

**EXPERT
PETROLEUM**

RELEASED: October/2019
STATUS: PUBLIC

Sustainability Report 2018



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CEO STATEMENT

David MARTINON



DEAR READER,

I am pleased to introduce you to Expert Petroleum's second Sustainability Report, developed in line with the Global Reporting Initiative Standards (Core option), in which our vision of building a long-term sustainable business is broadly defined. We consider this publication as a step forward towards the continuous improvement of our sustainability performance, as well as a valuable opportunity to gain insights from our stakeholders because of the meaningful dialogue we have with them as part of the reporting process.

The opinion of our stakeholders is very important to us, thus this publication also seeks to respond to their reasonable expectations in relation to our performance and impact on sustainability during 2018, as well as to provide insight into our future perspectives.

Though the results of disclosing sustainability data are highly appreciated by all parties, preparing and releasing this publication requires a high level of commitment and significant efforts from people at various levels within the organization. Therefore, I take this opportunity to appreciate the collective efforts of the core sustainability reporting team, but also the work, loyalty and commitment of our employees and sub-contractors that enable our progress.

This entire period was, and it still is quite intense and full of rapid changes, starting with the signals of various prominent leaders at global level regarding a new financial crisis to strike in 2020, many uncertainties related the geopolitical context in some regions of the world potentially affecting what happens at national level, the risks and opportunities entailed by the Brexit, and last but not least with the little progress made since the Paris Agreement in terms of greenhouse gas (GHG) emissions reduction and the increasingly severe effects of climate change that all of us are experiencing.

Looking back also at the array of national regulatory changes that have taken place during the last few years, and the dynamics of these changes, there is



Making mature oil and gas fields more sustainable is core for our business, and for this we aim to implement the best practices and technologies, to use innovative and cutting-edge techniques and solutions, and raise the sustainability bar higher for those in our business sector.

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an escalating degree of uncertainty which is more and more difficult to anticipate, but to which we must quickly adapt to.

Having this entire picture, we are grateful at XP for having highly talented people in our teams, able to quickly adapt to and address all these challenges, as well as subcontractors and business partners willing to adhere to the highest ethical standards and best practices in our industry so as to ensure that all potential risks, especially for people and the environment are maintained at the lowest possible level, and run our business in full compliance with the regulatory requirements at all times.

Making mature oil and gas fields more sustainable is core for our business, and for this we aim to implement the best practices and technologies, to use innovative and cutting-edge techniques and solutions, and raise the sustainability bar higher for those in our business sector.

Though the pressure for a rapid transition to cleaner energy sources is building up, a major share of the global energy demand is still supplied today for the years to come from conventional sources, especially oil and gas as expected by the International Energy Agency in their New Policies Scenario. Considering all

these trends, we constantly look for and implement projects that have a significant contribution in increasing the energy efficiency of our processes and reduce our GHG emissions. In 2018 it was difficult to reach the assumed reduction target due to a significant increase in gas production which created higher pressure in an old and corroded gas pipeline system and therefore higher number of leaks. We have invested heavily in 2018 and 2019 to fix and replace part of this pipeline. Therefore for 2019 we have committed to a stretching goal (10% decrease of our GHG emission intensity) so as to compensate for this and reach an overall contribution in GHG emission intensity reduction for this 2-year period of 15%. Major spills or environmental non-compliance incidents have not occurred during 2018, and we have managed to reduce significantly our freshwater withdrawal.

Expert Petroleum has an important number of employees, most of them engaged from the local communities in which we operate (Timiș and Țicleni), and our company takes all measures to ensure that it provides them a supportive work environment that empowers wellbeing and professional development, but foremost important safe working conditions and fair treatment. The overall impact we have at community level is positive, considering that our operations are conducted in areas with strong

WE CONTINUED TO BE THE LEADING COMPANY FOR PRODUCTION ENHANCEMENT SERVICES FOR MATURE FIELDS IN ROMANIA, AND FOR THE NEXT PERIOD WE PLAN TO GROW OUR BUSINESS BY ENTERING ON NEW MARKETS SUCH AS UKRAINE AND INDIA.

tradition in oil & gas exploration and production, thus managing to ensure the job security for those previously working on these sites, that would have otherwise needed to make a professional reconversion. And if the marketplace in Timiș is quite dynamic and rich in job opportunities, this is not the case for Țicleni. Last, but not least, through the local taxes paid we contribute to the infrastructure development in the communities in which we run our activities and support our suppliers (sub-contractors) in developing their business by building long-lasting relations and continuously contracting their services and buying their products. Furthermore, we strive to motivate each one of them to adhere to our health, safety and security programs, and work together with our employees to raise awareness on these topics among the supplier's personnel working on our sites to reach one of our most important goals: zero safety incidents. In 2018, we have managed to have zero fatalities and injuries, which is the performance we want to have year by year.

We continued to be the leading company for production enhancement services for mature fields in Romania, and for the next period we plan to grow our business by entering on new markets such as Ukraine and India. Irrespective of the challenges we might face, we shall conduct our business diligently, risk aware and with high regard for ethical and human rights issues. Bribery or corruption, compulsory labour, discrimination of any kind is not acceptable within our organization and we also take all measures to ensure such practices do not exist among our suppliers, and we have systems in place to report such irregularities. I invite you to read more about this in the introductory part of this publication.

This report on what has been an intensive period reveals how sustainability is underpinned in our business strategy, and our current efforts in this area. We are committed to progressively improving our sustainability performance and the reporting process, hoping that our stakeholders will support us in the years to come with their valuable insights, and that our example will inspire other companies to follow this path towards higher responsibility, accountability, transparency and integrity.

I hope you enjoy reading this publication, which aims to provide a comprehensive and balanced image of our performance and the future outlook.

Kind regards,
David MARTINON / CEO





Expert Petroleum has shown itself to be a responsible company and prepared a sustainability report on its activity in 2018 to enhance transparency and provide its stakeholders with meaningful information so as to meet their reasonable expectation related to our sustainability performance. This is the second consecutive year that we decided to voluntarily disclose to our stakeholders the impact our activity has on the local and national economy, society and on the environment. While our first report in 2017 included only one of our operation sites, we have now extended the reporting boundaries to cover all our Romanian operations in 2018.

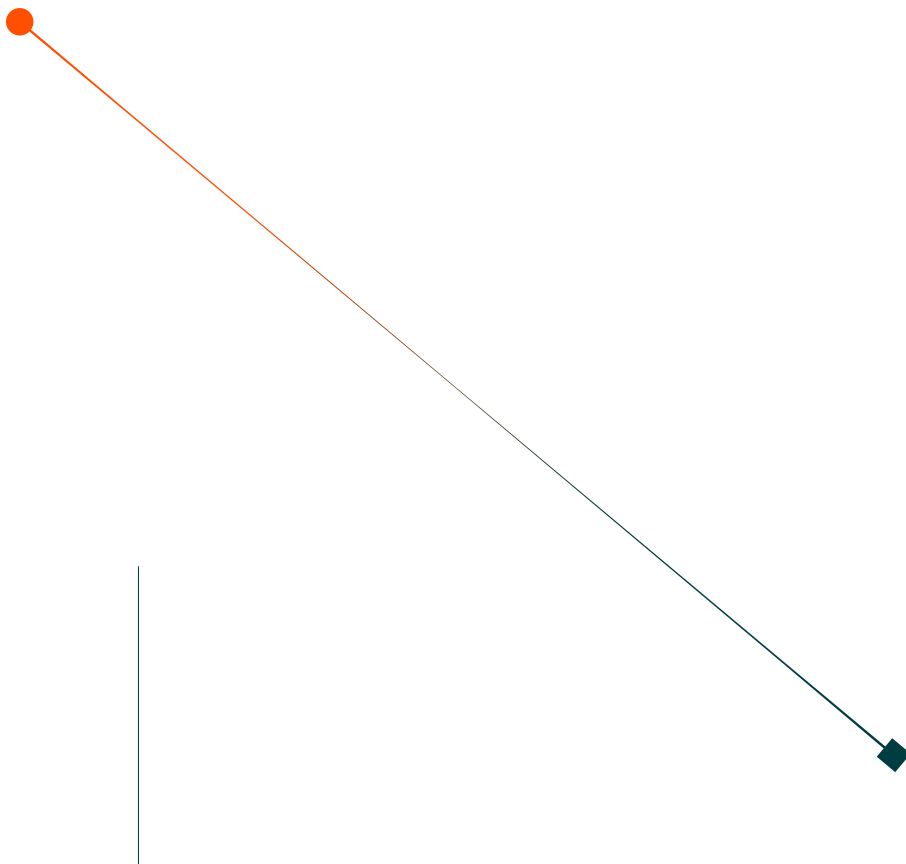




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ORGANIZATION

ABOUT US

Expert Petroleum represents a group of companies headquartered in Bucharest, Romania and the holding function managed in Luxembourg, whose main activity is enhancing mature Oil & Gas fields to make them safer, greener, more productive and more profitable for a longer time.

Our technical capabilities and expertise are focused on fit for purpose technologies and processes for old wells and mature Oil & Gas fields' rehabilitation.

(102-1, 102-2, 102-3 – Organizational profile)



Our main operations are based in the west and southwest of Romania, in Timiș and Țicleni areas. In Timiș we operate on behalf of OMV Petrom based on a Production Enhancement Services Contract ("PEC") for a period of 15 years starting 2013, and in Țicleni area we took over Petrofac's operations at the end of 2016, thus we are operating there another PEC until 2025.

