



# GLOBAL COMPACT REPORT



Zagreb, March 2013

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## Profile 1 – Strategy and Analysis

# Global Compact Report

### Chairman of the Board's Report on Supporting Global Compact

We have recognized the importance of Global Compact initiative for both the international business community and the community at large, but also the value of the initiative for the company itself, through a chance of daily revision and improvement of its business performance, and SCOTT BADER d.o.o. joined Global Compact in 2007.

Business conditions and profitability on global market were strongly effected during the crisis lasting now for several years, which forced the most of companies on significant reduction of costs and previously defined plans.

Anyway, our business approach and practice were not changed in times of crises, but our opinion is that in difficult times everyone should even stronger apply fairness and other right principles in own business environment. We believe that a business is successful only if the profit is gain from socially responsible business activities, not to be sacrificed for (usually short-term) financial goals only.

That is why our company adhered to its principles, and the principles of Global Compact. We continuously work on improving of our market position and achieve the best possible results, but also we are aiming to be involved in improving the business environment, by conducting our business in such a manner as to respect human rights, protect our environment and respect all of the principles comprehensively summarized by Global Compact into the ten most important principles of responsible business conduct.

On behalf of SOTT BADER d.o.o. I hereby state that we continue with our full support to Global Compact, making efforts towards promoting the concept of socially responsible business conduct and every single principle of Global Compact.

March 2013

Chairman of the Management Board

Andrej Potežica



## Profile 2 – Organizational profile

### Social Responsibility in Business Performance

Social responsibility is one of the founding principles of our Company, as a general idea representing the commitment of SCOTT BADER d.o.o. to perform its activities in a fair, responsible manner and with consideration towards its business partners, employees and owners.

This is also the founding principle of the founder of Scott Bader, expressed through the Commonwealth organization (employee unity), based on the decisions and acts of Ernest Bader, the founder and owner of Scott Bader in England, which today is a large international company and has companies on four continents.

#### The founding of the SCOTT BADER Company and Group

Scott Bader Company Limited was established in 1923. Ernest Bader was a Swiss emigrant who set up a merchandising venture in London in 1920 with the sole agency for Swiss celluloid in the UK. By 1932 Scott Bader had moved into manufacturing in the East End of London and in wartime 1940 evacuated to Wollaston. The factory built at Wollaston was to manufacture phenolic pastes, reclaim rubber emulsions and produce resins for paints. In 1946 Scott Bader became the first unsaturated polyester resin manufacturer in Europe with licences from America.



#### The Commonwealth

The Founders, having experienced industrial strikes and two world wars wanted to create better and peaceful human relationships by moving forward from the usual shareholder/capitalist structures in industry.

So in 1951 all the share capital and therefore the ownership of the Company was transferred, free of charge, to Scott Bader Commonwealth Limited, an organisation created for that purpose with charitable status.

This highly generous and imaginative act established a common trusteeship business. This means that we have no external Shareholders. All the shares are held in trust and this makes us totally independent.

The intention of the Founders was to create a radical company, its well-being entrusted to those who work in it with democratic involvement.

As a result the employees enjoy many of the benefits (and responsibilities) of ownership without the right to sell the business. The responsibilities, however, is key in that each generation of employees must ensure the ongoing success of the organisation so that future generations can benefit from its continued existence.

In April 2011 Scott Bader Group celebrated important jubilee – 60 years of Commonwealth, i.e. 60 years since the former Ernest Bader gave his company to employees for common management and trusteeship.



On this 28th day of April 2011, we, the Members of the Scott Bader Commonwealth Limited and staff worldwide recognising our obligations as trustees-in-common reconfirm our commitment to the principles on which the Commonwealth was founded. We also accept that the continued development of the Commonwealth and future of Scott Bader is the responsibility of us all.

We will therefore continue to work together and demonstrate our principles through the way we do business.

### **Where does Scott Bader operate today?**

When Scott Bader became a Common Trusteeship Company it operated only in the UK.

Over the last 50 years the company has expanded geographically and today has manufacturing companies not only in United Kingdom, but also in France, South Africa, Emirates and Croatia. It also has distribution companies or research centres in

the Ireland, Czech Republic, France, Spain, USA, and China. It employs approximately 600 people worldwide.

### **What is expected of Scott Bader people?**

The international business structure brings with it distinct challenges in operating as a common-trusteeship. All Scott Bader companies wherever their location must work to a common set of principles:

- Care
- Equality (of opportunity)
- Ethics
- Involvement
- No discrimination
- Respect (human dignity)
- Service



Following development, organisation and very dynamic changes in business and global world in general, Scott Bader Group continuously monitor and review own policies, not moving further from main principles, those are universal and with no time limits.

During year 2011, after large consultation and opinions collected all around the Group, it was agreed existing principles, respecting the past and shaping the future, to cumulate into four main values, those define all principles we apply in achieving our goals, as well as values that should be applied in the activity of each of us in the Group. Those values are (each equally important, no matter of its place when written):

- Commitment
- Responsibility
- Team working
- Fairness

We believe that these principles and values would enable that in the future we also stay Partner for Excellence and Successful, Profitable and Sustainable Organisation.

#### Commitment

We're committed to the principles of common trusteeship and making **Scott Bader** a successful and sustainable organisation.

#### Team working

We work co-operatively and in collaboration with colleagues, customers and suppliers to deliver excellence.



#### Responsibility

We each take personal responsibility in how we work to do the best for **Scott Bader**.

#### Fairness

We are fair, honest and ethical in how we work with others and how we are treated at **Scott Bader**.

## **The arrival of SCOTT BADER to Croatia**

Our company, named Chromos Tvornica Smola stock company at the time, started cooperating closely with the Scott Bader Group in 1999, when Scott Bader invested its financial resources through a loan as well as its own guarantees into helping the company recover and return onto the international market.

It was at that time during our highly intensive cooperation that Scott Bader recognized the possibility of a complete and successful integration of the Croatian company into the Group and gained full ownership over Chromos Tvornica Smola shareholding company in 2006.

With certainty and belief in the sustainability of production in Zagreb, during the same year employees were given the opportunity to apply to become members of the Commonwealth, along with the possibility of having full reports on all issues of relevance for the Group, of participating in decisions regarding profit and its distribution, electing their own Local council and including their representatives into the activities of the Commonwealth Assembly.

Even prior to having become the owner of the Croatian company, Scott Bader worked on improving the processes, products, organization and financial stability of the Company and provided access to all of its resources and expertise. In spring 2007 the Company changed its name into SCOTT BADER d.o.o.

## **Business activities and company organization**

### **2.1.**

Name: SCOTT BADER d.o.o.

### **2.2.**

SCOTT BADER d.o.o. produces polyester, vinyl ester, alkyd and acrylic resins.

### **2.3.**

SCOTT BADER d.o.o. has no subsidiaries and does not own any other company.

### **2.4.**

The Company operates at a single location, in Zagreb's Industrial zone. The Company's headquarters are located at Radnička cesta 173 i, HR-10 000 Zagreb, Croatia – the change of the street name and the number was made based on City of Zagreb decision, registered in the Company register on March the 6<sup>th</sup> 2012.

### **2.5.**

SCOTT BADER sales its products mostly in Central and Eastern Europe, and in several countries with its own developed distribution network, trade marks and years of presence on the markets of Germany, Austria, Italy, Poland, The Czech Republic, Slovakia, Slovenia, Bosnia-Herzegovina, Serbia, Macedonia, Romania, Bulgaria, Russia, Ukraine, and developing the sales networks in Belarus, UK, Portugal etc.

## 2.6.

SCOTT BADER d.o.o. is owned solely by Boldhelp Limited, a member of Scott Bader Group that has its headquarters in the UK.

## 2.7.

SCOTT BADER d.o.o. produces synthetic resins, namely:



- **polyester and vinyl ester** (Crystic, Chromoplast) with the application in the production of yachts, sailboats and boats; the production and reparation of pipes and pipelines; the production of decorative "artificial marble"; and the production of sanitary equipment, primarily bathtubs, that sell in about 20 countries across Europe.
- **alkyd and acrylic resins** (Crestakyd, Crestacryl, formerly known as Chromosal and Chromoacryl), with the application in the production of alkyd and acrylic-based paints, primarily paints for metal, wood, concrete and road marking.

## From the customer

The now world famous powerboat, as driven up the Thames by David Beckham to bring the Olympic flame to the stadium for the London 2012 Olympics opening ceremony was a Bladerunner Br RIB35 manufactured by ICE Marine Ltd, fabricated using Scott Bader Crystic products. The Bladerunner BR RIB35 laminate design uses a Lloyd's approved Scott Bader matched marinesystem. ICE marine has been using Crystic resins and gelcoats to make their high performance powerboats for over 14 years.

