



COMMUNICATION ON PROGRESS 2011

pol-necks

LETTER OF COMMITMENT

A high-resolution satellite image of Earth, showing a vast expanse of dark blue ocean water. Scattered across the surface are numerous white and light gray clouds of varying sizes and densities. The perspective is from space, looking down at the planet's surface. The top right corner shows the curvature of the Earth's horizon.



In the second year of supporting the international initiative Global Compact by the company Pol-Necks we would like to present the second report on progress in implementation of the Global Compact Initiative principles, presenting the company operations in 2011 in the business, personnel policy and environmental protection areas.

In the discussed year 2011 the company consistently and with commitment executed its strategy, and that became a starting point for implementation of principles for responsible company management in the areas of its operations. Nowadays, building the company value on a basis of ethical principles is a natural and necessary component of a long-term strategy for company management. Taking further steps towards responsible development of the organisation Pol-Necks remains an organisation that is continuously learning, drawing from good practices for management of business social responsibility.

The purpose of the sustainable development lays not in a declaration itself but in a daily business practice, in which its values must be present. Otherwise they will not bring in specific and measurable results. In our actions in the social responsibility area we do not forget about our employees. We ensure our employees are satisfied with their work, willingly execute their duties and identify with the company. Persons working at the company are offered an opportunity to pursue their careers and develop their professional skills. Due to the Code of Ethics in force at the company our employees know how to act, and which behaviours are desirable.

In 2011 Pol-Necks received the Fair Play Certificate, confirming that in its activities the company harmoniously combines ethical and environmental aspects of business activities with effectiveness, maintaining openness and transparency of operations and reliability towards its stakeholders, i.e., customers, contractors and employees, according to principles of sustainable development. I am sure that numerous successes are still in store for our company, and they are guaranteed by sustainable development of the company, in accordance with needs and expectations of employees, who make execution of our ambitious strategy possible.

Being fully aware of that, we confirm our commitment to execution of principles of the UN Global Compact and hope for strengthening cooperation with its creators in the future.

Grzegorz Klecha
President of the management
board

Matthias Thalheim
Member of the management
board

The company Pol-Necks is the largest producer of swinging shackles in Europe. We cover about 50% of the demand of the whole European market. We produce swinging shackles for tractor units and trailers.

We started our operations in 1993 with production and sale of metal components, welded and hot-dip galvanised. Since 2000 we have also been producing swinging shackles. Since 2007 swinging shackles are the only product being the sole object of our activities. We currently supply to the largest producers of trucks and suspensions in Europe. We cover 100% demand of such producers as: Volvo Truck, Renault Truck, Scania. We cover only some part of the demand of BPW, Daimler, MAN, Hendrickson, SAF. In 2011 we sold 2 850 000 shackles to 25 different assembling plants in Europe and South America. To strengthen its position as a market leader in Poland and to join the European top companies, Pol-Necks has been executing a comprehensive development strategy. In 2011 the company allocated PLN 1 606 580.04 for investments.

Thanks to the automated line for production of shackles, with induction heating and direct tempering following the forging and bending process, which was designed by our own design office (2nd award of NOT in Kuyavian-Pomeranian voivodeship in 2004), as well as 100% precision of deliveries ensured since 2005, and own laboratories form a background for our fundamental competitive edge.

We believe that people are the most important resource of our company, and this is a starting point for the company's strategy. The strategy of Frauenthal Group for the years 2010-2015, and therefore the strategy of our company, is defined by 9 Strategic Initiatives. As many as 4 out of 9 Strategic Initiatives are focusing directly on our employees: "Turnover at workplaces", "Leadership", "Identification with the company", "Basic technical knowledge".

ABOUT POL-NECKS



HUMAN RIGHTS IN POL-NECKS



Pol-Necks Sp. z o. o carries out its activities in accordance with legislation in force in Poland, which is based on principles and documents adopted by the international community.

In 2011, the company Pol-Necks did not carried out organised trainings on observance of human rights. However, the company observes generally applying and internal regulations preventing discrimination, mobbing, harassment and unequal treatment, guaranteeing observance of equal rights and respect of employees' dignity.

Implementing the above, a system of periodic assessment operates at Pol-Necks. It allows applying uniform criteria for reliable and fair assessment of all employees. Therefore, recently workshops were organised for direct production management on giving feedback with respect for dignity of other person, as the annual interview not always concerns positive aspects of employee's work. Moreover, company employees, under penalties for the breach of order and disciplinary, provided for in the labour legislation, are obliged to observe the Code of ethical conduct in force at the company. The Code requires employees to observe good practices, respect dignity of co-workers, forming working relationships based on partnership, understanding, goodwill and support for friendly relations. Provisions of the Code also require the employees to disclose and expose all forms of discrimination. Each employee is obliged to get acquainted with the Code of Ethics and regulations concerning equal rights and prevention of discrimination at work, and he/she confirms that with his/her signature in a relevant declaration.