(102-4, 102-6 – Organizational profile)

Expert Petroleum (herein after referred to as "XP" or "the Company") is part of the GMS Holdings group and is owned by Expert Petroleum SPV SARL, a company based in Luxembourg. This connection helps consolidate all the international subsidiaries and is the place where the board take its decision. Our management team is headquartered in Bucharest, Romania, enabling thus effective communication, active involvement and commitment towards the rapid adoption and implementation of potential updates related to XP corporate governance framework. We have a very long-term view on the business and we take great care to ensure our operations benefit the local community around us.

(102-5 – Organizational profile)

Compared with the information provided within our previous report, significant changes regarding organization's structure and ownership have not occurred.

(102-10 – Organizational profile)

2018 in numbers

(102-7 - Organizational profile)

955



Full time employees

25



No. of Oil and Gas Fields
Operated

5808



Boe/d yearly average
operated

62,939,385 USD

40,823,622 USD

10,703,369 USD

30,120,253 USD

Net Sales

Total Capitalization

Debt

Equity

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XP OPERATIONS PEC OMV ROMANIA

In Timiș we operate on behalf of OMV Petrom based on a Production Enhancement Services Contract ("PEC") for a period of 15 years starting 2013, and in Țicleni area we took over Petrofac's operations at the end of 2016, thus we are operating there another PEC until 2025.



GOVERNANCE

The management of XP is split onto two levels: the Board of Directors, based in Luxembourg, and Management Team in Romania. More information regarding our top management is available on the company's [website](#).

(102-18 – Governance structure)

The Board of Directors (“BOD”) reviews and approves Company’s strategy, annual operational and financial plans. It also monitors management execution against established budgets, as well as alignment with strategic objectives of XP.

BOD also set the ethical tenor for the Company, while management adopts and implements policies and procedures designed to promote both legal compliance and appropriate corporate standards envisaging honesty, integrity and ethics throughout the organization. They have a 360° overview of and appropriately monitor the company’s strategic, operational, financial, compliance and risk landscape and actively collaborate with XP’s management in setting risk boundaries and alignment with the adopted strategic priorities.

Also, BOD regulates the corporate environment, ensuring timely-released financial statements, and provision of accurate data and documents for our shareholders so as to enable them to take informed decisions. The Board is formed of five directors, out of which four are shareholders representatives and one is an independent director. Support to the Board activities is also provided by three non-executives. Board meetings are held at least twice a year and furthermore all members are provided a detailed management report monthly.

BOD provides the management with valuable and consistent advice regarding the development of strategic priorities and plans that align with the mission of the organization and the best interests of key stakeholders, priorities that have an appropriate short, mid and long-term focus. The directors also actively monitor management’s execution of approved strategic plans, as well as the transparency and adequacy of internal and external communication of strategic plans.

XP prepares and presents all financial statements and reporting in accordance with IFRS (International Financial Reporting Standards), and our financial statements are audited in accordance with International Standards on Auditing. Furthermore, we have set up an internal audit function. XP complies with all disclosure requirements under applicable law, regulations and listing rules (fair disclosure). Shareholders are provided with information and documentation upon their request and as specified by applicable law.



SUPPLY CHAIN

The Supply Chain Management (SCM) department continues to be an integral part of XP's corporate performance and it is given increased attention by our senior management.

During the reporting period continuous improvement driven by leadership, integrity, innovation and teamwork in SCM practices have been made in accordance with XP's policies.

Given that SCM's ultimate goal is providing materials and services to beneficiaries complying at the same time with certain requirements, it is important that all players involved in these processes smoothly work together and deliver wholesome products and services. Also, it is essential to engage experienced members able to fully identify potential unexpected situations, which can easily occur in Oil & Gas industry, mitigate these whenever possible or take the appropriate measures to overcome these milestones.

(102-9 - Organizational profile)

Expert Petroleum has a designated department whose main purpose is to fulfil internal and external needs in term of procurement, inventory management, warehouse, logistics and commercial aspects. This system is implemented and applied at both Company's locations of operation (Timiş and Țicleni).

During 2018, Expert Petroleum has placed emphasis on its Supply Chain Management team to fulfil the ever-growing need for receiving the best materials and services, as well as delivering quality products to internal and external beneficiaries.

Our SCM department is designed to enable continuous improvement of our activities, and it operates based on the 5 S principle: Sort, Straighten, Shine, Standardize, and Sustain. This entails sustained optimization of our SCM processes to address the dynamic changes of our

THE LOCAL EXPENDITURES FOR GOODS AND SERVICES IN 2018 AMOUNTED OVER \$26.8 MM COMPARED WITH \$25 MM IN 2017



organization's needs. Among others, this department aims to reduce the total cost of materials and services while increasing quality and service. This can be achieved by optimizing our internal and external supply chain, as well as by raising awareness within the organization regarding the "Total Cost of Ownership". For this, all potential suppliers are subject to an audit process conducted by the XP team prior to signing a contract or agreement. The audit's scope is to assess the level of compliance with the company's policies and internal regulation, which are designed so as to consider environmental and social aspects. Providers will only be selected if they deliver quality products and services that meet our criteria.

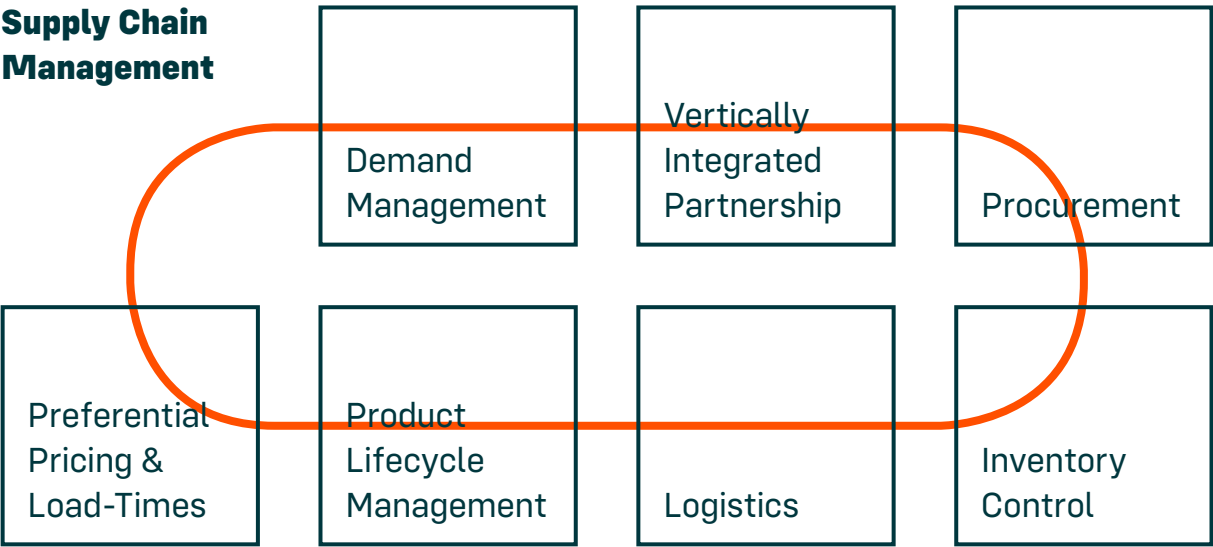
While all efforts being made by SCM department are aimed at delivering quality and timely services, the management provides them support by actively engaging in internal and external supply chain optimization. Saving opportunities and initiatives are also considered, as the "low hanging fruit" concept is still applied, but aspects such as building and consolidating the credibility to the work our teams perform, as well as building a framework to enhance the long term support that our Operation department is given are of high importance for XP. The management also carries out initiatives focused on creating a transparent, strong and long-term business

relation with the suppliers of XP, with the purpose of strengthening of our risk management processes, as well as ensuring that no disruptions in our supply chain arise nor that several dynamics such as price, orders, deliveries variations are not flattened to an acceptable level.

During 2018 significant changes regarding our supply chain have not intervened. For both of our operation sites, the local expenditures for goods and services in 2018 amounted over \$26.8 mm compared with \$25 mm in 2017. During 2018 we have cooperated with 345 suppliers all over Romania (336 local suppliers in 2017) and took appropriate measures to ensure making sure all parties are observant of XP policies and adhere to the 5 S principle: Sort – Straighten – Shine – Standardize – Sustain. We have increased our portfolio by 9 new suppliers of materials and services and we are in a continuous market search to identify the best 'quality and cost effective' solutions for XP. With the support of our colleagues from the Operational departments, we have introduced new equipment (such as hydraulic submersible pumps???, new chemicals for oil treatment and flow assurance) with increased efficiency, being thus able to optimize the production processes and cut down our energy consumption.

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Supply Chain Management



MANAGEMENT APPROACH, POLICIES AND STANDARDS

Expert Petroleum engages a significant number of employees and other workers are also used to perform certain activities, and thus our company takes all measures to ensure that a supportive working environment is built at all levels, irrespective of geography, role within or outside the organization, focusing strongly on ensuring safe working conditions and fair treatment for all.

OUR COMPANY IS COMMITTED TO ENSURING THE SECURITY AND PROTECTION OF THE PERSONAL INFORMATION THAT WE PROCESS, AND TO PROVIDE A COMPLIANT AND CONSISTENT APPROACH TO DATA PROTECTION. WE HAVE IN PLACE A ROBUST AND EFFECTIVE DATA PROTECTION PROGRAM WHICH COMPLIES WITH EXISTING LAW AND ABIDES BY THE DATA PROTECTION PRINCIPLES.