Jeremy Watts, Managing Director of ICE Marine says:

*"We have been very impressed with the quality and performance reliability of Scott Bader products, which are also easy to use on the shop floor as they have excellent batch to batch consistency, so we know what we are getting every time."*





**2.8.**

The Company currently employs 55 people, 13 of which are women and 42 men.

A higher number of men are employed in Operations/Technical sector – there are men employed in the plant, warehouse and maintenance, while both men and women are employed in other organisational units.

Employee structure by gender at 31.12.2012.

Gender	2009	2010	2011	2012
men	41	39	41	42
women	15	14	14	13
TOTAL	56	53	55	55

Employee structure by education at 31.12.2012

EMPLOYEE STRUCTURE BY EDUCATION	Number of Employees			
	2009	2010	2011	2012
Master degree	0	1	1	1
University degree	9	8	8	9
High-school degree	28	25	28	27
High skilled workers	0	1	0	0
Skilled workers	10	11	11	11
Semi-skilled workers	1	1	1	1
Unskilled workers	8	6	6	6
TOTAL	56	53	55	55

Employee structure by age at 31.12.2012.

EMPLOYEE STRUCTURE BY AGE				
	2009	2010	2011	2012
under 18 years of age	0	0	0	0
18 - 20	0	0	0	0
21 - 30	6	4	5	5
31 - 40	8	8	7	8
41 - 50	15	11	9	9
51 - 55	11	10	10	8
over 55	16	20	24	25
TOTAL	56	53	55	55

## 2.10

**During the reported period SCOTT BADER d.o.o. was awarded with**

- HSE Award 2010 for 5S

SEIRI-tidiness

SEITON – orderliness

SEISO – cleanliness

SEIKETSU – standardization

SHITSUKE – discipline



## QUALITY AND ENVIRONMENTAL MANAGEMENT SYSTEMS

Quality and environmental management systems in SCOTT BADER d.o.o. are established in accordance to standard ISO 9001:2008 and standard ISO 14001:2004.

Quality management system is applicable for a long time (since 1996) and it is operational too in the daily company business.

Quality management system effectiveness is confirmed through the results in customer satisfaction, the minimum number of customer complaints and internal problems of quality, as well as in achieving given goals.

Environmental Management System was introduced in December 2010.

The effectiveness of environmental management system is demonstrated by achieving environmental objectives, internal audit, Management review, compliance with legal requirements and good cooperation with interested parties.

Quality and environmental management is defined through documented system, through Quality and Environmental Rules, defined Processes, Procedures, Working Instructions and Recordings.

Essential goal of our company is customer satisfaction and the fulfilment and anticipation of customer needs with high awareness of environmental protection.





## CERTIFICATE OF APPROVAL

This is to certify that the Environmental Management System of:

**SCOTT BADER d.o.o.**  
**Zagreb**  
**Republic of Croatia**

has been approved by Lloyd's Register Quality Assurance  
to the following Environmental Management System Standard:

**ISO 14001:2004**

The Environmental Management System is applicable to:

**Development, manufacturing and sales of  
unsaturated polyester resins, vinyl ester resins,  
alkyd resins and acrylic resins in solvent**

Approval  
Certificate No: LRC 0120096/2

Original Approval: 22 December 2010

Current Certificate: 22 December 2010

Certificate Expiry: 22 December 2013

Issued by: Lloyd's Register Quality Assurance  
Croatia for and on behalf of Lloyd's Register  
Quality Assurance Limited



This document is subject to the provision on the reverse  
71 Fenchurch Street, London EC3M 4BS United Kingdom. Registration number 1879370  
This approval is carried out in accordance with the LRQA assessment and certification procedures and monitored by LRQA.  
The use of the UKAS Accreditation Mark indicates Accreditation in respect of those activities covered by the Accreditation Certificate Number 001  
Macro Revision 13



### CERTIFICATE OF APPROVAL

This is to certify that the Quality Management System of:

**SCOTT BADER d.o.o.**  
**Radnička cesta 173i**  
**10000 ZAGREB**  
**Republic of Croatia**

has been approved by Lloyd's Register Quality Assurance  
to the following Quality Management System Standard:

**ISO 9001:2008**

The Quality Management System is applicable to:

**Development, manufacturing and sales of  
unsaturated polyester resins, vinyl ester resins,  
alkyd resins and acrylic resins in solvent**

Approval  
Certificate No: LRC 0120096

Original Approval: 20 February 1996

Current Certificate: 14 January 2013

Certificate Expiry: 13 January 2016

Issued by: Lloyd's Register Quality Assurance  
Italy Srl for and on behalf of Lloyd's Register  
Quality Assurance Limited



This document is subject to the provision on the reverse  
Via Cadorna 69, Vimodrone (MI) 2090, Italy

For and on behalf of 71 Fenchurch Street, London EC3M 4BS United Kingdom

This approval is carried out in accordance with the LRQA assessment and certification procedures and monitored by LRQA.  
The use of the UKAS Accreditation Mark indicates Accreditation in respect of those activities covered by the Accreditation Certificate Number 001  
Macro Revision 13



## **Profile 3. - The Report Parameters**

### **3.1.**

The Global Compact Report encompasses the period partly covered already in previous Report, and continues to period from 1st of January 2012 to 31st December 2012., with reflection to previous period with the goal of achieving better understanding of certain trends.

### **3.2.**

This is the fifth SCOTT BADER d.o.o.'s COP.

The previous one was submitted on 16th March 2012.

### **3.3.**

Report submission is on annual basis.

### **3.4.**

Regarding the Report, the contact person is Mrs. Ružica Geceg, Member of the Board and Finance Director of SCOTT BADER d.o.o.

The Report was delivered by:

1. Ružica Geceg, Board, Finances, Personnel and Administration
2. Andrej Potežica, Board, Operations, Sales
3. Zdravko Špehar, REACH
4. Tina Buhin, Environment and Technology
5. Željka Grabner, Administration and IT
6. Ankica Sertić, Personnel

### **3.5**

The Report was formed and defined in accordance with Global Compact Principles and GRI G3 guidelines.

### **3.6**

All data pertain solely to SCOTT BADER d.o.o., Croatia.

### **3.7**

The Report is based on level C application of GRI Framework for Sustainability Reporting.

The complete COP Report shall be published on UN Global Compact web-site [www.unglobalcompact.org](http://www.unglobalcompact.org), and SCOTT BADER web site [www.scottbader.com](http://www.scottbader.com).

### **3.10**

Information and data from previous report are not changed.

### **3.11**

There are currently no significant changes in relation to a previous report.

### **3.12.**

Table/Content with all points by GRI is presented on the second page of the Report.

### 3.13

This Report (as a whole) has not been verified by an external assessors, since verification is not obligatory.

Financial data were verified through the audit of annual financial reports and activities of internal control, expressed a positive opinion. The audit was performed by PriceWaterhouseCoopers d.o.o., Zagreb.

Certain parts of the Report refer to the functioning of the quality system according to the ISO 9001:2008 standard as well as ISO 14001:2004 for the system of environmental protection, and for both regular audits confirm positive results.

## Profile 4. – Management, obligations and participation

### 4.1.

Supervisory Board and Management Board

Supervisory Board:

- Mr. Jean Marc Bain, President
- Mr. Philip James Bruce, Member
- Mr. Andrew John Forrester, Member

Management Board:

- Mr. Andrej Potežica, President of the Board
- Mrs. Ružica Geceg, Member of the Board

### 4.14./4.15.

## SCOTT BADER d.o.o. stakeholders

### The report of stakeholders, communication and improvement

#### Customers

- We provide our customers with the supply of high-quality products with expert support of a very high quality.
- We work continually on improving the cooperation with our customers through not only offering them high-quality products but also complete technical assistance in the application of our products.
- We are ready to cooperate with our customers at their product development stage and by adjusting our product range to their innovative solutions.
- We perform customer satisfaction survey that give us a solid basis for future improvements

#### Suppliers

- We treat our suppliers as our partners in achieving our desired quality.

- We inform our suppliers of annual quality ratings of their supply of products and services and our cooperation as a whole.
- We expect our suppliers to operate in accordance with basic principles of business correctness, sustainable development and positive impact on the community in which they operate.

### **Owners**

- The owners as stakeholders are continually involved and informed of the Company's business performance and other important events in both the company and its environment through pre-defined reporting forms and through an on-going communication within the Group.

