administrative processes of receipt of goods by scanning and integrating the receipt documents within this system. We will integrate the physical archive into this system to allow better retention of documents. This system will allow us to introduce a virtual library, an enterprise scan solution, electronic registration as well as electronic archiving and automation and optimization of document flows.

To diversify the strategies of the human resources department, we integrate the Success Factors solution within the company, which will allow finding, training, and managing the workforce and also send a response with operational data about how people feel, thus creating exceptional experiences for employees. Also, within the extension of the strategies, we have implemented the SAP HCM solution that will allow time management and tracking of the present, standardized payroll processes and organizational management.

In the connectivity project we envisage the extraction of real-time data from the manufacturing and quality processes to allow multiple analyzes and visibility of data at the jobs that generate this data, by introducing tablets with software that give quick answers to the problems that arise in the process.

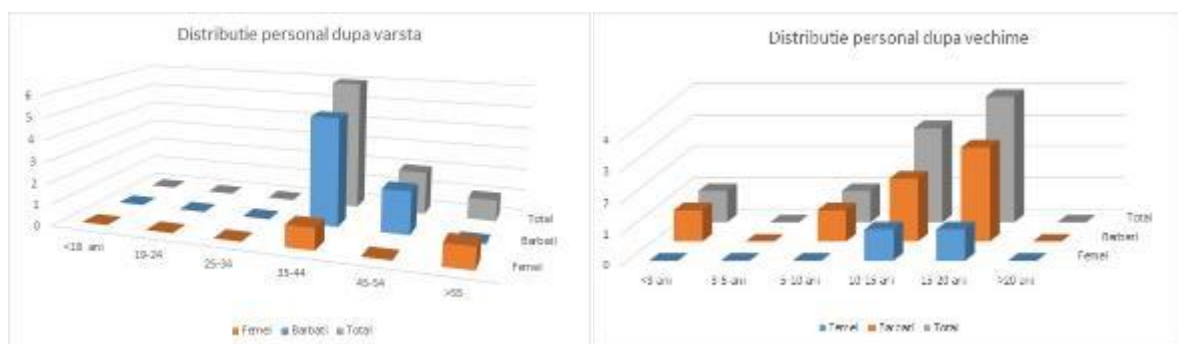
Also in the same connectivity project we have started to connect production machines, measuring stands and devices in a centralized platform, which will allow work time analysis, number of produced parts, and also other production indicators in real time, the number of machines and devices connected so far has reached over 80. In the next period of time we will try to add all our machines in this platform. This aspect will allow the



maintenance department, production department and quality to get detailed real time data and analysis from the production processes.

To maintain a low number of bad parts and a predictability in changing the tools on the CNC machines we have started to test a system for automated compensation, which will allow measuring analysis from every tool that has produced parts and send back the necessary correction to the machine.

Given that the company's core business is based solely on specialized human resources, we want to gradually increase the number of employees to be able to develop more products and services at the same time. One of the development directions that requires more and more effort due to the diversity of machines and devices within the production processes, is IoT type connectivity. Given this diversity, we need to consider an increase in the company's skills in connectivity and IoT by assimilating new employees within the company.



### 3. TRANS CAS SRL



#### 1. The activity of the company

TRANS CAS SRL, established in 2002, has as main object of activity INTERNAL AND INTERNATIONAL ROAD TRANSPORT OF GOODS. Transport services are provided by both its own fleet of vehicles and a well-organized network of contracted carriers. The services offered are efficient and reliable, being monitored by using the most advanced technologies on all vehicles. The drivers and staff involved in the organization are highly qualified and ensure the delivery of transport on time and safely. The solutions offered by TRANS CAS are in accordance with customer requirements and comply with international standards in the field, and the transported goods are insured with CMR insurance.