Within our operations we have implemented a comprehensive and well-structured Management System based on specific methodologies and instruments (IOGP Guidelines - International Association of Oil & Gas Producers, Integrated Management System certified against the requirements of the Standards 14001: 2015 and 50001:2008 issued by the International Organization for Standardization - ISO, etc.), allowing us to improve our performance and also to place emphasis on occupational safety, risk management, emergency awareness and environmental performance, alongside a strong focus on process safety.

Beyond having implemented this Management System in line with the requirements of the ISO Standard for Environmental Management Systems (ISO 14001:2015), XP also uses an Environmental Risk Assessment Methodology based on which risk assessments are performed in 100% of our working points to ensure we prevent and mitigate the potential environmental damage that we might generate.

[\(102-11 - Organizational profile\)](#)

Expert Petroleum has zero tolerance for corruption and bribery issues and has implemented a thorough Code of Business ethics that structures in a concise manner clear guidance for the way we do business, emphasising matters that we all should be observant of for maintaining a high level of integrity and business ethics, at both individual and organizational level.



As a step forward, we have conducted a high-level overview of the potential corruption and bribery issues that might arise at each level within our organization, focusing especially on identifying and mapping the many forms such practices might take. This was a long process that was endorsed by our management members, who have also been actively involved in drafting our first policy regarding anti-corruption and bribery. The initial deadline for releasing and communicating regarding this policy was postponed because it was considered that adequate training programs, comprising modules distinctively tailored for each employee category within and outside our organization, as well as determining key factors and measures to enable a good control environment related to these issues, as to be able to ensure the overall effectiveness of this policy, have to be prepared to be submitted for BOD approval as well. Thus, we expect to only be able to roll out this comprehensive pack addressing anti-corruption and bribery matters.

Meanwhile, during 2018 we have continued to communicate on these topics with our employees through e-mails sent to all our staff, and with the representatives of our suppliers during one on one meetings.

(102-16 – Ethics & integrity, 205-2 - Anticorruption)

XP had already implemented several internal procedures and regulations dealing with various aspects in the social area, which detail operational processes such as staff recruitment, training, and enforce the ground rules regarding employee rights and obligations, work conduct and other relevant aspects related to work environment. Furthermore, the Internal Regulation and the Collective Bargaining Agreement (CBA) we apply company-wide are developed in accordance with the applicable national legislation in force and are updated whenever new regulatory provisions come into force. The purpose of designing and implementing these documents was to create a work environment focused on equal opportunities and mutual respect, as well as promoting transparency, and empowering all our employees to communicate honestly without fear of reprisal. All XP employees, suppliers and partners as well as those working in the ventures that we operate are expected

to understand and work according to the principles set out in the Internal Regulation document, which are aligned to those of the company. We also encourage our suppliers and our partners in ventures that we operate to apply equivalent principles and managed to have almost all our main suppliers adhering to this initiative.

Being a responsible organization, Expert Petroleum is concerned with the wellbeing of its employees and has taken all necessary measures to protect their health and safety, including the prevention and mitigation of professional risks. We are pleased that our employees comply with these measures and are continuously encouraged to inform the management of any proposal for further improvement they might deem as necessary.

Our Company is committed to ensuring the security and protection of the personal information that we process, and to provide a compliant and consistent approach to data protection. We have in place a robust and effective data protection program which complies with existing law and abides by the data protection principles. Expert Petroleum is dedicated to safeguarding the personal information under our remit and to developing a data protection management system which is effective, fit for purpose and demonstrates an in-depth knowledge and understanding of the new GDPR requirements. Our preparation and actions for GDPR compliance include the development and implementation of new data protection roles, policies, procedures, controls and measures to ensure maximum and ongoing compliance.

MEMBERSHIP OF ASSOCIATIONS AND EXTERNAL INITIATIVES

Expert Petroleum is one of the founding members of ROPEPCA – Romanian Petroleum Exploration and Production Companies Association.

The members of this professional association hold most of the petroleum concession agreements for the onshore development and production blocks in Romania.

The members of this professional association hold most of the petroleum concession agreements for the onshore development and production blocks in Romania. For the period November 2018-November 2019, one of the members of the Directors Committee is Expert Petroleum's COO, Mr. Michel Louboutin.

(102-13 – Membership of associations)

XP does not have a binding obligation to adhere to certain initiatives such as economic, environmental and social charters, and it is not yet involved in such initiatives. However, it endorses the mission of the Chartered Institute of Personnel and Development (CIPD) which is focused on human resource management professionals, and our HR team attends the meetings and other events organized through CIPD.

(102-12 – External initiatives)







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SUSTAINABILITY
IN A NUTSHELL

STAKEHOLDERS ENGAGEMENT

Starting 2017, the year of releasing our first Sustainability Report, Expert Petroleum has made a priority to maintain communication and continuously engage with its stakeholders.

WE HAVE DEVELOPED A YEARLY CONSULTATION PROGRAM THAT WILL BE THE BASIS FOR OUR FUTURE SUSTAINABILITY REPORT DEVELOPMENT PROCESS.

The last consultation for establishing material topics resulted in a tremendous pool of new ideas and helped us form a bigger picture regarding the way our activity is viewed and understood by our clients, employees and business partners.

We plan to constantly seek feedback from our key stakeholders with respect to our sustainability approach performance and impact and so, we have developed a yearly consultation program that will be the basis for our future sustainability report development process.

(102-43 – Stakeholder engagement)

For defining the content of this year's report, we continued the dialogue with our stakeholders whom we prioritized by relevance and by the impact they have on our company or the way they are impacted by our activity. Taking into consideration that this year's sustainability report covers our operations in Țicleni as well as Timiș, the number of stakeholders engaged has doubled, though the main categories have not changed. We interviewed many representatives from local authorities, suppliers, clients, members of the academic environment, professional associations and last but not least XP local management teams, employees and top management. To achieve this, the consultation process was carried out over a period of three months at the end of which we gathered valuable information.

(102-40, 102-42 – Stakeholder engagement)



APPROACH TO REPORTING

The report's content has been defined by taking into consideration the feedback received from our stakeholders, the reporting principles of GRI standards while also applying reporting best practices.

XP HAS DEVELOPED AND BENEFITS OF A GOOD INTERNAL CONTROL ENVIRONMENT, WHICH IS SUPPORTED BY BOTH OUR MANAGEMENT AND OUR INTERNAL AUDIT TEAM, THUS WE HAD REACHED AN APPROPRIATE LEVEL OF CREDIBILITY REGARDING OUR DATA PREPARED FOR VARIOUS INTERNAL PURPOSES OR EXTERNAL REPORTS SUCH AS THIS PUBLICATION.

All topics considered relevant are covered within this sustainability report and for each one the boundary has been set so as to cover all operations of Expert Petroleum and where applicable include the value chain of the organization.

(102-46 - Reporting practice)

The entire report refers to the activity of the legal entities Expert Petroleum SRL for the operations in Timiș area and Expert Petroleum Solutions SRL for Țicleni operations. In within this report, "significant location of operation" will be considered Țicleni area and Timiș County.

(102-45 - Reporting practice)

This year's report covers the calendar year 2018 (1st January – 31st December). For comparability purposes and to enable performance trend analysis, the data related to the year 2017 are also presented for the performance indicators. If considered relevant, events which occurred in 2017 that had impact on Company's activity and sustainability performance in 2018 are also included in the report. We intend to continue our sustainability reporting on an annual basis, so our future report will cover our performance in 2019.

(102-50, 102-52 - Reporting practice)

This is the second sustainability report prepared by Expert Petroleum in accordance with GRI Standards – Core Option. We haven't identified as necessary any restatements of previously disclosed information and no significant changes in the process can be reported for the moment. We aim to maintain a robust system in place for data monitoring so as to provide accurate information and, if the case, to disclose any change that might impact the reliability of the information included in our reports.

(102-48, 102-49, 102-51, 102-54 - Reporting practice)



XP has developed and benefits of a good internal control environment, which is supported by both our management and our internal audit team, thus we had reached an appropriate level of credibility regarding our data prepared for various internal purposes or external reports such as this publication. Moreover, we have been subject to audits conducted by OMV Petrom in various areas such as environmental protection, process safety, employee's health and safety, topics that are covered by this publication. However, for the future reporting cycles we shall give careful consideration to the external assurance option, depending also on the time constraints and availability of resources.

We are determined to continuously improve our reporting practices and we would appreciate your feedback on this report, so we encourage you to share your opinions regarding this publication or any other sustainability related aspect of our activity at info@expertpetroleum.ro.com.

(102-53 - Reporting practice)

We have been subject to audits conducted by OMV Petrom in various areas such as environmental protection, process safety, employee's health and safety.

MATERIAL TOPICS

Consistent with GRI standards materiality guidance, we identified and prioritized issues which are important to our engaged stakeholders in order to develop the content of our sustainability report.

Using the feedback from external stakeholder groups, as well as internal stakeholders, surveying industry peers and benchmarking best practices in the field, we determined the influence of certain topics on stakeholders' decision, as well as the significance of their economic, environmental and social impacts.

(102-44 – Stakeholder engagement)

For the identification of a first list of material topics, we developed a comparative analysis based on specific standards and methodologies such as: GRI Standards, GRI G4 Oil & Gas sector disclosures, IPIECA's Oil & Gas industry guidance on voluntary sustainability reporting as well as other sustainability reports from other companies with similar activity in Oil & Gas industry. The list of material topics has been analysed by our employees in order to establish the risks and opportunities associated with the material topics identified. Following this analysis, we prioritized the material topics based on the responses to a questionnaire delivered to our stakeholders. At the end of this process, we were able to gain a view the most important topics for our company, that are likely to have the highest impact on the national economy, communities and the environment following the methodology previously described.