### **Employees**

- The employees are included in the business performance info system of both the Company and the entire SCOTT BADER Group by means of a set info system: monthly and periodical reports on business performance of the local Company and other companies within the Group, through the reports of local management, General Manager of the Group or financial reports.
- Monthly and Quarterly Bulletins of the Group are available to all employees.
- All employees may place their questions and comments after having received the reports.
- The Group Board informs the employees of the most important issues and decisions after having held their sessions.

The Company provides for on-going training of its employees in accordance with the regulations pertaining to chemical production, as well as other forms of education through training courses, seminars or education courses required for continual improvement which the Company wishes to achieve, as well as for the personal development of the employees.

- There are surveys organised in the Group on employees satisfaction on the way of informing around the Group

### **Trade Union and Commonwealth Members**

- There is no limitation to the freedom of association, establishing and activities of Trade Unions in the Company.
- Trade Union is involved in reaching decisions by the Board that are related to the application of Labour Law regulations, in accordance with the law and internal acts.

Along with a Trade Union there is also a Local, workers' council, in accordance with the principles of the Group's Commonwealth that also provides for the member employees to be well informed, for the opinions expressed by the members to be presented at the Group level; it brings decisions regarding donations etc.

- An appointed representative of the Company represents the employees – members of the Commonwealth at quarterly sessions of the Members Assembly at the Group level.

**Local and wider community**

- The Company grants donations to charitable organizations from the Scott Bader Commonwealth Fund
- The Company and its employees, in accordance with the principles of Commonwealth, strives to be a useful member of local community

**Business and other associations**

- The company and its representatives participate actively in the Croatian Exporters Association, Croatian Employers Association as well in other business associations with the purpose of achieving an improved business environment, providing support and aid as well as receiving them with the purpose of achieving better business results.

The activities of Scott Bader d.o.o. in the Croatian Exporters Association, Croatian Employers Association as well as its other activities are aimed at contributing to the improvement of the overall business climate in Croatia, especially in the fields of industry and export.

*MAIN COMPANY  
AIMS  
AND POLICIES*



## MISSION

The limited liability company SCOTT BADER d.o.o. is the sole Croatian manufacturer of resins. Its mission is to supply high-quality products to customers (largely paint and varnish manufacturers, shipyards/yacht production, the piping industry, the artificial stone and marble industry and the sanitary equipment industry) in the wider region of Central, Eastern and South Eastern Europe, and to collaborate with them in the development and production of their products and to share in the satisfaction of their success.

**The mission of Scott Bader, as a company under the complete (100%) ownership of the Scott Bader Group, is to participate in all of the Group's activities as a respectable partner in compliance with its operating policies, and to assist other members of the Group by making its knowledge and expertise available.**

## **VISION**

In order to fulfil its mission, Scott Bader must be able to supply high-quality products to its customers at acceptable prices within specified deadlines with maximum technical support and assistance while meeting planned performance goals, with the long-term objective of profitable operations and continuous investment in further product development, technological improvement and environmental protection.

Due to limited production capacity (both locally and at the Group level), the Company shall invest maximum research-and-development and marketing/commercial effort to improve its product structure with the objective of increasing the share of sales and production of products with higher added value.

As a member of the Scott Bader Group, the company shall take advantage of the Group's marketing/commercial and research-and-development potential but also make maximum contributions to the Group through its own activities.

Current improvements to organization and work processes that are components of the introduction of ISO 9001 and ISO 14001 standard, the complete integration into the Scott Bader Group, computer-guided manufacturing and continual improvements to work practices, and care for employees, the workplace and the environment, shall enable Scott Bader to retain and enhance its status as a major supplier of resins to its customers and bolster its reputation of a company in which all employees see their long-term prospects.

## **CODE OF ETHICS AND BUSINESS CONDUCT**

### **1. INTRODUCTION**

This Code constitutes a set of postulates and guidelines to which all employees of the company Scott Bader d.o.o. adhere and to which they aspire, and of provisions on responsibility for their implementation. The term 'employee' encompasses all persons employed by the company full-time, part-time or under contract.

### **2. POSTULATES AND GUIDELINES**

The employees of Scott Bader hereby assent and warrant that the right to work is a fundamental human right and that it serves general progress only if it is based on morality, law and freedom of thought. This right is exercised by means of joint and individual activity, although accountability is always individual. Activities must be based on respect for others and mutual esteem. Management is the highest form of this activity, and its success is not possible without unity and firm personal integrity.

Pursuant to these postulates, all employees of Scott Bader knowingly and consistently accept the following guidelines:

- 1) Adherence to all company by-laws and laws and legal regulations.
- 2) Maintenance of the highest standards of ethics and morality regardless of pressure exerted by individuals or groups inside or outside of the company. Each employee is entitled and duty-bound to refuse to comply with orders which include the violation of this Code with no legal nor moral consequences whatsoever for such refusal.
- 3) Adherence to technological and labour discipline and conscientious execution of all contracts and agreements. In this regard, verbal orders, agreements and pledges have the same ethical force as their written counterparts.
- 4) A continuous aspiration to a high level of individual achievement and professional, intellectual and mental betterment, and selfless assistance to others for this purpose.
- 5) Orientation of one's activity toward the preservation and enhancement of the company's intellectual and physical assets, and its reputation and status in society, with particular emphasis on protection of all employees during work processes and protection of the environment as a whole. Within the framework of this guideline, all of the innovations and technical and operational improvements accomplished by an employee during the regular performance of his/her duties shall be deemed the intellectual property of the company.

6) Readiness to cooperate and unselfish sharing of one's knowledge with all employees of Scott Bader, and with its business partners, unless such knowledge constitutes one of the company's trade secrets.

### **3. RESPONSIBILITY**

The management, managers and all employees shall be obliged to adhere to this Code and foster the conditions where under each employee is able to adhere to its standards.

Any violation of this Code represents unprofessional conduct, especially where it involves endangering the well-being of the Company and its employees, endangering its natural environment, proven malice, a serious lack of expertise, ill judgement, distorting facts, forgery, bribery, revealing business secrets, and the abuse of assigned authorizations with the intent of making an employee violate the Code or for personal gain. Any such violation of the Code is considered a serious breach of job responsibility and may result in a withdrawal of previously assigned authorizations or one's position in the organization, suspension, while, in more serious cases, may provide a basis for termination of employment.

Any violation of this Code which at the same time represents a violation of legal regulations shall result in legal action being taken as well as sanctions stipulated by law.

Repetitious violation of the Code shall be sanctioned as an extremely dishonourable act.

The provisions of this Code shall be interpreted and implemented by the Board of Scott Bader d.o.o., with participation of the representative(s) of the employees' trade union and the Commonwealth.

## QUALITY AND ENVIRONMENTAL POLICY

**The fundamental commitment of SCOTT BADER d.o.o. is customer satisfaction and the fulfilment and anticipation of customer needs with high awareness of environmental protection.**

In this regard, SCOTT BADER d.o.o. is committed to:

- Deliver resins which comply with commissioned quality standards while ensuring a proper level of services
- Continually seek out and introduce improvements in all areas of activity with the goal of achieving the satisfaction of customers and other business partners, which will encourage full cooperation
- Systematically educate and train employees to promote awareness of quality with emphasis on activities directly influencing quality
- Manage quality and environment in compliance with ISO 9001 and ISO 14001 standards under the constant supervision of the company's ISO representative who shall have the full support and cooperation of the Management
- Continually observe and implement improvements to the Quality and Environment Management System
- Systematically follow and coordinate our activities with legislation and other mandatory requirements
- Implement measures aimed at ongoing improvements to workplace safety and environmental protection
- All employees of SCOTT BADER d.o.o. shall demonstrate their attitude to the job and their co-workers by adhering to the Code of Ethics and Business Conduct.

In the interest of achieving the objectives and commitments specified in this Policy, the Management shall adopt its Quality and Environmental Objectives each year, in which it will define and quantify individual objectives and commitments for the subsequent planning period and ensure the resources for their achievement.

Each verification of the Quality and Environmental Objectives shall simultaneously constitute a verification of fulfillment of the basic postulates of this Policy.

The results of operations shall be simultaneously compared to those of other members of the Scott Bader Group and the most successful competitors.

The results shall be utilized for the continual adjustment of this Policy to the circumstances under which SCOTT BADER d.o.o. operates.

All employees of SCOTT BADER d.o.o. have been duly informed of this Quality and Environmental Policy, and the Management is charged with the interpretation of its provisions.

Quality and Environmental Policy is available to all interested parties.