#### 2. Company risks and opportunities

The company TRANS CAS SRL has identified the following risks:

- Fuel price developments, generally unfavorable
- The evolution of tolls
- The evolution on the insurance market of the insurance premiums by their increase, related to the car insurances, the goods insurances (CMR) as well as the health insurances
- Lack of qualified transport staff on the market
- Activity fluctuation

The company also identified the following opportunities:

- Diversification of the activity by accepting urgent delivery orders
- Orientation to customer needs to gain a competitive advantage
- Providing quality, integrated services
- Practicing competitive prices on the freight market

#### 3. Objectives and responsibilities

The company's objectives for the next years are:

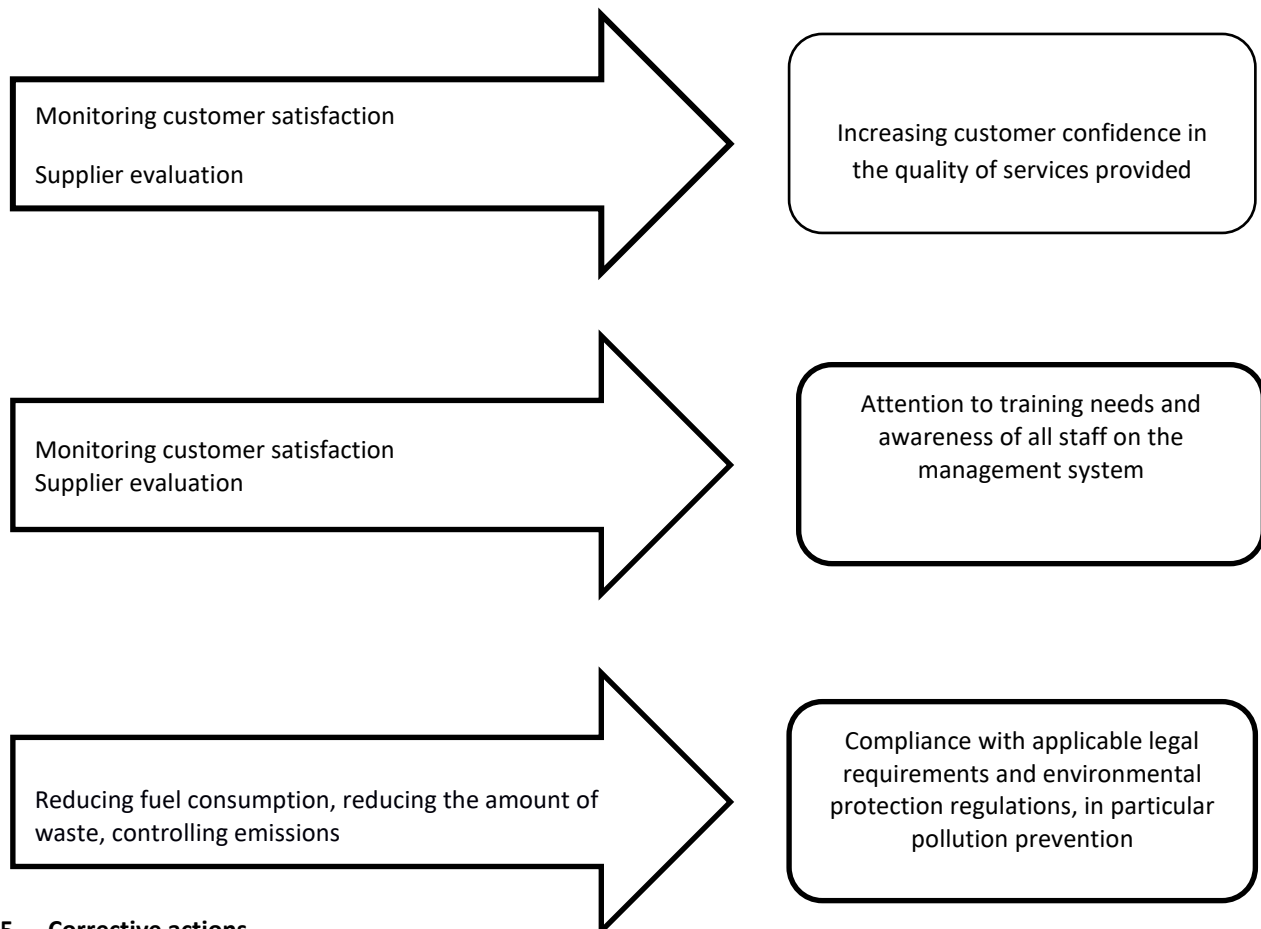
- Increase turnover by identifying new customers and increasing the fleet
- Reducing pollution by purchasing new and high-performance vehicles that meet all environmental requirements
- Protecting the environment, handing over the waste to authorized collectors