THE LIST OF MATERIAL TOPICS HAS BEEN ANALYSED BY OUR EMPLOYEES IN ORDER TO ESTABLISH THE RISKS AND OPPORTUNITIES ASSOCIATED WITH THE MATERIAL TOPICS IDENTIFIED.

Compared to the previous report, we have identified several topics highlighted below that weren't included in 2017 report but are addressed to the extent possible within this publication. Where data is not available at the moment of issuing this publication, we shall start collecting the necessary information and in our future reports we will include data about additional topics identified.

The material topics presented below were the basis for defining the qualitative and quantitative data to be included in the current sustainability report and these are divided into 3 main areas: Economic, Environmental and Social.

(102-46, 102-47 – Reporting practice)



ECONOMIC TOPICS	ENVIRONMENTAL TOPICS	SOCIAL TOPICS
Economic performance	GHG emissions	Occupational Health and Safety
Market presence	Soil contamination	Emergency preparedness
	Energy consumption/energy efficiency	Non-discrimination Asset Integrity, Process Safety and Risk Management
	Compliance with environmental regulations	Ethics, anti-corruption practices
	Water management	Security practices
		Training and education



Compared to our previous report, this year we have identified 3 new material topics that address mainly social matters:

- Asset Integrity and process Safety. Risk Management
- Security Practices
- Training and Education

Given national context regarding waste management infrastructure and practices, we consider that it is the responsibility of each company to drive change by enforcing within their organizations effective waste management systems.

While new topics have been introduced, 3 topics we have addressed last year have been demoted:

- Waste management
- Practices in the labour field
- Compliance with socio-economic legislation

We believe that the main reason related to the changes in materiality of certain topics is driven by the larger number of responses received from our stakeholders, as well as the addition of information from the Țicleni operations.

Nevertheless, beyond the identified material topics for 2018, XP management considered important to also include the aspects regarding waste management, labor practices and regulatory compliance with the applicable provisions regarding the economic and social framework, first of all for comparability purposes and because it is important to be knowledgeable of the impact we have. Furthermore, given national context regarding waste management infrastructure and practices, we consider that it is the responsibility of each company to drive change by enforcing within their organizations effective waste management systems. Also, based on the latest trends regarding the active population available at national level, the availability of experienced professionals in some counties, especially those with technical capabilities in a narrow sector which could also be the case for the Oil & Gas Industry, our vision was that it is important to also provide information regarding these topics that might have a higher social impact in the following years.



ECONOMIC PERFORMANCE

There is confidence placed in Expert Petroleum by investors, clients, regulators, thus our goal is to be a trusted company in our profession.

We hold ourselves accountable to the markets we serve and our stakeholders as we do not take this entrustment for granted.



XP works closely with an extensive range of clients and suppliers and we continued to put our best efforts to continue to be an organization which is forward looking and well positioned to support its clients in navigating the changing landscape, anticipating their needs at every step of the way, and generate value in the society.

We want to remain a successful organization, but we want our success to return increasing value to our stakeholders. That way, profit will always be something rightfully earned because of the value we create for society, and not an end. Thus, giving back to communities through taxes, salaries, payments to suppliers are paramount for the way we do business.

Expert Petroleum continued to be in 2018 the leading company for production enhancement services for mature fields in Romania. Our main operations are based in the west and south-west of Romania, but we are looking at expanding our presence internationally.

During the next period, we will continue to work diligently to ensure our business targets are met, and plan to grow our business by entering on new markets such as Ukraine and India. Thus, we also expect to expand our payments for taxes, salaries, subcontractor services and our investment in communities, contributing thus at the sustainable development of the areas in which we operate and not only.

During 2018, Expert Petroleum has invested in Romania 22,055 million USD, enhancing the mature oil and gas fields in Timiș and Țicleni (out of which 2,865 million USD in Capex remunerated at cost by OMV Petrom). We have generated a profit of 14,727 million USD, which is 76.6% higher than the one in 2017 (8,254 million USD; investment of 21,489 million USD out of which 11,983 million in Capex remunerated at cost by OMV Petrom). The increase in key investments XP performed in 2018 (excluding Capex remunerated at cost by OMV Petrom) enabled our company to reach higher production levels and therefore generate increased revenues and profit.

Non-compliances with laws and regulations in the economic area have not been registered during the reporting period.

(201-1, 103-2, 103-3 – Economic performance)

Expert Petroleum continued to be in 2018 the leading company for production enhancement services for mature fields in Romania. Our main operations are based in the west and south-west of Romania, but we are looking at expanding our presence internationally.

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Economic Performance ¹

	2017	2018
	USD	USD
Profit before tax from continuing operations	8,798,554	15,538,813
Sales*	59,994,759	62,939,385
Direct economic value generated (DEVG)**	60,289,379	63,144,940
Economic Value Distributed (EVD) ***	34,722,856	38,387,727
Economic Value Retained	25,566,523	24,757,213

¹ Data presented according to the Financial Statements IFRS (International Financial Reporting Standards) audited.

*SALES = revenues from production enhancement services

**DEVG = net sales and other operating income from continuing operations

***EVD = value distributed to stakeholders (suppliers, government, capital providers, employees, shareholder, society)

ENVIRONMENTAL PERFORMANCE

During 2018 we have maintained our focus to make the fields we operate cleaner as part of our core capabilities and are committed to maintain the highest environmental standards.

XP aims to maintain and continuously improve the environmental management system implemented and certified in accordance with ISO 14001 standard and the energy management system, developed in compliance with ISO 50001. Audits performed for ISO 14001 (environmental management) and ISO 50001 (energy management) resulted in positive evaluations and continuance of our certification in these areas.

Also, for a better understanding of the processes and in order to have a better control over our activity, we have an action plan that helps us increase energy efficiency and reduce GHG (Greenhouse Gas) emissions, hydrocarbon spills, freshwater withdrawal intensity and waste generation.

The monitoring and reporting of environmental KPIs is internally standardized and done monthly allowing us to accurately track large variations and timely identify appropriate measures to support our efforts to reach progress regarding our environmental performance.

(102-11 – Precautionary principle or approach)

**We have
achieved 11%
reduction
in Energy
Intensity in
2018.**





For 2018, we identified our highlights and lowlights regarding XP's environmental performance.

Visual representation of the tables below

Highlights	Lowlights
No major spills*	Increased number of minor and medium** spills
Zero environmental non-compliance cases	Flared & Vented Gas above target – due to the increased number of spills
Development of “Pipeline Integrity Risk Map” – identified high risk points	
GHG Intensity reduction of 0.3% in Timiș	
Good results regarding freshwater withdrawal intensity (1.12m ³ /toe ² compared with 1.55 m ³ /toe in 2017)	

²toe – tons of oil equivalent

*Releases to the atmosphere >100 kg gas and spills to land and water > 10,000 litres are Level 3 incidents or major incidents. A Level 2 (Medium) size incident which affects outside company premises and with a third party compensation paid (greater than 2.5k Euro) is also considered a Level 3 incident.

**Releases to the atmosphere <100 kg gas and spills to land and water that are more than 50 litres are considered Level 2 incidents or medium incidents.

A minor environmental incident presents no immediate threat or limited harm to environment, requiring minor corrective action. It can be dealt with or contained and cleaned up by onsite personnel.

Releases to the atmosphere < 25 Kg gas and spills to land and water that are less than 50 litres are considered Level 1 incidents or minor incidents.

2018 Priorities	2018 Performance	2019 Priorities
No significant environmental regulatory breaches	We had no environmental regulatory breaches, and all records have been maintained according to the regulations and internal policies in force	Keep a clean record regarding environmental regulatory breaches
Reduce GHG emissions intensity by 5%	Although we didn't manage to reach the goal set for 2018, we achieved a reduction of 0.3% in GHG emissions (Timiș)	Reduce GHG emissions intensity by 10%
Reduce energy intensity coefficient by 10%	We have achieved 11% reduction in Energy Intensity in 2018	Reach a 5 % reduction of the energy intensity coefficient
Maintain total waste intensity	The amount of waste eliminated during 2018 vs 2017, increased by 15% due to oil tanks clean-up, required by maintenance activities	Reduce waste generation by 10% compared with 2018
No serious or major spills and reduce minor and medium spills intensity by 10%	There were no major spills recorded, but the number of minor and medium spills has increased by 70% compared with 2017	Reduce spills intensity (spills/boe ³) by 5%
Reduce fresh water intensity by 5%	In 2018 we had good results regarding freshwater withdrawal intensity, which had decreased from 1.55 to 1.12 m ³ /toe	Maintain a decreasing trend regarding freshwater withdrawal intensity
Flaring and Venting	Flared and Vented Gas intensity has been above the 2018 target, but we are striving to continuously decrease the number of leaks	Reduce Flared & Vented gas by 5%

³boe – barrels of oil equivalent

COMPLIANCE WITH ENVIRONMENTAL LAWS

At Expert Petroleum we act to improve operations and emphasis proactive work towards minimizing our environmental impact, as well as to reduce spills risk and thus mitigate environmental damage. We are focused on maintaining compliance with Romanian environmental laws and regulatory requirements in force across all operations.



Our personnel ensure that their activities always comply with the regulatory environmental requirements and that are aligned with OMV Petrom's environmental management requirements. Although the number of spills had increased compared with 2017, we had appropriate intervention plans in place and our employees had managed to quickly remedy these situations, as well as to inform the environmental authorities in due time. As such, in 2018 we had zero environmental regulatory breaches.