## CODE OF PRACTICE FOR COMMONWEALTH MEMBERS

<b>A</b>	We are a business community and it is our basic attitude and approach to our work and fellow workers that gives life and purpose to the Commonwealth
<b>B</b>	<p>As a worldwide community we realise the long term health of Scott Bader requires attention to four aspects of the business</p> <ul style="list-style-type: none"> <li>(i) active democratic involvement</li> <li>(ii) social cohesion</li> <li>(iii) strong research and development</li> <li>(iv) financial growth</li> </ul> <p>The practical working out of a balance between the four tasks is a continuing responsibility for the membership as a whole</p>
<b>C</b>	<p>It is our common responsibility to work together, locally and internationally in such a way that;</p> <ul style="list-style-type: none"> <li>• We show respect and dignity to each other</li> <li>• Working for Scott Bader has meaning and is fulfilling and we feel valued for our contribution</li> </ul>
<b>D</b>	<p>Being in a position of authority Managers must:</p> <ul style="list-style-type: none"> <li>• Manage and be accountable to members for their actions</li> <li>• Manage in a style that is participative and consultative</li> <li>• Facilitate change and improvement and encourage others to do the same</li> </ul>
<b>E</b>	<p>Our company manages through mutual collaboration; therefore as members we must accept responsibility for our actions through:</p> <ul style="list-style-type: none"> <li>• A willingness to learn, develop and grow as individuals</li> <li>• Improved communication between each other and between groups and departments</li> <li>• Being understanding and patient towards problems encountered</li> <li>• Recognising and encouraging contributions made by others, both locally and internationally</li> <li>• A willingness to attend meetings and to participate in the affairs of our local and international community</li> </ul>

<b>F</b>	<p>We must:</p> <ul style="list-style-type: none"> <li>• Be open, honest and frank in our relationships with each other</li> <li>• Face difficulties directly rather avoid them</li> <li>• Solve problems by discussion and agreement rather than through a mediator</li> </ul>
<b>G</b>	<p>. In the event of a downturn in trade we will consider whether circumstance make it desirable or practical to share all remaining work rather than expect any of our fellow members to be deprived of employment, even if this requires a reduction in earnings.</p> <p>. However should a study of our business reveal that it would be in its best interest to reduce or eliminate certain jobs, we will do this in the fairest and most objective way. In particular we will wherever possible offer alternative work.</p>
<b>H</b>	<p>We have agreed not to hold second jobs without having first sought the approval from the company.</p>
<b>I</b>	<p>The foundation/creation of our Commonwealth abolished the existence of Scott Bader share holders and with it the power of share ownership. For this reason we will not acquire other companies, without offering their staff Commonwealth membership as quickly as possible.</p>
<b>J</b>	<p>We have a responsibility to the society in which we live and believe that should we have a special talent or interest, it would be right to offer this to the wider community. Members are encouraged to engage in some to form of social or public service, however small.</p>
<b>K</b>	<p>Our social responsibility also extends to</p> <ol style="list-style-type: none"> <li>1. Limiting the use of our products to applications beneficial to the community, in particular excluding specific applications used in manufacturing weapons of war</li> <li>2. Reducing any harmful effects our work has on the natural environment, e.g. by rigorously avoiding the negligent discharge of pollutants</li> <li>3. Constantly working towards reducing activities that waste the earth's natural resources</li> </ol>
<b>L</b>	<p>As members of the Commonwealth we support and commit to the principles of the Commonwealth and will do our best to live these out in both our working and private lives</p>

# THE FOUNDING PRINCIPLES OF GLOBAL COMPACT

## The founding principles of Global Compact

The principles which we accept in full and act in accordance with:

### Human Rights

#### Principle 1:

**Business should support and respect the protection of internationally proclaimed human rights**

Scott Bader d.o.o. operates on international market, cooperates with business partners for which we believe that within their business activities in no manner participate in violating human rights or contribute to minimizing them in any of their other activities in a broader community. In the event that we discovered otherwise, our company would terminate its business relationship with such a company.

#### Principle 2:

**Ensure that the company itself is not complicit in human rights abuses**

The founding principles of the Scott Bader Group include an explicit principle of respecting human rights, without which the Companies of the Group would not fulfil the most important precondition of their existence.

Our Company has internal acts which were enacted in accordance with legal provisions and with the consent of its employees through their Council. A person has been authorised to which all remarks regarding any form of human rights violation, dignity or the endangerment of an employee. We are a small company in which most of our employees have been working for us for many years now and thereby fostering a mutual respect represents a foundation for good cooperation among employees and for including new employees into our labour processes.

### Labour Standards

#### Principle 3:

**Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining**

Every employee of Scott Bader d.o.o. has the opportunity to exercise their right to freedom of association. 64% of employees are members of the Trade Union of Chemical Industry Workers and 100% are members of the Commonwealth, a union of employees within the Group, through which they exercise their right to participate in reaching decisions regarding the most important issues related to the Company's business and other issues related to the Statute of the Company.

The Local Council of Employees, members of the Commonwealth, is based on the same foundations and, alongside with Trade Union representatives, represents an additional form of representing employees and exercising their rights.

**Principle 4:**  
**The elimination of all forms of forced and compulsory labour**

Scott Bader opposes any form of forced and compulsory labour which is contrary to the principles of conducting business. The same is requested from all business partners and members of the greater community to which it belongs.

The choice and change of one's job position is a basic human right. Each new employee is fully informed of his/her rights and obligations through all internal acts of the Company, and is enabled to and expected to be an equal member of the team which he/she joins, because this is the only manner in which a company can function well.

**Principle 5:**  
**The effective abolition of child labour**

Scott Bader d.o.o. fully supports the abolition of child labour which is not a humane or permissible way of making a profit but rather an activity with long-term consequences in the future.

The principle is clearly stated in our internal acts.

Below is age structure per main departments in the company:

Years	Administration				Operations			
	2009	2010	2011	2012	2009	2010	2011	2012
Below 18 years	0	0	0	0	0	0	0	0
18-20	0	0	0	0	0	0	0	0
21-30	2	1	0	0	4	3	5	5
31-40	1	1	2	2	7	7	5	6
41-50	5	4	2	2	9	7	7	7
51-55	2	2	4	3	9	8	6	5
above 55 years	3	3	3	2	14	17	21	23
Total	13	11	11	9	43	42	44	46

**Principle 6:**  
**The elimination of discrimination in respect of employment and occupation**

Our Company does everything in its power, by respecting the founding provisions of legislation, by enacting the Company's internal acts and by acting in a fair and non-discriminating manner with respect to employment and in relations with its employed co-workers, to ensure that there is no discrimination in any segment of our activities.



In the process of employing new employees there are clearly set criteria which eliminate discrimination with respect to employment. No discrimination may be applied related to sex, race, religion, political affiliation or nationality, family status or personal beliefs.

The same criterion is applied to the salaries of our employees.

Our internal acts include a description of a mechanism which is at the disposal of our employees for protection from any form of discrimination, as well as procedures set and persons responsible for resolving any situation in which an employee might feel discriminated in any way.

## **Environment**

### **Principle 7:**

Scott Bader d.o.o., being a responsible company operating in the field of the chemical industry, pays special attention to environmental protection.

In conformance with its own principles of sustainable development and business operations and guided by the principles of the Group's operations, including explicitly high standards in environmental protection measures, employee health care and improving work conditions in general, the Company meets and increases the high standards in these fields of industry.

Being a member of the Scott Bader Group, Scott Bader d.o.o. is further obliged to fulfil all the necessary conditions of operations and activities that lead towards the protection of the environment. Monitoring the performance in the field on a regular basis ensures that all employees, as well as interested partners, are well informed about this segment of our operations and, even more importantly, sets new goals for improvement on the basis of former experiences.

Basic issues of environmental protection and business operations are regulated by the Company's internal acts with the purpose of eliminating any adverse impact to environment: Rules on waste management from the technological process of wastewater treatment; Rules on operation and pre-treatment of waste and sewage water; an Operating plan of activities in case of sudden pollution; a Waste management plan; an Operating plan of activities in environmental protection; Rules on the disposal of waste oils; Fire safety rules.

By fulfilling legal obligations in enacting the required rules and plans, the Company utilizes such a manner of defining the obligations as an additional opportunity for an on-going review of its achievements in the field.

The Company makes continuous investments in the protection of the environment, the improvement of production conditions, safety at work, and improving working conditions in the Company in general.