#### 4. The evolution of the activity

The economic performance of the company is reflected in the following indicators:

Economic indicators	2019	2020	2021
<b>Net turnover (lei)</b>	19,440,689	14,460,846	17,698,303
<b>Gross Profit (lei)</b>	445,201	226,638	411,369
<b>Average number of employees</b>	56	49	49

The company considers a series of non-financial performance indicators relevant for its specific activity:



##### 5. Corrective actions

The management of TRANS CAS pays special attention to ensuring a pleasant working environment for its employees. In this respect, principles such as equal opportunities and non-discrimination underpin the smooth running of the company and the performance of employees.

TRANS CAS also provides a work environment based on the principle of equal opportunities, discouraging discrimination and encouraging diversity among employees. Thus, society promotes diversity of gender, nationality and age.

At the base of all the activities carried out within the TRANS CAS company are the following fundamental values:

- ✓ INTEGRITY - the obligation to declare any personal interests that may contradict the objective exercise of the duties of the position within the company, as well as the refusal to accept any financial benefit of any kind from persons or organizations that could influence the performance of duties. At the same time, the obligation of the company to take all necessary measures to avoid situations of conflict of interest and incompatibilities.
- ✓ TRANSPARENCY - adopting an open and transparent attitude in all decisions and actions taken by the company's staff.
- ✓ OBJECTIVITY - fulfilling the duties of the position, awarding contracts and orders by adopting an objective attitude, leading to correct decisions to achieve the interest of society.
- ✓ PROFESSIONALISM - promoting the fundamental values and principles in the company's activities through a responsible attitude in its interest.

Ethical conduct is one of the main criteria that define the way a company operates, consolidating or destroying its reputation in the market. It is imperative that both the company and all employees demonstrate:

- the highest standard of integrity and ethics in their work;



- compliance with all laws and regulations and the desire to be open and honest in all internal and external business relations;
- professionalism, through which the TRANS CAS staff has the obligation to fulfill the duties of responsibility, competence, efficiency, correctness and conscientiousness;
- honesty and fairness, showing good faith in the performance of duties.

Employees have the obligation that by their acts and deeds, to comply with the legislation and regulations in force and to act for the implementation of legal provisions, in accordance with their duties, in compliance with professional ethics

#### **6. Strategic objectives**

##### ➤ VISION

We operate in a community where there is respect and good law enforcement and where our customers are always satisfied with the quality of our services and products. These are the result of respect within the team, of each individual and we are respectful and equitable partners towards our community and the environment.

##### ➤ VALUES

- Pursuing quality in everything we do.
- Strong partnerships based on respect.
- Forming the team by valuing each employee.

##### ➤ MISSION

Our goal is to be recognized both in the country and abroad as a responsible business partner in the domestic and international freight transport market. We want our partners and employees to choose us for the quality of our services and for the relationship based on transparency and respect.

#### 4.SC RECASERV SRL

##### DESCRIPTION OF ACTIVITIES UNDERTAKEN:

SC RECASERV SRL It was established in 2004 by outsourcing within the parent company some activities such as: public catering made through the canteen and micro-canteens operating within the company COMPA, catering and cleaning services.



**1. The main object** of activity is supply, supply and serving of ready-made food, daily to the industrial environment (the main working points being the micro-canteens within the company COMPA SA, and until 2019 and from various schools in Sibiu) as well as to order for various events. The company is included in the CANE code under the name of "Other Food Units nec" respectively the production of food in catering system. The company operates in the location of the SC COMPA SA Canteen, in a renovated kitchen equipped to the standards required by European norms, located near the company COMPA SA, the HENRI COADĂ Technological High School and SC BILSTEIN SRL.

As the goal of SC RECASERV SRL is to include and satisfy a wide range of customers, the company includes in its menu or dishes belonging to both local and international cuisine and niche (fasting products, vegan type) each menu focuses on healthy products sourced as much as possible from local suppliers. In addition, the portions are portioned according to a caloric calculation, with great care, to avoid food waste, and the supply is well calculated to optimize the cost of transport and the amount of food stored. In order to protect the environment, the cutlery used is traditional and not plastic. In the kitchen, the company has an experienced staff, able to maintain a high quality of dishes, but also to adapt promptly to customer requirements and needs. So the results have always been up to their requirements.