During 2018 we had 27 inspections performed by the environmental authorities at our locations of operation and no non-compliance has been identified. Also, penalties regarding environmental issues were not applied to XP during the reporting period.

(307-1, 103-2, 103-3 – Environmental compliance)

In 2018 we had zero environmental regulatory breaches.

GREENHOUSE GAS MANAGEMENT

Climate change is one of the most complex issues each one of us is facing and we fully experience its effects. It is likely that climate change risks will significantly impact our business, the welfare and well-being of people within the communities in which we operate.

We look at climate change as one key risk therefore we take full responsibility for accounting and reducing our GHG emissions by seeking opportunities to improve our business operations and implementing new technologies.

(103-2, 103-3 - Direct GHG emissions, GHG emissions intensity)



For instance, optimizing our energy consumption will not only reduce our operational costs, but will also reduce our GHG emissions and the impact we have on climate change. Energy accounts for a significant share of our operational costs as we operate in an energy-intensive industry.

Since the main contributors to our GHG emission levels are methane leakages, non-routine flaring and energy consumption, we aim to reduce the impact of these three contributors.

Although we have benefited from our investments made throughout the years since we took over the PEC Timiș and Țicleni operations, in 2018, our overall GHG emissions have increased by 17% reaching a value of 89,576 t CO₂ eq., caused by a significant increase in gas production in Timiș. The production increase in Timiș entailed many leaks due to the outdated pipeline system. We took however immediate action by replacing sections of pipelines and by rerouting our producing wells in that area and therefore we expect consistent reduction of gas leaks in the year to come.

The overall GHG intensity (tCO₂ eq/ toe) in our operations increased by 8% in 2018, therefore we engage to put all efforts in 2019 for achieving a reduction in GHG intensity by at least 10%.

In Timiș, we succeeded to reach a 0.3% reduction for GHG intensity even we had an increase in production of 8% compared to 2017. This was accomplished mainly due to optimizations made regarding the operation of compressors and boiler, as well as due to the fast response in spills detection and repair.

The data presented covers the direct GHG emissions (Scope 1) and includes all GHG gases that we generate: carbon dioxide (CO₂), nitrous oxide (N₂O) and methane (CH₄). In order to ensure the consistency of the reported data series and in particular to ensure an adequate level of comparability, the GWPs (Global Warming Potential) used for calculation are those indicated in The Fifth Assessment Report (AR5) of the United Nations Intergovernmental Panel on Climate Change - IPCC:

GHG Emissions Scope 1 [t CO₂ eq.] (305-1 Direct GHG emissions)

	2017	2018
PEC Timiș	57,882	69,046
PEC Țicleni	18,576	20,530
Total GHG emissions	76,458	89,576

GHG Intensity [t CO₂ eq./ toe] (305-4, GHG emissions intensity)

	2017	2018
PEC Timiș	0.535	0.534
PEC Țicleni	0.101	0.110
Total GHG intensity	0.262	0.284

GWPs values related to CO₂

CO₂	1
CH₄	25
N₂O	298

SOIL CONTAMINA- TION

In the Oil & Gas Industry, upstream and downstream activities, including transportation of oil using pipelines, road tankers and railcars, pose a considerable risk of accidental spills of oil or other materials that can pollute water, contaminate soil, harm species and affect livelihoods.



AT BOTH OUR LOCATIONS BUT ESPECIALLY IN TIMIȘ, SPILLS INCIDENTS HAVE BEEN CONSIDERABLY HIGHER IN 2018 COMPARED TO 2017 DUE TO THE INCREASE OF GAS PRODUCTION IN THE LOVRIN AREA BUT MOSTLY BECAUSE OF HIGHLY CORRODED PIPELINE SEGMENTS IN PARTOȘ - FOENI AREA (GAS DISTRIBUTION NETWORK).

We have procedures in place to minimize, respond to, and control the environmental impact of uncontained spills on Expert Petroleum's worksites and at some third-party controlled worksites.

We succeed in keeping a clean record regarding the incidents where spills were greater than one barrel (equivalent to 159 litres), but we registered an increase in the number medium incidents in 2018 compared to 2017. A medium environmental incident presents limited harm to the environment though it could result in damage to an important resource. It requires urgent corrective action and general resources from on and/or off-site trained personnel for correction, is reversible, and poses no danger to the public.

At both our locations but especially in Timiș, spills incidents have been considerably higher in 2018 compared to 2017 due to the increase of gas production in the Lovrin area but mostly because of highly corroded pipeline segments in Partoș - Foeni area (gas distribution network). We managed these spills by replacing more than 6 km of pipeline in Lovrin - Satchinez line, and we plan to further enhance our efforts and identify potential financing sources to upgrade parts of our current infrastructure and even implement technologies for quick spill identification and fast repair systems.

(306-3, 103-2, 103-3 - Significant spills)

For each spill, the environmental authorities were notified in less than 24 hours, consequently no environmental regulatory breach was registered, and no penalty has been imposed by the authorities, as they considered that we managed the incidents properly.

(307-1, 103-2, 103-3 Non-compliance with environmental laws and regulations)

Number of spills			
		2017	2018
PEC Timiş	Medium incident	260	553
	Minor incident	25	6
PEC Ţicleni	Medium incident	6	26
	Minor incident	130	132

Number of spills			
		2017	2018
Total number of spills, per type of incident	Medium incident	266	579
	Minor incident	155	138
	Total	421	717



ENERGY INTENSITY

Energy is undoubtedly one of the most important commodities for assessing the performance and efficiency of our activity. Oil and Gas industry is an energy-intensive industry and therefore finding ways to improve energy efficiency for better performance is a necessity. We are continuously looking for the best solutions to bring energy savings through improved process efficiency and conservation, as energy has a centre role to play reconciling our goals for development and environment protection.

(103-2, 103-3 – Energy consumption)



Overall, our Energy Consumption has Increased in 2018 by 2% compared to 2017 but our Energy Intensity (amount of Energy consumed/ Amount produced) was reduced by 11% to reach 11.79% as our overall production increased in 2018.

The total energy consumption (electrical energy, vehicle fuel and natural gas) of the organization:

ENERGY CONSUMPTION [GJ] - Timiș (302-1 Energy consumption)

	2017	2018
Electricity	97,344.59	106,707.78
Natural Gas	368,132.12	324,754.09
Liquefied Petroleum Gas	30.29	16.31
Petrol/ Gasoline (vehicle fuel)	341.48	311.75
Diesel (vehicle fuel)	10,179.98	11,704.44
Total energy consumption	476,028.46	443,494.37

ENERGY CONSUMPTION [GJ] – Ticleni (302-1 Energy consumption)

	2017	2018
Electricity	98,743.14	83,317.27
Natural Gas	267,459.78	325,631.71
Liquefied Petroleum Gas	-	-
Petrol/ Gasoline (vehicle fuel)	229.49	214.36
Diesel (vehicle fuel)	15,603.04	17,285.78
Total energy consumption	382,035.45	426,449.11

Overall, our Energy Consumption has Increased in 2018 by 2% compared to 2017 but our Energy Intensity (amount of Energy consumed/ Amount produced) was reduced by 11% to reach 11.79% as our overall production increased in 2018.

OVERALL ENERGY CONSUMPTION [GJ] (302-1 Energy consumption)

	2017	2018
Electricity	196,087.73	190,025.04
Natural Gas	635,591.89	650,385.80
Liquefied Petroleum Gas	30.29	16.31
Petrol/ Gasoline (vehicle fuel)	570.97	526.10
Diesel (vehicle fuel)	25,783.02	28,990.22
Total energy consumption	858,063.91	869,943.48

To compile the data regarding energy consumption, the following conversions factors were applied:

Values of the conversion factors used		
Electricity	1 kWh	3.6 MJ
Natural Gas	1 Nm3	38.66 MJ
Liquefied Petroleum Gas	1 L	23.3 MJ
Petrol/ Gasoline (vehicle fuel)	1 L	32.2 MJ
Diesel (vehicle fuel)	1 L	35.9 MJ

The main reasons for the increased energy consumption during 2018:

- In Timiș, we registered a 10% energy increase in 2018 compared to 2017 due to a bigger quantity of reservoir water injected especially in Lovrin and Pordeanu fields, but also due to higher volume of produced gas that had to be compressed for delivery.
- Natural gas consumption in Țicleni increased by 22% compared to the previous year due to the implementation of a gas compression optimization program, which consisted in making a shift and use gas compressors instead of electrical compressors.
- Diesel consumption in Țicleni increased by 11% compared to 2017 due to the enhancement of our operations (workovers and new wells).

Nevertheless, we have also managed to achieve important reductions of our energy consumption mainly due to the following:

- By implementing programs focused on the operation optimization for boiler and heater we reached a 12% decrease in the natural gas consumption for Timiș compared with 2017
- Electricity consumption in Țicleni dropped by 16% in 2018 compared to 2017 following a decrease in electrical gas compressors usage.

To achieve the assumed Energy Efficiency targets we have been carefully looking at multiple sustainable opportunities which could be classified as:

- Optimization of operating conditions, including improvement of rotating machines operations (electric motors, pumps, etc).
- Rerouting of flows (oil, water and gas lines, water injection).
- Better metering among the installations for enhanced consumptions monitoring.
- Use of energy efficient pumps and compressors
- Generation of power: Gas to Power project, for which more details are available here.

Energy Intensity Coefficient [%]

	2017	2018
PEC Timiș	18.9	15.98
PEC Țicleni	7.59	7.60
Overall EI Coefficient	13.24	11.79

Our ambition for 2019 is to continue to reduce our Energy Intensity by another 5% compared to 2018.