Here are some of the large-scale interventions and investments made during the course in 2010 and 2011:

- technological improvement of the production process by introducing Molten PA charging system reconstruction and implementation, by which the production process was made shorter, safety was improved, working conditions were made significantly easier and safety in the protection of the ecological system was improved.
- improvement in the sewage system of the entire site. This large-scale intervention is carried out over a three-year period and it was completed 2011. It includes a complete reconstruction of the technological water sewage system and the reconstruction of the catchments, precipitation and waste water system, all in compliance with a project approved by Hrvatske vode (Croatian Waters).
- reconstruction of the flooring in production plants. Its aim is to match the latest environmental and production standards.
- Reconstruction of the pools in which hazardous substances are stored
- new pumps and pipes (to prevent leakage)
- old level indicators on all monomer underground tanks was replaced with new ones
- new waterproof floor in peroxide warehouse
- replacement of insulation system (sheet and wool) on all tanks and Pftalic Anhydride storage tank
- Continuous care and improvements in waste management (use / separation / disposal). Among others, a press for pressing paper and plastic waste was purchased.
- an improvement in the power efficiency of storing warm resins into tanks – a closed system of heating tanks using steam was constructed and installed
- With the aim to improve safety at work, fire protection and environment protection, in 2011 we started to apply Safety opportunity award system. Every month we reward the best suggestion regarding safety at work, fire protection and environment protection.

The section "Environmental impacts" contains indicators of the application of this principle in more detail.

Because of our legal obligations to get environmental licence (IPPC directive) most of our investments in 2012 was related with ecological and energy savings improvement:

- nitrogen in house production. Nitrogen generator was installed and now we are producing nitrogen from compressed air.
- steam heating of buildings with new more efficient central hot water heating system (steam losses are reduced)

- 150 meter of old underground water pipelines was replaced with new one (water losses are reduced)
- investment in central dust collector system (dust emissions are reduced to minimum)
- two new underground double walls tanks for solvent and monomer storage was bought and old single walls tanks are replaced
- new watertight floor in monomer warehouse

**Principle 8:**

**Businesses should undertake initiatives to promote greater environmental responsibility**

Being a producer of chemical products, our environmental responsibility is exceptionally important in our everyday activities. We support any action which leads towards improving environmental protection, and to that end undertake all measures available within our Company.

Through cooperation with our business partners, and primarily our customers, we strive to share all of our knowledge regarding the proper application of our products, which we achieve by providing high-quality comprehensive documentation on our products, obtaining all required certificates, subcontracting transport companies with a high quality of service, providing instructions pertaining to managing packaging, packaging disposal etc.

Large-scale changes are being introduced to the chemical industry with the implementation of the REACH regulation. We have been participating in the activities related to implementing the regulation from the very beginning and we try to set an example in the fulfilment of all of the REACH requirements in order to help and motivate others to do the same.

## STATEMENT REGARDING REACH

Scott Bader d.o.o., as a responsible company, and in an effort to prevent any surprises regarding the REACH Regulation 1907/2006, since Croatia is yet to accede to the EU, has named Scott Bader Co. Ltd. as its sole representative in the EU, and has pre-registered all substances and all substances used in preparations acquired from the EU market and from non-EU markets. Although confirmations have been received from almost all suppliers that they started the pre-registration process, this alone still provides no guarantee regarding the completion of the registration process. Scott Bader d.o.o. has therefore adopted the so-called "safety net" approach, in accordance with the recommendations given by the European Chemicals Agency (ECHA), and pre-registered all identified substances which are used as monomers or additives.

Scott Bader d.o.o. produces polymers dissolved in a certain solvent or monomer, i.e. preparations that are not subject to registration as such; however, as further users need to ensure that only registered substances are procured for production, or, in the event where there are no registered suppliers, need to register the substances themselves for export into EU. Through the pre-registration procedure, and the further registration procedures (>1000 t/year by 30 November 2010, 100-1000 t/year by 31 May 2013, and 10-100 t/year by 31 May 2018) we ensure registered raw materials from our suppliers.

From the communication with our suppliers it was confirmed that all supplied raw materials and for those traded products those had to be registered by end of November 2010 are registered and all SDS required are issued, with the date of the registration according to REACH regulations.

Also, it is confirmed that the register of substances to be registered by 2013 or by 2018 is also completed. For substances now purchased, suppliers are obligated to issue new SDS, with visible ECHA registration number. When imported, only substances with completed documentation could be accepted.

In accordance with Directive 1272/2008 (CLP) SCOTT BDER d.o.o. encourage our RM suppliers and customer in EU that all substances placed on the market will be notified to the Classification and Labelling Inventory. Our SDS are adjusted to this regulation for our products.

In accordance with Commission Regulation (EU) No 453/2010 all SDS for our products (mixtures) comply with Annex I (Annex II) to this Regulation after 1 December 2012.

**Principle 9:**

**Businesses should encourage the development and diffusion of environmentally friendly technologies**

Scott Bader d.o.o., as well as the sector for development of the Scott Bader Group, works intensively on the development of products, developed and enhanced in a manner in which by no means endanger the environment.

It is our goal to place an increasing number of resins on the market with a lower content of volatile compounds, solvents and styrene. To that end we developed a new generation of alkyd “high solid” resins with a drastically reduced content of solvents. Furthermore, a solvent-less resin was developed, which represents the latest generation of environmentally acceptable alkyd resins on a global level. Polyester resins with a low content and low emission of styrene are also being developed along those lines. Furthermore, new acrylic resins with environmentally acceptable solvents (butyl acetate instead of toluene etc.) are also being developed.

In alkyd emulsion project we intend to leave solvent based alkyd resins, now we pass lab and pilot plant step. Next phase will be verification of paint formulations and after that scale-up to Plant.

**Anti-Corruption**

**Principle 10:**

**Businesses should work against all forms of corruption, including extortion and bribery**

Scott Bader d.o.o. decidedly condemns acts of corruption, extortion or bribery committed in order to achieve business goals.

We have never been, nor shall we ever let ourselves become involved in a situation that may lead towards any corruptive activity.

We shall improve our business operations on both the international market and our local market and achieve our results only by operating in a competitive and fair manner.



# ECONOMIC DIMENSION

## EC1

SCOTT BADER d.o.o. is the only producer of composite resins and specialty polymers in Croatia, recognizable on its regional market as well as, together with other producers of the Scott Bader Group, on the European and the World's market.

SCOTT BADER d.o.o. enhanced its years-long tradition of supplying high-quality products to its customers, who are industrial processors as well, by introducing product brand and rating of SCOTT BADER.

The future of our Company and the Group, as well as any other company that strives to succeed in chemical industry, depends on investments into product development and new technologies as well as the ability to continually monitor and use the developments achieved by our customers and suppliers, in order to respond in a fast and proper manner to all quality requirements in all business segments.

SCOTT BADER d.o.o., being mostly an exporter and also a producer of chemical products, is exposed to large-scale oscillations on both the raw-materials market and on the final products market. We operate on a very complex market, subject to extremely swift changes.

The Company therefore tries and succeeds in utilising its capacities to a maximum level through continual improvements in its organization, technology, quality and cost management.

SCOTT BADER is an important exporter, and with a large share of its product range it is an important regional producer. In the last several years export presents 85% of total sales.

In 2012 our company continued with sales increase and business improvements. Volume of our product sold was 16.203 t, comparing to previous year 15.300 tonnes and 2010 with 15.273 and 2009 with 12.694 tonnes.

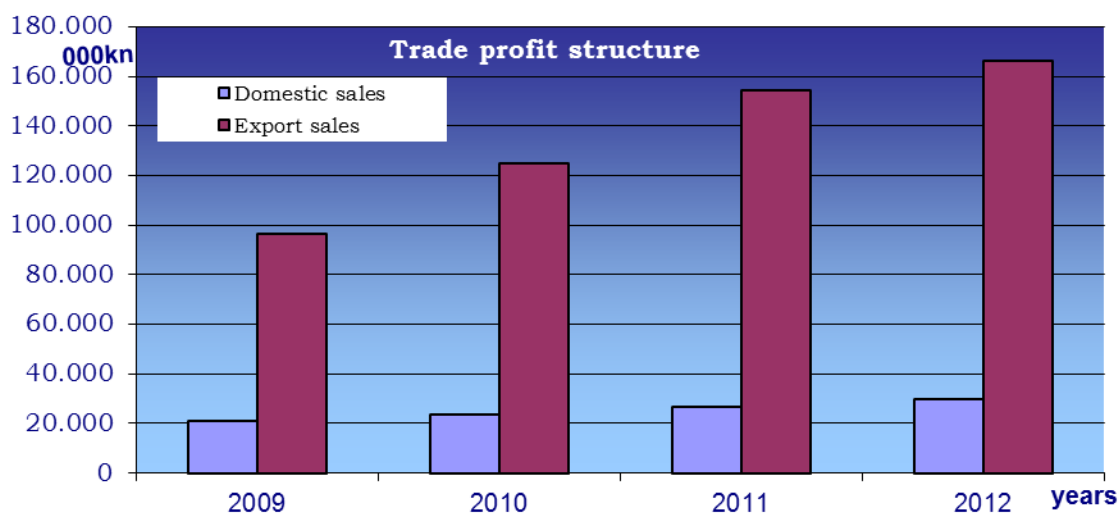
Also, product mix is further improved, with larger sales of better value added products. The market we operate on is still very difficult, manufacturers are exposed to continuous increase of raw material prices, those are still increasing although market activity after the main crisis is not recovered in full. Following that, there is a significant pressure on the market by the competition too, that is also trying to regain own market position, partly by decreasing own earnings to a minimum. That resulted with margins lower than expected, but our presence on the market is still strong.