**2. The secondary object** involves general activities of interior cleaning of buildings, the main client being COMPA SA In this segment the company SC RECASERV SRL provides services with professional equipment, cleaning products in accordance with environmental standards in force, and staff is properly trained in compliance with environmental standards and safety work.

In the field of services, the ultimate goal is customer satisfaction and maintaining a good customer-supplier relationship. The quality of the work is confirmed by the continuous demand and the good reputation of the company on the market, in the absence of any form of advertising.





### **3. ANALYSIS AND DESCRIPTION OF RISKS AND OPPORTUNITIES**

**Weak points** which produce negative effects for SC RECASERV SRL are various:

- Maintaining the alert status and lockdown measures due to the pandemic
- The continuous change of prices for the raw material used, by increasing them
- Customer reluctance
- Changes in customer needs, tastes and preferences
- Lack (temporary) of qualified personnel specific to the field of activity (eg cooks), due to the lack of supply on the labor market and the non-correlation of the educational offer with the requirements of the labor market, as well as due to emergencies imposed by quarantine
- Slow growth, sometimes even stagnation of demands
- Lack of orders during certain periods of time (eg during a pandemic)
- Decreased demand following the implementation of homework and online school.

**Strengths** which produce the beneficial effect and lead to the exploitation of opportunities:

- Favorable liquidity and solvency values
- Expanding the range of B2B customers (eg micro-canteen inside other companies)
- Expanding the range of B2C customers (eg home delivery)
- Diversified range of products that fold according to the consumer segment
- Prices lower than the competition
- Collaboration with a food service provider (eg foodpanda app)

### **4. DESCRIPTION OF THE OBJECTIVES, TARGETS AND RESPONSIBILITIES SET**

The objectives for the next years are reorganization in the context of the pandemic and maintaining a positive balance, as well as flexibility in choosing new collaborations. It also aims to reduce, where possible, disposable polyethylene objects and utensils by using environmentally friendly ones.

Also, for critical risks, ie with high probability of occurrence or with a significant impact on the company's activity, a series of measures were taken, aiming at the following:

- Business development in the area
- Diversifying and expanding the range of good quality products
- Negotiate prices with suppliers, where possible
- Establishing payment terms, invoices
- Purchase of raw materials at the lowest market price
- Introduction into new markets
- Finding cheaper sources of raw material supply

### **5. Policies applied to: OHS (occupational health and safety)**

Monitoring, maintaining health and ensuring working conditions, according to current legislation, for employees is a legal and social obligation, which is also an essential element in the success of society.



## **6. Environmental Policy**

The menu production process is carried out through a technological circuit in compliance with hygiene and storage rules, in accordance with food legislation.

Their implementation and compliance is regularly evaluated by accredited institutions in the field.

## **7. FUTURE STRATEGY AND OBJECTIVES**

The company's mission is to provide excellent services that attract and satisfy customers. And the strategic objectives for the next years involve the development of businesses in the area, as well as the diversification of the product range.

## 5. ARINI HOSPITALITY SRL

ARINI HOSPITALITY SRL is an SPV (special purpose vehicle), with the sole shareholder of COMPA SA. Established in 2021 in order to manage the construction and development of the MERCURE SIBIU PARK ARINI Hotel Complex. Due to the fact that the specificity of the hotel business is totally different from the automotive components production activity of the main company, COMPA management decided that it is much easier to manage by a new company having as main object of activity that of - Hotels and other accommodation facilities similar CAEN code 5510. This is how ARINI HOSPITALITY was born.



The company wants to enter the hotel market as a player in partnership with ACCOR with which it has concluded a hotel management contract. ACCOR is an international augmented hospitality group specializing in the hospitality industry, a world market leader with unique experiences in over 5,100 hotels in 110 countries with over 300,000 employees. The group has acquired hospitality expertise for more than 50 years, through a portfolio of 39 hotel brands.