WATER MANAGEMENT

Water is an integral element in most oil and gas operations and so, as a potentially significant local user and producer of wastewater, the Oil & Gas industry is vulnerable to water disruption in its operations and value chains.

Our freshwater consumption has decreased by 29% in 2018 compared with 2017.

(103-2, 103-3 - Water withdrawal)



For Expert Petroleum' sites, water wells are used to supply water for industrial purposes. During the last 6 years, modernization of water installations has been carried out with the main purpose of raising the efficiency of processes and to minimize water consumption.

The most significant water consuming installations are: the boiler plant providing technological steam and hot water for oil treatment, the compressor cooling system, well intervention operations, drilling and equipment cleaning.

Water consumption [megalitres] (303-3 Water withdrawal)

		2017	2018
PEC Timiș	Freshwater	393.47	279.32
PEC Țicleni	Freshwater	108.62	76.95
Total water consumption	Freshwater	502.09	356.27



In 2018, in Țicleni we managed to reduce our water consumption and we achieved a freshwater withdrawal intensity of 0.59 m³/toe compared to 2.41 m³/toe in 2017. This is mainly due to the optimization of the boiler operation program and oil treatment process optimization, hot water and steam pipelines repairs, which enabled us to reduce leaks.

The overall freshwater intensity has been reduced by 28% from 1.55m³/toe in 2017 , to 1.12 m³/toe in 2018.

Freshwater withdrawal intensity [m ³ /toe]		
	2017	2018
PEC Timiș	2.14	1.49
PEC Țicleni	0.54	0.59
Overall Freshwater withdrawal intensity	1.55	1.12

OUR EMPLOYEES

At Expert Petroleum, we recognise that our performance is strictly connected to the performance of our employees as individuals and groups. We have a significant workforce, and our company takes all measures to ensure that employees work in a supportive environment, focusing on safe working conditions and fair treatment.

Our drive is to maintain a productive and healthy organization, employ and develop talented people, strengthen our leadership, and enhance employee performance. Their aim is to create a work environment focused on equal opportunities and mutual respect, as well as promoting transparency, where anyone can express their ideas freely, without fear of reprisal.



Starting this reporting cycle, we are reporting for both our locations, Timiș and Țicleni. In 2018, we had an average number of 1,256 employees including subcontractors working on our premises, and registered a slight decrease in the employee numbers, compared to 2017.

(103-2, 103-3 Employment; Diversity of governance bodies and employees)

(202-2, 103-2, 103-3 Proportion of senior management hired from the local community)

Number of employees by location of operations (102-8 Information on employees and other workers)

		2017	2018
PEC Timiș	Employees - Bucharest headquarters	18	15
	Employees - Production and Maintenance	295	288
	Locally employed personnel - Timiș office	37	38
	Contractor employees	163	144
PEC Țicleni	Employees - Bucharest headquarters	0	15
	Employees - Production and Maintenance	567	526
	Locally employed personnel - Țicleni office	46	73
	Contractor	216	157
TOTAL	Employees - Bucharest headquarters	18	30
	Employees - Production and Maintenance	862	814
	Locally employed personnel - local offices	83	111
	Contractor employees	379	301
	Overall total	1,342	1,256



Number of employees by employment contract

(102-8 102-8 Information on employees and other workers)

			2017		2018	
			Number of employees	Out of which women	Number of employees	Out of which women
PEC Timiş	Total PEC Timiş		350	64	341	63
	Breakdown by employment contract	Permanent	348	63	341	63
		Temporary	2	1	0	0
	Breakdown by contract type	Full-time	348	63	340	63
		Part-time	2	1	1	0
PEC Țicleni	Total PEC Țicleni		613	127	614	127
	Breakdown by employment contract	Permanent	612	127	613	127
		Temporary	1	0	1	0
	Breakdown by contract type	Full-time	610	127	610	127
		Part-time	3	0	4	0
TOTAL XP			963	191	955	190



XP's labour practices are very strict in terms of engaging minors for performing our activities, therefore none of our employees is under 18 years old.

Similar to every company that activates in the Oil & Gas industry, Expert Petroleum tries to adapt to an ever-changing workforce market. A decrease in our headcount can be noticed in 2018, compared to the previous year, as a result of the continuous restructuring process that started in 2014, as well as due to the efficiency progress registered.

Considering the relative scarcity of Oil & Gas trained personnel, turnover levels are lower than the level recorded in 2017, as we made all efforts to retain our highly qualified professionals with capabilities in the production and maintenance areas.

(103-2, 103-3 New employee hires and employee turnover)

Total number of employees by age group (405-1 Diversity of governance bodies and employees)

		2017		2018	
		Number of employees	% of women	Number of employees	% of women
PEC Timiș	< 30 years old	9	0%	8	13%
	30-50 years old	203	21%	183	19%
	> 50 years old	138	16%	150	18%
PEC Țicleni	< 30 years old	7	29%	11	36%
	30-50 years old	438	18%	442	18%
	> 50 years old	168	27%	161	27%
TOTAL		963	20%	955	20%

Total number of new employees (401-1b New employee hires and employee turnover)

		2017		2018	
		Overall	Out of which women	Overall	Out of which women
PEC Timiș	< 30 years old	4	0	5	1
	30-50 years old	6	1	13	2
	> 50 years old	7	0	5	0
PEC Țicleni	< 30 years old	0	0	2	2
	30-50 years old	3	0	9	1
	> 50 years old	2	0	0	1
TOTAL		22	1	34	7

Total number and rate of employee turnover

(401-1a New employee hires and employee turnover)

		2017		2018	
		Overall	Out of which women	Overall	Out of which women
PEC Timiş	< 30 years old	0	1	6	0
	30-50 years old	22	2	11	2
	> 50 years old	27	2	14	2
PEC Ţicleni	< 30 years old	0	0	0	0
	30-50 years old	86	15	4	2
	> 50 years old	66	21	6	2
TOTAL		202	41	41	8





LABOUR PRACTICES

Expert Petroleum applies all suitable best practices to ensure a healthy work environment while offering employees a comprehensive package of benefits. All this information is comprised within the Collective Bargaining Contract that all permanent employees have adhered to.

We provide equal opportunity in recruitment, career development, promotion, training and reward for all employees, regardless of gender, ethnicity, sexual orientation or physical ability. We maintain and apply throughout our organization the principle of equal opportunities and fair treatment.

At XP level operate 4 labour syndicates that oversee that the concerns of all employees are appropriately addressed, their representatives being actively involved in the negotiation of the CBC.

(102-41, 407-1, 103-2, 103-3 Freedom of association and collective bargaining)

We provide equal opportunity in recruitment, career development, promotion, training and reward for all employees, regardless of gender, ethnicity, sexual orientation or physical ability. We maintain and apply throughout our organization the principle of equal opportunities and fair treatment. Therefore, any form of discrimination is unacceptable, whether it is direct or indirect, based on sex, sexual orientation, genetic characteristics, age, membership nationality, race, ethnicity, religion, political option, social origin, handicap, situation or material responsibility, membership or trade union activity.

(406-1 103-2, 103-3 Non- discrimination)

It is the responsibility of managers at all levels to have firm measures to ensure discipline within their sector, in compliance with the law and the decisions of XP. No human rights violations, discrimination on any criterion, or sexual harassment have been reported in 2018, but we will continue to raise awareness and educate staff about these issues and their potential consequences in order to avoid such cases.

(412-2, 103-2, 103-3 Human Rights Assessment)

Our HR representatives have meetings and exchange experience with similar oil and gas organizations, as well as with HR professionals from CIPD (Chartered Institute of Personnel and Development), which is a professional association for human resource management professionals. CIPD is helping to ensure that work benefits individuals, businesses, economies and society by improving practices in people and

organisation development. Thus, our employees get continuous updates on common best practice and ensure relevant benchmarking. Dialogue between management and our people takes place directly and through employee representative bodies where appropriate. Our Management Walk-Around program helps us keep a close relationship with our employees from all functions.

Various channels are in place at XP level for employees to report anonymously, potential breaches of the Code of Conduct, as well as other concerns such as labour practices, discrimination issues, conflicts of interest, unethical actions, etc. We implemented a whistleblowing mechanism, with a special e-mail address which can only be accessed by a member of our senior management, in charge of

overseeing that our governance systems are always observed. Any employee that issues a complaint or reports a breach of regulations will receive a written confirmation from the management representative, ensuring that there will be no consequences following the action. The individual submitting a complaint is informed regarding the investigation of the issue addressed and measures are taken to not impair confidentiality along the entire process.



TRAINING

According to the procedures in place, we take all necessary actions to ensure that our employees are provided with appropriate training to maintain the competency level required for each role, as well as to enhance their current capabilities.

A Job-Related Safety Training Matrix, which defines the levels of competency required by personnel to meet health, safety and environment requirements is in place, and this instrument is used to identify the mandatory training needs.



Furthermore, our employees have access to the best available training courses so as to continue building the safety culture within the company. Such programs are either developed “in-house” or in cooperation with renowned certified training providers. In 2018, such training courses were held for both our locations of operation, as well as in Bucharest and covered the aspects such as: first-aid, technical topics specific to various positions, and guidance on the completion of the documentation required for the issuance of different types of permits or authorizations.