After partly recovery of markets in 2011, in 2012 we managed to stabilise market position of our sales, with no debts in risk or losses of collections. Unfortunately, local and regional market is still slowly recovering, but we are keeping a quarter of our total sales on domestic market and strengthening our position in the region.

In the year 2012 we have achieved 196 mil HRK of sales and total income of 197,91 mil HRK, that resulted with profit of 171 th HRK.

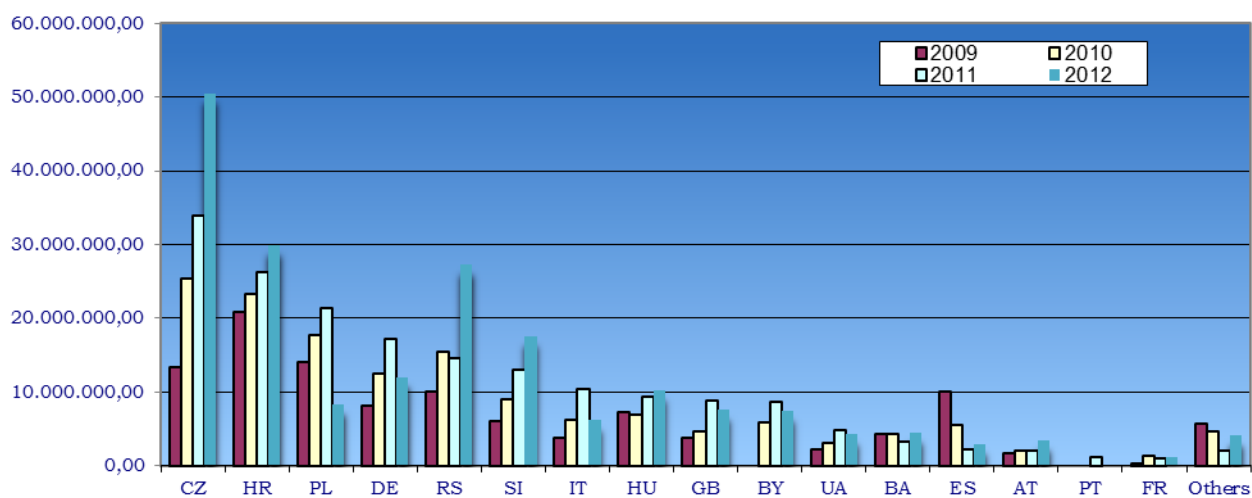
### Trade profit structure

Trade profit structure HRK 000s	2009	%	2010.	%	2011.	%	2012.	%
Domestic sales	20.925	17,8	23.338	15,74	26.601	14,69	29.867	15,24
Export sales	96.636	82,2	124.975	84,26	154.505	85,31	166.118	84,76
<b>TOTAL</b>	<b>117.561</b>		<b>148.313</b>		<b>181.106</b>		<b>195.985</b>	



We deliver our products on a wide market range from the UK to Spain, from Italy to Russia and from Poland to Greece. We concentrate on a significant growth in Germany, Russia, Ukraine, Belarus, Poland...

Export to individual countries within the past three years and participation per country in 2012:



Direct, achieved and distributed economic value

Direct, achieved and distributed economic value				
	2009	2010	2011	2012
<b>Direct economic value</b>				
a) Income	112.405	148.821	182.283	197.910
<b>Distributed economic value</b>				
b) Business expenditures	85.493	123.329	166.021	174.681
c) Employee's salaries and benefits***	9.421	9.241	9.252	9.468
d) Payments to capital providers	387	376	331	314
e) Payments to the State	1.275	1.124	1.419	1.579
f) Investments into Community*				

\*\*\* Employees salaries are increased in 2010, but total employee costs are lower than in 2009 due to redundancies paid out in 2009

The Company's income consists of trade and other incomes. Trade income means income from sales of our products on domestic and foreign markets and a small share of income from selling services and merchandise.

Other income means income from interest and selling fixed and other long-term assets.

The largest share of business expenditures comprises raw-material costs for the production and they define the increase in all expenditures, following the increase in sales / production and the changes in the prices on the world raw-material market. Furthermore, there are also freight, power and other expenses related to production and production plant maintenance. Other business expenditures include licence expenses, mediator fees and sales expenses on foreign markets, the expenses of property and employee protection, insurance expenses etc.

Employees' salaries and benefits include salaries and fees for the employees as well as paid benefits (bonuses, jubilee awards, Christmas bonuses), transportation costs, aid to employees and similar.

Paid interest includes the interest paid for a loan granted by Scott Bader Group companies. The intercompany credit decreases the Company's exposure towards third parties and enables a more favourable financial arrangement than it would have been should a loan be granted by a third party (e.g. domestic banks). A nominally paid interest amount is decreased and does not represent a significant financial burden to the Company.

Payments to the State include all mandatory payments regarding taxes and other payments.

\* Investments into the Community: this segment shows the specific characteristics of the organization and functioning of the basic principles in the Scott Bader Group and the existence of Commonwealth. The Group is expressively turned towards its local and wider community, and its financial participation is performed through donations, voted

on by all members of the Commonwealth and paid from a joint fund at the Group level. Therefore the amount of donations is not shown in the table above, as there was no expense at the level of local company, although the donations were made to Croatian charities, following the proposal of Zagreb's SCOTT BADER d.o.o. employees and from the fund provided for by the Zagreb-based company.

## Donations

Scott Bader Commonwealth Limited now for year gives donation to chosen donation organisations in Croatia. Every year the amount for donation is voted. Donation amount depends on employee number in the local company.

SCOTT BADER d.o.o. has been proposing over the years to the joint fund the charities that the donations might be granted to, mostly those providing aid for children, young and ill people.

In 2012 SCOTT BADER d.o.o. has got from Scott Bader Commonwealth Limited amounts of 7.300 GBP to be donated.

Those funds were donated to charity organisation we knew for years and we recognized their need for addition financial help. We wanted to keep continuity and of several years and give some kind of additional security to those organisation that, if they fullfil known conditions from Commonwealth, they could count on help form SCOTT BADER for some time.

Charity / year	2009	2010	2011	2012
SNAGA	1.700	1.500	1.500	1.000
SOS village, Lekenik	1.000	1.200	1.500	1.500
Krijesnica	1.500	1.500	1.500	1.000
Croatian Association of the Blind	1.500	1.500	1.500	1.500
Put u život	1.000	1.200	1.500	1.300
Haiti earthquake	0	500	0	0
Duge pruge	0	0	0	1.000
Total	6.700	7.400	7.500	7.300

(In GBP, since the donation was made directly from the Commonwealth's joint fund at the Scott Bader Group level)

### The SNAGA (STRENGTH) Association of persons with cerebral palsy

NGO"SNAGA" is providing information for cerebral palsy sufferers considering innovative therapeutic options for their invalidity thus converting them from hopeless to treatable patients with hope for recovery and gaining full life and work capability as well as providing funding for required medical services.