### 1.1 PROJECT DESCRIPTION

The project consists in the construction and development of a hotel complex - ARINI HOSPITALITY, which will consist of a MERCURE hotel, which will have 4 stars and 121 rooms available as well as the conversion of the existing building into a 3-star IBIS STYLES hotel with 72 rooms . This hotel complex will be located on a plot of 7,591 sq m located in Sibiu on Bd. Victoriei Street no. 42-44 opposite the Sub Arini Park. In addition to the accommodation rooms, the complex will also offer a SPA area with swimming pool, restaurant, lobby, bar, conference rooms as well as a multifunctional room with an area of over 400 square meters where various types of events can take place. Both hotels will have a concept inspired by local tradition to present a unique image.



### **1.2 PROJECT DEVELOPMENT**

In May 2021, the financing agreement was obtained based on GD 807/2014 (Government Decision for the establishment of state aid schemes, aimed at stimulating investments with a major impact on the economy). The value of the state aid amounts to 14,895,269 lei.

In September 2021, the building permit for the ARINI HOSPITALITY hotel complex was obtained following the fulfillment of all the legal requirements requested by the competent institutions as well as the completion of the technical project carried out by the ARHI GRUP company from Bucharest.

In November 2021, the financing was provided by contracting investment loans from Banca Transilvania according to the decisions of the General Meeting of COMP A Shareholders.

Throughout the design, ARHI GRUP collaborated with the technical and design specialists of the ACCOR partner, as well as with the support of VITALIS CONSULTING from Bucharest, a company with which ARINI HOSPITALITY has a project management contract. With the close collaboration of professional teams in the field, ARINI HOSPITALITY has the certainty that the technical design and design of the hotel complex will be at the highest quality standards and will offer future customers beautiful memories spent in a pleasant atmosphere.

In November 2021, the General Enterprise contract was signed for the construction of the MERCURE hotel with DAS SRL from Iași (a company that has in its portfolio large-scale works in the field). The duration of the works is 18 months. The works started in December 2021 when the site was organized and the excavation of the earth began.

### **1.3 STAGE OF THE PROJECT**

At the end of February, the stage of the works is according to the work schedule agreed with the General Contractor, the excavation being carried out, the scraping of 70% being poured, the pilots being made in the Military Hospital area and the vertical structure is being worked on. It is planned to pour the slab over the basement on March 10th.





#### **1.4 RISKS AND OPPORTUNITIES OF THE COMPANY**

The risks could appear in the context of the extension of the COVID19 Pandemic until the date of opening of the hotel complex, and the market in the field may not recover to the situation prior to the pandemic. However, the studies of specialists in the field are encouraging and full of hope that the horeca market will recover by the second half of 2023.

Another risk is the accelerated rise in prices for construction materials.

The opportunities are first of all the state aid obtained as well as the deficiency of accommodation during this period on the market in Sibiu according to studies and statistics.

#### **1.5 OBJECTIVES AND RESPONSIBILITIES**

The main objective is to complete the construction of the complex within the deadline and budget set to the highest quality standards.

ACCOR takes over the management of the hotel activity within the limits established in the management contract.



## Independent auditor's report

To the Shareholders of COMPA S.A. Sibiu

### Report on the Audit of the Consolidated Financial Statements

#### *Opinion*

- 1 We have audited the accompanying consolidated financial statements of COMPA S.A. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.
- 2 The consolidated financial statements refer to:

- Net Assets/Total equity:	502.683 thousand lei
- Net profit of the year:	15.038 thousand lei
- 3 In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, with all subsequent modifications and clarifications.

#### **Basis for Opinion**

- 4 We conducted our audit in accordance with International Standards on Auditing (ISAs), EU Regulation no. 537 of the Parliament and of the European Council („Regulation”) and Law no. 162/2017 („Law”). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Romania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## Key Audit Matters

- 5 Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Recognition of deferred tax assets

*See Note 10 to the consolidated financial statements*

The key audit matter	How the matter was addressed in our audit
<p>The Group has recognised deferred tax assets for deductible temporary differences considered recoverable.</p> <p>The recoverability of recognised deferred tax assets is dependent of the Group's ability to generate future taxable profits sufficient to utilise deductible temporary differences.</p> <p>Due to the inherent uncertainty in forecasting the amount and timing of future taxable profits and the reversal of temporary differences, we consider that evaluation of deferred tax assets to be a key audit matter.</p>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"><li>- Using our own professional judgement to evaluate measures taken by the Group that should be able to allow the recovery of deferred tax assets.</li><li>- Assessing the accuracy of forecast future taxable profits by evaluating the accuracy of previous estimates and by comparing the assumptions, such as projected growth rates, with our own expectations of those assumptions derived from our knowledge of the industry and our understanding obtained during our audit.</li><li>- Evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgments and sensitivities.</li></ul>