(103-2, 103-3 Training and Education - Average hours of training per year per employee)

Average hours of trainings per employee

(404-1 Average hours of training per year per employee)

Job category	2017			2018		
	PEC Ticleni	PEC Timiş	XP average	PEC Ticleni	PEC Timiş	XP average
Management	N/A	65	65	66	60	62
Production	N/A	58	58	60	56	58
Administrative	N/A	41	41	42	40	41
Workers	N/A	57	57	56	52	54



Internal training courses are scheduled and provided to address the critical activities and standards during PEC execution, such as: Defensive Driving, Permit to Work, Process Safety, Mechanical Lifting, Stepping Handling and Lifting ("SHL"), Simultaneous Operations ("SIMOPS"), Risk Management, Reservoir Management etc. All Expert Petroleum contractors and sub-contractors are actively involved in the above-mentioned training programs to obtain a high-level overview of our safety culture and performance, being also advised to be observant of XP's safety practices whilst working on our sites.

(403-5, 103-2, 103-3 Worker training on occupational health and safety)

Certain training and certification items have a validity higher than one year, hence the variation in training hours from one year to another.

HEALTH, SAFETY & SECURITY

Nowadays, 70% of the Oil & Gas production in the world is sourced from fields that are mature and that have been operated using outdated technologies, which had an oversized footprint due to low environmental standards, which is not the case anymore considering the advancements made and also the high pressure exercised by stakeholders and the society at large.

Therefore, considering XP's rigorous and functional approach, as well our recognized professional excellence, we aspire to be the leading partner of choice for resource owners of mature Oil & Gas fields.

OUR AMBITION IS TO FURTHER SUPPORT THE CONTINUOUS IMPROVEMENT OF OUR SUSTAINABILITY PERFORMANCE, REGARDLESS OF THE GOOD PERFORMANCE WE ALREADY HAVE, AS WE WANT TO MAKE A DIFFERENCE BY ENSURING THE OIL AND GAS INDUSTRY ADAPTS TO THE RAPIDLY GROWING REQUIREMENTS INTRODUCED BY GOVERNMENTS AND ALSO DERIVED FROM THE STAKEHOLDER'S EXPECTATIONS.

We have the capacity to ensure such field are sustainable operated, because we use the latest fit for purpose technologies that were not available at the time. Moreover, our approach is built around the optimization of production processes, so as to adapt to the new production volumes whilst reducing at the same time the overall environmental footprint. Our ambition is to further support the continuous improvement of our sustainability performance, regardless of the good performance we already have, as we want to make a difference by ensuring the oil and gas industry adapts to the rapidly growing requirements introduced by governments and also derived from the stakeholder's expectations.

To achieve our Health, Safety and Security ("HSS") targets, we developed and implemented a series of procedures and norms to raise awareness among employees and other stakeholders considering the priorities and performance of Expert Petroleum. Also, we have a management system developed in line with industry specific methodologies and instruments (e.g. the Guidelines of International Association for Oil&Gas Producers - IOGP) enabling us to improve performance and further enhance our efforts in tackling aspects such as: occupational safety, risk management, emergency preparedness and environmental protection, and have a strong focus on process safety.

(102-11, 403-1, 103-2, 103-3 Occupational health and safety management system)

Our safety programs and practices are developed to support effective cooperation among XP employees and subcontractors, and prepare them to be agile, focusing on ensuring both their own safety and the safety of their peers whilst performing the job. An instrument we use for establishing the overall framework regarding discipline at work is the Internal Regulation, which comprises basic information and sets out guidelines regarding health and safety. We perform risk assessments on a regular basis facilitating thus anticipation and early identification of possible threats. In this respect, XP periodically conducts HSS assessments and audits in all locations, which also cover the operations of its contractors. In 2018, were performed 59 HSS audits on our contractors' sites, all of them being connected to our operations in Timiș and Țicleni.

(403-2 103-2, 103-3 Hazard identification, risk assessment, and incident investigation)

HSS performance is monitored internally using both HSS monthly reports and a monitoring tool through which XP is managing all aspects regarding Health, Safety, Security and Environmental Management. The tool previously mentioned is used also for reporting purposes, as it is designed to allow data collection regarding all types of hazards, unsafe working conditions and behaviours.



To reach our goal of zero safety incidents, in 2018 we implemented several safety awareness campaigns: "Golden Rules", "Safety Leadership", "Behaviour based Safety – BBS" Also, 47 internal audits were conducted, addressing mainly safety issues such as: process safety, lifting operations, working at heights, hazardous substances management, and other topic specific components. XP was subject to 2 audits conducted by OMV Petrom and envisaged process safety and 2 HSS Management System audits conducted by a reputable 3rd party provider.

(403-3, 103-2, 103-3 Occupational health services)

To maintain our management connected to the activities run in all production facilities, we implemented a program called "Management Walk-Around" ("MWA"), gaining also insight on the correlations between the HSS data recorded and the actual status in the field. MWA is basically an assessment led by a manager or supervisor, and it involves an open and constructive dialogue with staff. Based on the results of the assessment conducted in relation to work practices and conditions, and employees' approach and understanding of the risks associated with assigned work tasks, XP identifies recognition practices and the areas where improvements need to be made to follow the HSE vision: ZERO Losses and NO harm to the environment. In 2018 the management of XP, including the general manager, have conducted 787 assessments of this type (329 in Timiș and 458 in Țicleni).

(403-4, 103-2, 103-3 Worker participation, consultation, and communication on occupational health and safety)

Occupational health and safety are key elements of our business performance and are fully aware of the advantages a functional HSE management system that goes beyond the regulatory requirements has, therefore we are always acting considering the general principles of prevention of work accidents.

EMERGENCY PREPAREDNESS

Expert Petroleum assumes the responsibility that derives from its oil and gas operations and is highly aware of the severity of consequences in case of potential operation failures.

We strive to reduce risks and minimize the potential impact of any incident, aiming to continuously improve our safety performance, working towards supporting our ultimate goal: ZERO SAFETY INCIDENTS.

ZERO



Zero Safety Incidents,
our ultimate goal.

In 2018 we have continued to apply our Emergency Management Plan ("EMP"), based on which we have managed improve our approach regarding incidents in operational areas, and reduce significant environmental effects and impacts on the health and safety of our employees, as well as to strengthen the relation we have with the communities in which we operate.

The objectives set in this plan have been achieved in 2018 by applying the highest HSE standards, acting responsibly and promoting value for the benefit of all stakeholders.

The management team of Expert Petroleum is in charge with the implementation of the Emergency Management Plan, and the responsibility for tailoring a training scheme covering all staff relies with them. Also, they coordinate exercises to ensure flow of communication regarding EMP and identify the potential needs in terms of updates to the plan. During 2018, we had 7 compliance audits regarding emergency situations on our premises, 4 in Timiș and 3 in Țicleni, and major non-compliances were not identified.



Emergency Management Plan objectives 2018

- Line up incidents reporting practices in Expert Petroleum;
- Better control of incidents to protect and minimize injuries;
- Enforce clear requirements for emergency response measures in case of major accidents to protect the people, the environment and in the end the company's reputation;
- Provide practical guidance and support for emergency response and recovery efforts;
- Promote effective communication with all relevant stakeholders to cope with emergencies.

Furthermore, action plans regarding emergency situations and potential accidents are implemented by XP, and all personnel is provided training on this subject. In 2018, alarm drills were carried out once per month to develop and test the interfaces between the Expert Petroleum Solutions' Incident Management Team (IMT) and the teams involved in the on-site intervention (firefighters, medical intervention team).

SAFETY PRACTICES

We are aware that most incidents occurring in our business have as an underlying cause the human factor, most incidents being associated with certain behaviours.

This is the reason we believe that having a strong safety culture is paramount in our overall safety performance.

(403-2, 103-2, 103-3 Hazard identification, risk assessment, and incident investigation)

DURING 2018, FOR BOTH OUR OPERATIONS, WE RECORDED ZERO UNPLANNED OR UNCONTROLLED RELEASES OF ANY MATERIAL, INCLUDING NON-TOXIC AND NON-FLAMMABLE MATERIALS FROM A PROCESS THAT RESULTS IN ONE OR MORE CONSEQUENCES

We implemented a safety behaviour program with the purpose of increasing safety awareness, the main beneficiaries being the frontline personnel, as well as those working in supervisory positions. The purpose for this program is to accentuate the importance of individual safety and help our employees internalize this concept and act so as to make a priority out of their own safety.

We also implemented 4 awareness campaigns to support our efforts of maintaining a clean record for safety incidents: "Stop Work", "Risk Evaluation", "Reporting and monitoring incidents and accidents", "Expert and contractors".

(403-5, 103-2, 103-3 Worker training on occupational health and safety)

To encourage a safe working environment, every employee has the right to refuse a task if in it deems the work is likely to endanger himself or others ("stop work" program), and this is covered by XP's internal regulation. Once a safety concern has been identified, it is the supervisor's responsibility to take the appropriate measures to eliminate the risks and ensure the site is safe before resuming the activities. If such a situation occurs, it must be reported and investigated as an incident using the methods outlined in the incident investigation methodology. In 2018 we registered 61 cases of "stop work", compared with a total of 94 cases in 2017.

(403-6, 103-2, 103-3 Promotion of worker health; Work-related injuries)

LTI History (403-9 Work-related injuries)

		2017	2018
PEC Timiş	Hours worked	590,845	581,802
	LTI ⁴	0	0
	LTI rate ⁵	0	0
Timiş Contractor	Hours Worked	226,870	198,962
	LTI	2	0
	LTI Rate	176	0
PEC Țicleni	Hours worked	1,000,802	990,108
	LTI	2	0
	LTI rate	0.39	0
Țicleni contractor	Hours worked	450,570	321,627
	LTI	0	0
	LTI rate	0	0
TOTAL	Hours worked	2,269,087	2,092,499
	LTI	4	0
	LTI rate	0,35	0

4 LTI – Lost Time Injury; A lost time injury (LTI) is an injury sustained by an employee that will to a loss of productive work time.