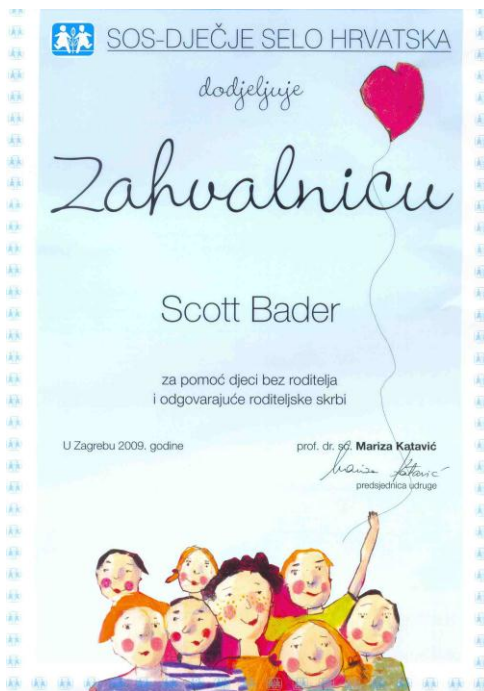
Our main achievement consists in reduction of invalidity degree in our members who are cerebral palsy sufferers, submitted to integral neuro-rehabilitation program. The progress is documented by video footage "before and after" as well as with GMFM 66 and 88 questionnaire scoring.



Project " INTEGRAL NEUROREHABILITATION OF CEREBRAL PALSY" is based on new ideas in neuroscience which claim regenerative capacity of injured brain based on ideas of neuroplasticity ( [www.dr-roje.com](http://www.dr-roje.com)). Thus previously hopeless patients( invalids) with cerebral palsy( especially children) have new hope for their recovery. So far results of project are excellent.

### SOS Children Village

SOS Children's Villages look after children without parents or parental care, regardless of their race, nationality or faith, providing them with love and security in the family environment, as well as a permanent home and education needed for happy and peaceful childhood.



Children who arrive to SOS Children's Village Croatia (SOS CVC) sometimes need special expert assistance that cannot be provided by SOS CVC staff. One of those special needs refers to the special learning/speaking/reading impediments and SOS CVC has to engage external experts. Costs of such expert assistance per one village for the first two most critical months of the school year amounts to 13.560 Kuna, or approximately £1,500.00 (on March 21<sup>st</sup>, 2012, rate at the Croatian National Bank was 1GBP = 9,04). In 2010 we have begun working with one particularly disadvantaged group of children between ages 5 and 8. During past two years significant number of them significantly improved their speech capacity and are no longer in the program. However, a few of them are still involved in speech therapy and require more work for another year. In addition, some new children that are entrusted to our care require intensive work with them in order to better integrate them into regular schooling to the best of their capacity. The funds we donated to SOS village will be used for expert assistance at the beginning of the school year 2012/2013.



### Udruga Krijesnica (Firefly)

Firefly is a humanitarian association for helping children and families facing malignant diseases. It is operating in Zagreb but supports families from whole Croatia as well as families from neighboring countries (Bosnia and Herzegovina, Serbia, Macedonia, Slovenia).



#### Regular activities:

- Providing psychosocial support to children and families facing malignant diseases
- Educating children and families on topics related to malignant disease and treatments
- Organizing and implementing rehabilitation programs for young cancer survivors
- Activities on advocacy for health and social care rights of sick children and their families
- Public awareness raising activities for increasing sensibility in society on issues of children facing cancer
- Provision of accommodation for families who come to Zagreb for medical treatments

#### Key achievements:

Work of Centre for psychosocial rehabilitation as a focal point for information, advice and support for all families whose children are in treatment of malignant diseases in Zagreb

Provision of free accommodation for families coming outside of Zagreb in the vicinity of hospital where their children are receiving treatments

Counseling and technical support to parents in all procedures necessary to be done in case of child passing away

Work of grief support groups facilitated by professionals for all who have lost someone due to cancer

Rehabilitation summer camps for children who have gone through difficult treatment of malignant disease

Equipping children's oncology departments in Croatia with necessary medical equipment and other non-medical devices that make life easier in the hospital

Publishing educational brochures and books for children and parents

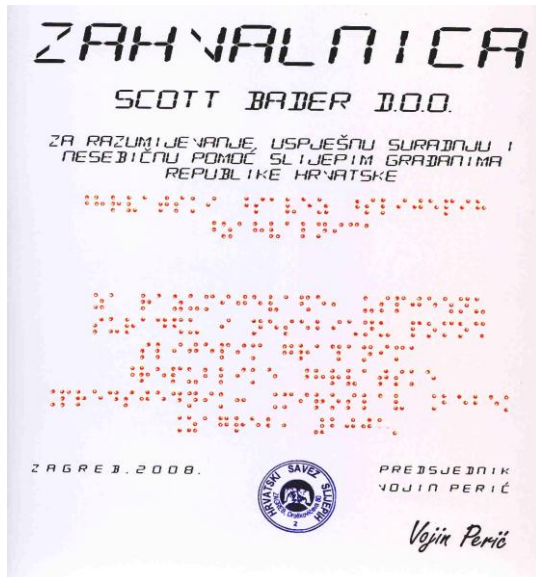
Production and copying of educational documentaries and cartoons that help children in coping with cancer and treatments

Many awareness raising campaigns about cancer related issues

### Croatian Association of the blind

Donated money in 2009 was of great help in publishing the bigger numbers of tactile atlases.

In year 2010 donated money was spent for making more detailed map of Croatia.



In year 2011 we supported project „All equall, all different“. Funds were used fot printing the brochure „Rights and Opportunities for the Blind, maintaining website [www.savez-slijepih.hr](http://www.savez-slijepih.hr) and procurement of equipment Jaws for Windows.

The project “Employment - Crown of Integration of the Blind Persons” started in July 2011 with the following goals:

1. Raising public awareness of the capabilities and potentials of blind people as a work force
2. Increasing personal potential of unemployed blind people, especially young
3. Informing employers and relevant institutions on the possibility of blind people therefore increasing propensity to employ blind workers
4. Providing technical assistance to employed blind persons and their employers

In 2012 we were supporting project “Employment - Crown of Integration of the Blind Persons” started in July 2011 with the following goals:

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### PUŽ (SNAIL)

Put u Život (A Way into Life) – Association of parents of children with special needs was founded to improve the quality of life, medical and social protection of children with special developmental needs and their families through education, various therapeutic treatments etc.

The money donated in year 2010, as well as in 2009, the Organisation used for computer workshop, where help to children with special developmental needs was organised, so they could develop their computer skills.

In 2011 donated money also went to computer work-shop. The computer workshops are for children with disabilities in order to raise level of computer skills, make them easier processes of reading and writing - education communication and socialization. Direct users were/are 20 children with serious physical disabilities (cerebral palsy, dystrophy and similar).

For most children with disabilities computer is and will be basic tool for communication.

In 2012 donations was for implementing Sensory Integration therapy for users in order to improve their functioning in daily life.





# SOCIAL DIMENSION



## SOCIAL DIMENSION

### Aspect: Community

#### SO1.

**Nature, range and efficiency of a program or general practice by which the impact of business activities on community is assessed and managed, including the stages of input, activity and output.**

#### 1. Importance

SCOTT BADER d.o.o., being a participant in a social community, both local and wider, by its sheer existence, through employing people and the level of respecting labour relations, has a social impact.

Furthermore, as a producer in chemical industry it is highly interested in performing its business activities without having an adverse effect on the environment in which it exists, and that through its financial activities and timely payment of all its duties towards the state and local community contributes to its development and respect all the principles of proper business performance.

The Company operates within the industry for half a century, at the same location, so in that sense its involvement with the community is not expressed, but rather it is a continuous adjustment of operations in the community and continual improvement in conduct standards (business and social conduct) in all conditions.

We have not encountered corruption and we do not believe that there is a high corruption risk.

We are not in any way involved in public politics and we do not use any type of lobbying.

We have also never had, neither we ever shall make a donation to or support any political party or a similar institution.

No proceedings were ever launched against us regarding a (dis)respect of free competition.

In our recent history we were never fined or financially sanctioned for not respecting law and regulations.

#### 2. Compiling data

There were no specific programs related only to monitoring social impact, but the basic principles of the functioning of SCOTT BADER and documents related to the system of values in business activities show the goal that the Company wishes to achieve.

### **3. Definitions**

Individual activities, internal acts and indicators are presented in other sections of this Report.

### **4. Documentation**

All feedback that the Company gets from its stakeholders is used as documentation of its social impact: customer satisfaction information; information obtained from other business partners, e.g. suppliers; certificates and permissions from the Company's owner; approvals by the Trade Union and Local Council of decisions reached, documents related to participation in business associations (Croatian Employers Association, Croatian Exporters Association and the like); participation in business polls with the purpose of gathering complete information that shall help improving business environment and labour terms; reports presented by charities regarding the utilization of donations.