### Tax exemption for profits reinvested in technological equipment

*See Note 10 to the consolidated financial statements*

The key audit matter	The key audit matter
<p>The management of the Group expects to retain the technological equipment for a period of at least five years and to not use the reserves created as a result of using the tax exemption for a period of at least five years.</p> <p>The additional deduction for reinvested profits depends on retaining in the patrimony of the technological equipment. Evaluating deferred tax debt and deferred tax assets reflect the tax consequences arising from the way the Group expects to recover the value of the equipment.</p> <p>Due to the inherent uncertainty in estimating the retention period of at least five years, we consider that evaluation of deferred tax assets to be a key audit matter.</p>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"><li>- Using our own professional judgement to evaluate the assumptions and judgements of management. In doing so we evaluated technical specifications of the equipment, information from commercial contracts, market information about the Group's products and the equipment's adaptive capability.</li><li>- Evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgments and sensitivities.</li></ul>

Our procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the matters described above, and the findings described do not express a separate opinion on these individual matters.

## Other aspects

- 6 Considering the information presented in Note 25. Effects of Covid 19 Pandemic on the activity of Compa and the evolution of the international epidemiological situation caused by the spread of SARS-CoV-2 coronavirus in more than 150 countries, declared "Pandemic" by the World Health Organization, on 11.03.2020, as well as the uncertainty related to the spread in time and magnitude of the effects on the world economy, the future activities of the Group may be adversely affected. It is difficult to estimate at present the extent of the effects on the industry in which the Group operates, respectively on the demand for the Group's products, but also on the possible deficiencies in the supply chain or the effects of any restrictions imposed by the authorities in the next period.
- 7 We draw attention to Note 25 of the financial statements, according to which the Group estimates that future activities may be negatively influenced by disruptions in the supply of raw materials, uncontrolled increase in the prices of raw materials and energy, and also by the cost of transporting materials as a result of changing current supply routes and changing current suppliers in Europe with suppliers outside the conflict zones. According to the Management Statement, the Group has taken measures to mitigate or eliminate these negative effects, so that no significant difficulties are expected that may affect the continuity of the activity for at least 12 months from the date of the financial statements. Our opinion is unchanged on this issue.

## Other information – the Consolidated Administrator's Report

- 8 The administrators are responsible for the preparation and presentation of other information. This other information includes the Consolidated Administrator's Report, but do not include the Financial Statements and the Auditor's report on the financial statements and neither the Non-financial Statement, this being presented in a separate report.

Our opinion on the financial statements as at 31 December 2021 does not cover this other informations and except when we explicit mention this in our report, we are not expressing any statement of assurance regarding this other information.

In connection with our audit of the consolidated financial statements as at 31 December 2021, our responsibility is to read this other informations and, doing so, to assess whether this other information is not consistent, in all material respects, with the information presented in the consolidated financial statements, or with the knowledge we gained during our audit of the consolidated financial statements, or if this other information appear to be significantly distorted.

We have read the Consolidated Administrator's Report and report that it includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, with all subsequent modifications and clarifications, Annex 1, points 26-28.

Based exclusively on activities that need to be carried during the audit of the financial statements, in our opinion:

- a) Information in Consolidated Administrator's Report for the period that the financial statements were prepared is consistent, in all material respects, with the information presented in the accompanying consolidated financial statements as at 31 December 2021;
- b) the Consolidated Administrator's Report identified above include, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, with all subsequent modifications and clarifications, Annex 1, points 26-28.