An important part of the company's engagement in life of the local community form the pro bono actions supporting persons and organisations. In 2011 the Company made donations, amongst the others, to the Polish Red Cross, the Palliative Care Centre, and the Disabled Persons Support Association.

At the same time, the Company carries out sponsor actions in areas of sport and culture.

The principles held by the Company, which go beyond strictly observed legal requirements, completely exclude any forms of forced labour or child employment. Pol-Necks decidedly renounces any form of forced or obligatory labour, at the same time it did not identified that risk in the previous year. The company does not employ persons under 18, valuing experience and qualifications of employees with long seniority. We cannot imagine breaching these so obvious and fundamental rights due to each person.

Our commitment to employees' development may be confirmed by the fact that the company actively supports improvement of employees' qualifications. Every year, on a basis of notified training needs, a training schedule is created, used as a foundation for employees' trainings within the established training budget, which in 2011 represented 1.5% of employee costs. Activities related to professional development of employees cover obligatory trainings, including occupational health and safety trainings, professional courses and exams for additional qualifications required at individual positions, participation in professional trainings related to the scope of responsibilities and improvement of qualifications at schools and universities. The Company is also opened to organising internships for students, who can earn valuable experience and improve their professional qualifications. In 2011 the Company offered training to "+50" persons, giving them a chance to earn new experience and qualifications.

At Pol-Necks a system of annual assessment operates, in form of annual interviews. It allows applying uniform criteria for reliable and fair assessment of all employees. The assessment system is a tool supporting the process of preparing employees for current and future operations of the Company, develops behaviours desirable for the company and improves employees' satisfaction. At the same time, employees' competences are discussed with them and individual development plans are implemented. All employees, at every management level, undergo annual assessment. We believe that implementation of the annual interview is a starting point for developing the feedback process.

Principles of employees' remuneration are transparently described in the remuneration regulations, a document consulted with the company's workers council. Pol-Necks maintains a dialog with employees' representatives. During meetings plans for a coming year or issues related to current work are discussed. No employee receives remuneration below the minimum wage.

WORK STANDARDS

IT IS WORTH EMPHASISING THAT WHILE IN THE EMPLOYMENT MARKET INCREASINGLY POPULAR ARE PRACTICES ENCOURAGING EMPLOYEES FOR SELF-EMPLOYMENT OR OTHER FORMS ENSURING EMPLOYER'S SAVINGS AT EMPLOYEES' EXPENSE, ALL POL-NECKS EMPLOYEES ARE EMPLOYED ON A BASIS OF AN **EMPLOYMENT AGREEMENT.**

Indefinite time agreements	98
Specified time agreements	69

Average remuneration in Kuyavian-Pomeranian voivodeship in 2011 PLN 2986,08

Average remuneration in Pol-Necks in 2011 PLN **3725,96**

The Company guarantees to its all employees, regardless of whether they are employed for specific or indefinite time, full- or part-time, access to the same social benefits package. Thus Pol-Necks offers to its employees' benefits outside remuneration, in form of co-financing for various types of sport and recreation, integrating all employees and their families, broadening their interests and passions outside work (examples of such activities include family picnics and thematic theatres), additional life insurance, co-financing of foreign language courses, well-developed system of internal communication.

In 2011 the Company Management Board decided to award 10 employees who in 2011 particularly excelled in their work. Those employees, apart from congratulations from the Board during the official meeting, also received a financial benefit. Already now, after such a short time from that event, a positive influence of such recognition on other employees can be seen, therefore the Board decided to award such prize every year.


In the reported year the Company ordered a diagnostic assessment by an external company, entitled "Investor in People". The aim of this diagnosis was to analyse strengths of the organisation and areas to be developed in terms of business processes, as well as processes and tools for management and development of people, to diagnose a level of understanding of the organisation strategy by employees at every level of the structure, to diagnose a level of awareness of new expectations (in terms of knowledge and skills) the organisation has towards its employees, assessment of awareness of implemented changes and employees' willingness to participate in them. The discussed report also provided a valuable assessment of the Company by its

employees. It appeared that Pol-Necks employees are distinguished by their high identification with the company at the identity level and high loyalty towards the organisation. Moreover, due to organised trainings, employees are characterised by professionalism, specialisation, strong will to expand their professional knowledge, attachment to the organisation, will to remain with the organisation. A good atmosphere of work at Pol-Necks was emphasised many times.

The above findings only strengthen our conviction that efforts put into development of our employees are the best investment.

**NUMBER
OF ACCIDENTS**
(ALL MINOR)

2010 r : 4
2011 r : 6



In 2011 Pol-Necks initiated endeavours to obtain EU funds for co-financing a training project entitled "Leader Academy". Leadership was defined as one of the main points of the company strategy because forming of the future leaders is of particular importance to us. It would be the first training project in Pol-Necks history of such great extent, co-financed from the resources outside the company budget. That program would help to develop managing competences of employees by developing key competences of employees in the following areas: management, finances, linguistic skills and personality development. With the obtained co-financing it would be possible for Pol-Necks employees to participate in many training courses, offering a chance to learn new and strengthen already possessed competences and their implementation in the work standards.