5 LTI rate - calculated as follows: LTIR = (Number of LTI * 200,000 / man-hour worked)

During 2018, for both our operations, we recorded zero unplanned or uncontrolled releases of any material, including non-toxic and non-flammable materials from a process that results in one or more consequences (Tier 1 or Tier 2 process safety events, as defined by API Recommended Practice 754). However, 138 Tier 3 events consisting mainly of spills due to aged and corroded pipelines occurred in 2018, by comparison with 2017 when we recorded 155 spills.

Process safety implemented initiatives:

- Process Safety Standard;
- SCE Management: Safety Critical Elements (SCE) identification and maintenance & inspection plan;
- Asset Integrity Programs: inspections, repairs and replacement of equipment (tanks, pumps, etc.);
- Specific Process Safety training: Compute Based Training (CBT) program. Program is extended over 2018 with 7 additional modules.

In 2018, we recorded zero LTI, which is a result that we aim to have for a long time. Though we are pleased by this result, we cannot forget that in 2017 we recorded a total of 4 LTI, thus we have to continue our collective efforts to ensure that XP is a safe work environment at all times. In 2017, in Timiş, one security contractor vehicle was hit by another vehicle from the rear resulting in this tragic outcome for the two occupants of the vehicle. Sadly, one of the injured persons deceased after a few days, resulting in a fatality incident. In 2017, on PEC Țicleni, we recorded 2 LTI incidents: an accident that resulted in an injury to a finger and an accident cause by a loss of balance causing a fall from height ending in a leg injury.

GRI INDEX

	GRI Indicator	General description	Reference	Completion	Comments
GRI 102: General Disclosures	Disclosure 102-1	Name of the organization	P12	fully reported	
	Disclosure 102-2	Activities, brands, products, and services	P12	fully reported	
	Disclosure 102-3	Location of headquarters	P12	fully reported	
	Disclosure 102-4	Location of operations	P12	fully reported	
	Disclosure 102-5	Ownership and legal form	P12	fully reported	
	Disclosure 102-6	Markets served	P12	fully reported	
	Disclosure 102-7	Scale of the organization	P13	fully reported	
	Disclosure 102-8	Information on employees and other workers		fully reported	
	Disclosure 102-9	Supply chain	P16	fully reported	
	Disclosure 102-10	Significant changes to the organization and its supply chain	P12	fully reported	
	Disclosure 102-11	Precautionary Principle or approach	P18, 34, 58	fully reported	
	Disclosure 102-12	External initiatives	P20	fully reported	
	Disclosure 102-13	Membership of associations	P20	fully reported	
	Disclosure 102-14	Statement from senior decision-maker		fully reported	
	Disclosure 102-16	Values, principles, standards, and norms of behavior	P19	fully reported	



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	GRI Indicator	General description	Reference	Completion	Comments
➔ GRI 102: General Disclosures	Disclosure 102-18	Governance structure	P14	fully reported	
	Disclosure 102-40	List of stakeholder groups	P24	fully reported	
	Disclosure 102-41	Collective bargaining agreements	P54	fully reported	
	Disclosure 102-42	Identifying and selecting stakeholders	P24	fully reported	
	Disclosure 102-43	Approach to stakeholder engagement	P24	fully reported	
	Disclosure 102-44	Key topics and concerns raised	P28	fully reported	
	Disclosure 102-45	Entities included in the consolidated financial statements	P26	fully reported	
	Disclosure 102-46	Defining report content and topic Boundaries	P26, 28	fully reported	
	Disclosure 102-47	List of material topics	P28	fully reported	
	Disclosure 102-48	Restatements of information	P26	fully reported	
	Disclosure 102-49	Changes in reporting	P26	fully reported	
	Disclosure 102-50	Reporting period	P26	fully reported	
	Disclosure 102-51	Date of most recent report	P26	fully reported	
	Disclosure 102-52	Reporting cycle	P26	fully reported	



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	GRI Indicator	General description	Reference	Completion	Comments
→ GRI 102: General Disclosures	Disclosure 102-53	Contact point for questions regarding the report	P26	fully reported	
	Disclosure 102-54	Claims of reporting in accordance with the GRI Standards	P26	fully reported	
	Disclosure 102-55	GRI content index		fully reported	
	Disclosure 102-56	External assurance		n/a	This report was not verified by a third party.
GRI 103: Management Approach	Disclosure 103-1	Explanation of the material topic and its boundary		fully reported	
	Disclosure 103-2	The management approach and its components	P33, 37, 38, 40, 41, 42, 46, 48, 50, 54, 56, 57, 58, 59, 62	fully reported	
	Disclosure 103-3	Evaluation of the management approach	P33, 37, 38, 40, 41, 42, 46, 48, 50, 54, 56, 57, 58, 59, 62	fully reported	
GRI 200: Economic topics					
GRI 201: Economic Performance	Disclosure 201-1	Direct economic value generated and distributed	P33	fully reported	
	Disclosure 202-2	Proportion of senior management hired from the local community	P48	fully reported	
	Disclosure 205-2	Communication and training about anti-corruption policies and procedures	P19	fully reported	

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	GRI Indicator	General description	Reference	Completion	Comments
GRI 300: Environmental topics					
GRI 302: Energy	Disclosure 302-1	Energy consumption within the organization		fully reported	
GRI 303: Water	Disclosure 303-3	Water withdrawal		fully reported	
GRI 305: Emissions	Disclosure 305-1	Direct (Scope 1) GHG emissions		fully reported	
	Disclosure 305-4	GHG emissions intensity		fully reported	
GRI 306: Effluents and Waste	Disclosure 306-3	Significant spills	P40	fully reported	
GRI 307: Environmental Compliance	Disclosure 307-1	Non-compliance with environmental laws and regulations	P37, 41	fully reported	
GRI 400: Social topics					
GRI 401: Employment	Disclosure 401-1	New employee hires and employee turnover		fully reported	
GRI 403: Occupational Health and Safety	Disclosure 403-1	Occupational health and safety management system	P58	fully reported	
	Disclosure 403-2	Hazard identification, risk assessment, and incident investigation	P59, 62	fully reported	
	Disclosure 403-3	Occupational health services	P59	fully reported	



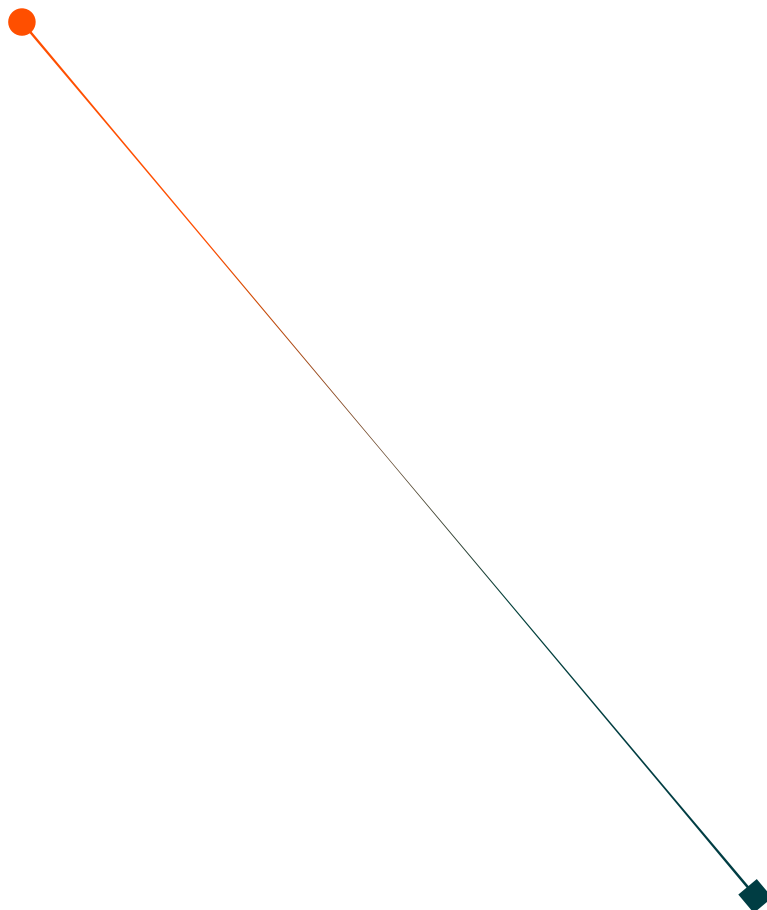
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	GRI Indicator	General description	Reference	Completion	Comments
→ GRI 403: Occupational Health and Safety	Disclosure 403-4	Worker participation, consultation, and communication on occupational health and safety	P59	fully reported	
	Disclosure 403-5	Worker training on occupational health and safety	P57, 62	fully reported	
	Disclosure 403-6	Promotion of worker health	P62	fully reported	
	Disclosure 403-9	Work-related injuries		fully reported	
GRI 404: Training and Education	Disclosure 404-1	Average hours of training per year per employee		fully reported	
GRI 405: Diversity and Equal Opportunity	Disclosure 405-1	Diversity of governance bodies and employees		fully reported	
GRI 406: Non- discrimination	Disclosure 406-1	Incidents of discrimination and corrective actions taken	P54	fully reported	
GRI 407: Freedom of Association and Collective Bargaining	Disclosure 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	P54	fully reported	
GRI 412: Human Rights Assessment	Disclosure 412-2	Employee training on human rights policies or procedures	P54	fully reported	



Thank You!





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