In addition, based on our knowledge and understanding concerning the Group and its environment gained during our audit of the consolidated financial statements as at 31 December 2021, we are asked to report if we have identified information included in the Consolidated Administrator's Report that contains a material misstatement of fact. We have nothing to report on this aspect.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

- 9 Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
- 10 In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
- 11 Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

- 12 Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
- 13 As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
  - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements

or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
  - Obtain sufficient and adequate audit findings regarding the financial information of the entities that comprise the Group or the activities within the Group, in order to express an opinion on the consolidated financial statements. We are responsible for the coordination, supervision and carrying out the audit of the group. We only are responsible for our audit opinion.
- 14 We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- 15 We also provide to those charged with governance a declaration regarding our conformity with the ethical requirements referring to independence and we communicate all relations and other aspects which can reasonably be considered, that it might affect our independence and, if applicable, the associated safety measures.
- 16 Out of all aspects we communicated to those charged with governance, we determine those aspects that had an increased importance during our audit on the consolidated financial statements as at 31 December 2021 and, consequently, represent key audit matters. We describe these aspects in our audit report, except when legislation or regulations forbids the public presentation of a certain aspect or, in extremely rare circumstances, we consider that a certain aspect should not be communicated in our audit report because it's reasonable to assume that the benefits of the public interest are overcome by the negative consequences of this communication.

#### **Report on other legal and regulation directives**

- 17 We were appointed by the General Meeting of Shareholders on the 22nd of April 2021 to audit the consolidated financial statements of COMPA S.A. and its subsidiaries for the period ending on the 31 December 2021.

We confirm that:

- Our opinion is in accordance with the supplementary report presented to the Company's Audit Committee, which we issued at the same date as this Report. We also, during our audit, have kept our independence from the audited entity.
- We have not provided forbidden **non-audit services**, mentioned at article 5 paragraph (1) from the EU Regulation no. 537/2014.

## **Report on compliance with the Commission Delegated Regulation (EU) 2018/815 (“European Single Electronic Format Regulatory Technical Standard” or “ESEF”)**

We have undertaken a reasonable assurance engagement on the compliance with Commission Delegated Regulation (EU) 2019/815 on the European single electronic format (“ESEF Regulation”) for the primary financial statements, which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, included in the annual financial report in ESEF format ( the “digital files”) prepared by COMPA S.A..

### **Management Responsibility for the Digital files prepared in compliance with the ESEF**

COMPA S.A. management is responsible for preparing digital files that comply with the ESEF. This responsibility includes:

- the design, implementation and maintenance of internal control relevant to the application of the ESEF;
- the selection and application of appropriate iXBRL mark-ups using professional judgement where necessary;
- ensuring consistency between the digital files and the consolidated financial statements to be submitted in accordance with Order 2844/2016 with subsequent amendments;

### **Auditor’s Responsibility**

Our responsibility is to express a conclusion on whether the consolidated financial statements included in the annual financial report complies in all material respects with the requirements of ESEF based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with ESEF. The nature, timing and extend of procedures selected depend on the auditor’s judgment, including the assessment of the risks of material departures from the requirements set out in ESEF, whether due to fraud or error. A reasonable assurance engagement includes:

- obtaining an understanding of COMPA S.A. process for preparation of the digital files in accordance with ESEF, including relevant internal controls;
- reconciling the digital files including the marked up data with the audited consolidated financial statements of COMPA S.A. to be submitted in accordance with Order 2844/2016 with subsequent amendments;
- evaluate if all financial statements contained in the consolidated annual report have been prepared in a valid XHTML format;
- Evaluating if all mark-ups, including the voluntary mark-ups of disclosures meet the following requirements:
  - the XBRL mark-up language is used;

- the elements of the core taxonomy specified in Annex VI of the ESEF Regulation with the closest accounting meaning shall be used, unless an extension taxonomy element is created in compliance with Annex IV of the ESEF Regulation;
- the mark-ups shall comply with the common rules on mark-ups as per ESEF Regulation;

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

## **Conclusion**

In our opinion, the primary consolidated financial statements for the year ended 31 December 2021 prepared in **compliance with the Commission Delegated Regulation (EU) 2018/815 (“European Single Electronic Format Regulatory Technical Standard” or “ESEF”)** included in the annual financial report in the digital files, comply in all materials respects with the requirements of ESEF Regulation.

On behalf of  
**AuditCont SRL**  
Registered with the Chamber of Financial Auditors in  
Romania with no. 321/2003

**Daniela Benga**  
Registered with the Chamber of Financial Auditors in  
Romania with no. 1169/2001

Sibiu, March 28, 2022