The issues of work conditions at the Company are subject to comprehensive analyses allowing minimising hazards present at workplaces. High awareness of Company employees in terms of occupational health and safety is confirmed by maintained low number of accidents at work. For many years at the Company no industrial accidents have taken place, related to incorrect technology for carrying out works, as well as no fatal accidents. In 2011, the most common reason for accidents at work was lack of caution of injured persons when moving between places: slipping, tripping.

In 2011, the accidents frequency index (measured as a number of injured persons per 1000 employees) was 3.6 (for 167 persons employed). In 2010 in the similar period it was 2.2 (for 182 persons employed). According to available data from the Main Statistics Office the average accidents frequency index for all industries was 8.12 in 2011.

In 2011 a certifying audit of the Occupational Health and Safety Management System was carried out and a monitoring audit of the Environmental Management System, following which Pol-Necks Sp. z o.o. received a Certificate confirming the implemented Systems meet the requirements of the standards OHSAS 18001:2007 and ISO 14000:2004.

As the Company offers stable and safe employment and prefers internal recruitment, employees' turnover is low, and that means maintaining a team of high competences. For rare cases of parting with an employee the company has implemented a new standard of employee support at the moment of dismissal by providing him/her with a letter of credentials and consultations with an employment counsellor.

THE ENVIRONMENT

TO LIMIT THE ENVIRONMENTAL IMPACT AT OUR OFFICES WE EFFECTIVELY FOLLOW THESE SIMPLE PRINCIPLES:



1. We think about the environment before we print anything. We use both sides of the paper. For internal meetings we use black and white printouts.
2. We sort waste.
3. We use teleconferences whenever possible, instead of business trips, to minimise carbon dioxide emission to the air.
4. We do not leave switch-on computers overnight.

The Company activities related to production of shackles has an environmental impact. Pol-Necks considers environmental protection aspects when making investment-related decisions.


Due to carried out activities the Company emits into the air dust and gas pollutants, as well as emissions resulting from welding or painting works. However, a precise register of waste produced and consumed energy agents is conducted, allowing quick reaction in case of nonconformity.

Facing current challenges the Company initiates numerous actions aiming at reducing negative impact of its production on the environment, as well as simultaneous aware development of relationship between economic growth and care for the environment.

Waste management is carried out in accordance with the legal requirements. The Company implemented the waste management system. The waste category subject to disposal is transferred only to those companies which hold relevant permits. In March and April 2011 the company was affected by fires, resulting in complete destruction of hazardous waste warehouse. That disaster, however, was an important stimulus to invest in redevelopment of the warehouse, creating a new, safer way for sorting waste. Executing activities to secure waste in a way minimising a risk of a fire in the future, the Company developed a procedure for packing the paint waste, at the same time improving the Material Safety Data Sheets attached to paints. Due to warehouse modernisation now all containers at Pol-Necks are stored under roof, thus there are even better secured.

Another very important initiative minimising the environmental impact was to eliminate a coating room, emitting hazardous cobalt, from the production process. After laborious discussions with a customer to convince it to eliminate that process, the established objective was achieved.

ENVIRONMENTAL ASPECTS	LIMIT	2010	2011
CO EMISSION TO THE AIR [KG]	880	120,6	171
HAZARDOUS WASTE, 150202* [KG]	30 000	18 563	22 149
HAZARDOUS WASTE, 120301* [KG]	40 000	10 060	11 580
VOC EMISSION TO THE AIR [MG]	5,0	3,3	2,2
POWER CONSUMPTION [KWH]	NONE	2 670 436	3 185 270
CO2 EMISSION TO THE AIR [KG]	NONE	877 825	1 110 000
PRODUCTION SIZE [MG]	NONE	4 058	5 862



A source for ethical and fair conduct during contacts with all company stakeholders is the Code of ethical conduct. It establishes general principles which should guide us all in the daily life of the company. Our aim was to make the Code a practical tool strengthening the transparent organisation culture. We have emphasised many times that care for ethical conduct is not limited to ordinary employees. It applies to all organisation levels including the top management.

In 2011 the Managing Board of Pol-Necks issued an order "process payments". This procedure is extremely detailed and strictly adhered to, so that makes it impossible to carry out fraud.

The main aim of these solutions is to strengthen purchase procedures. We can unambiguously state that this solution brings measureable benefits to the company and its stakeholders. Due to it no incidents of corruption were identified in the Company and no corruption-related court proceedings were brought against it.

In the reported period the Company did not make any donations, financial or in kind, to political parties, politicians and institutions of similar character.

We pay particular attention to methods of operation of companies with which we cooperate. We select for cooperation companies working in a sustainable way.

A close-up, black and white photograph of a pile of Euro coins. The coins are of various denominations, including 1 Euro, 2 Euro, and 5 Euro. A red semi-transparent circle is overlaid on the image, highlighting a 1 Euro coin from Spain dated 2003. The text "ANTI-CORRUPTION" is written in white capital letters across the top of the red circle.

ANTI-CORRUPTION



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