# ENVIRONMENTAL DIMENSION

## Environmental dimension

We systematically monitor the impact of our activities and products on the environment and take preventive measures to prevent and reduce unwanted effects. We have a certified environmental management system according to ISO 14001, which ensures that all issues of environmental management are under constant supervision.

Taking care about effects on environments is visible through energy utilisation and emission to air and water, as well as cumulating dangerous and non-dangerous waste. There is a continuous request from all responsible sectors (R&D, manufacturing, maintenance) to decrease energy consumption at total, but also per product item. Emission to air is measured on 19 locations in the plant and laboratories and all results are below defined minimal values, that put request to repeat our check every five years. Emission in the air from burnings in our own hot oil boiler is measured, according to the law, every two years. Every year we submit requested reports on emission in the air to the Register ROO.

We have renewed Water licence, that regulates emissions to water, in the year 2008, and it is valued till 2013.

SCOTT BADER is one of the 250 company in Croatia which are obligated to have Environmental Permit according to IPPC regulation. Analysis of the installation is accepted by Ministry of environmental protection and Application for the establishment of integrated environmental requirements is already sent to Ministry.

Surveillances made each year by inspections of different area (fire protection, health and safety, sanitary, vessel under pressure...) showed that in our company there is a high compliance with law regulations, that secures minimal effects on environment and people's health, as well as enable to prevent and avoid any accidents with risk for people and environment.

Great attention is paid to the organization and regulation of the workplace both in indoor and in outdoor areas of our company. With good organization and clarity we ensure there are no incidents which could lead to environmental pollution and injury at work.

**EN3****Direct power consumption**

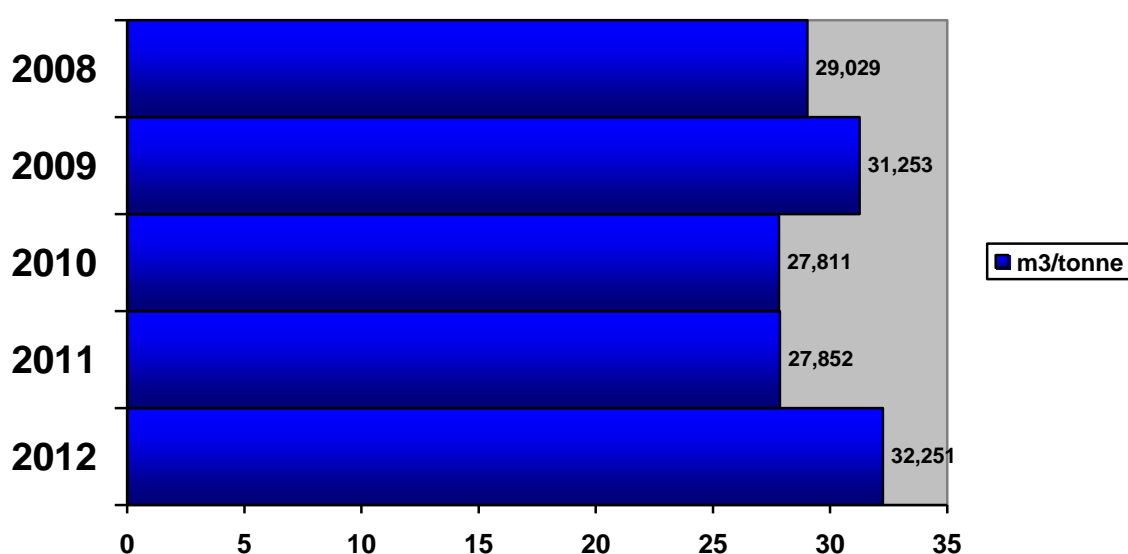
Our plants use earth gas for the production of power (hot oil furnace for heating reactors). The switch from diesel to earth gas was made in 1999.

Direct power consumption

	<b>Gas, Nm<sup>3</sup> (GJ)</b>	<b>Gas, Nm<sup>3</sup>/ t of products (GJ/t of products)</b>
<b>2008</b>	457.607 (17.847)	29,029 (1,132)
<b>2009</b>	396.813 (15,476)	31,253 (1,219)
<b>2010</b>	435,021 (16.966)	27.811 (1,085)
<b>2011</b>	415,245 (16,195)	27,852 (1,086)
<b>2012</b>	530,210 (20,678)	32,251 (1,258)

1 m<sup>3</sup> gas = 0,039 GJ

**Natural gas consumption per production Nm3/tonne**





With an increase in production, rationalizations, introduction of new technologies and better production planning, gas consumption per product unit is decreasing.

Problems in gas supply results in investment in gas burner with possibility to use gas and diesel fuel.

In 2010 we have made the reconstruction of the gas burner, which we further reduce gas consumption in 2011.

As we in 11.2012 replaced steam heating of buildings (production plant, production offices and oil warehouse) with hot water central heating (heat is produced by our natural gas fired Heater) we had some increase of natural gas consumption per tonne of production in 2012 comparing 2011.

#### EN4

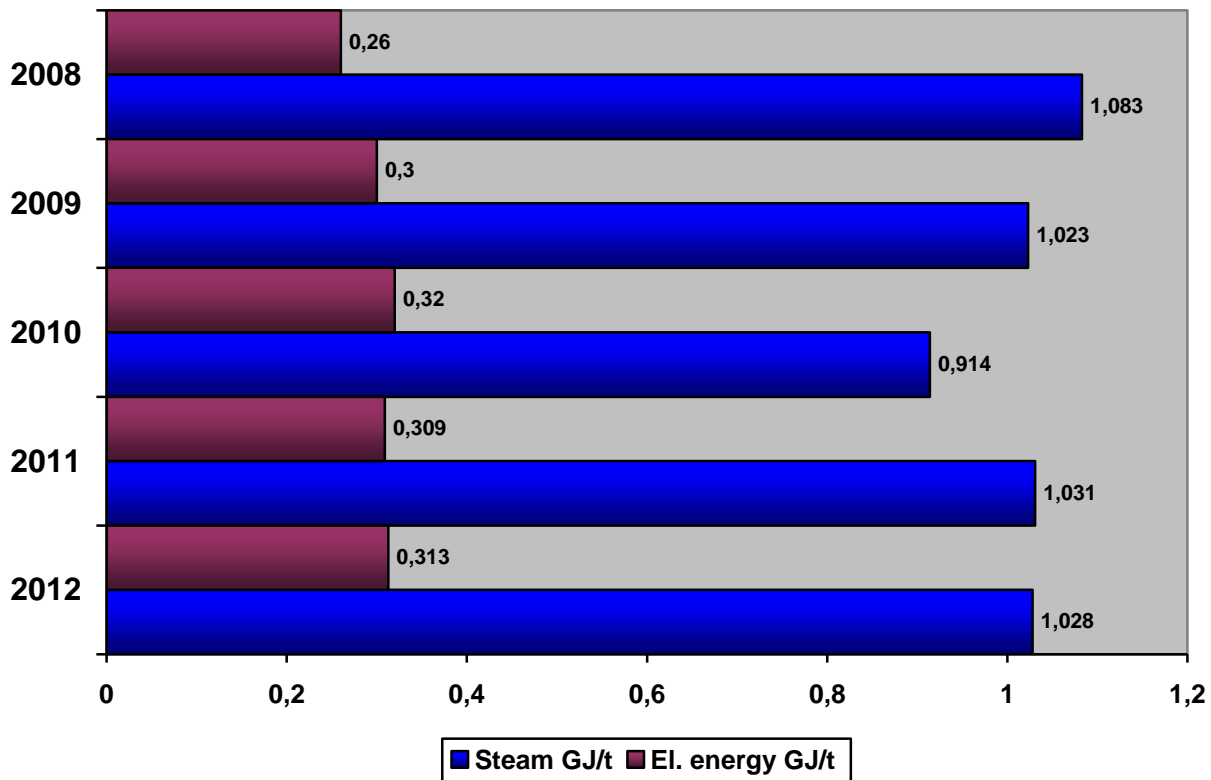
##### Indirect power consumption

The electric power and steam needed for production, heating and cooling of premises and plants are obtained from other sources.

##### Indirect power consumption

	Steam t (GJ)	Steam, t/t of products (GJ/t)	Electric power, kWh (GJ)	El. energy, kWh/t product (GJ/t product)
2008	8.216 (17.089)	0,521 (1,083)	1.141.962 (4.111)	72,44 (0,260)
2009	6.244 (12.987)	0,492 (1,023)	1.058.542 (3.811)	83,34 (0,300)
2010	6.244 (14,292)	0,439 (0,914)	1.395,304 (5,023)	89,20 (0,320)
2011	7.392 (15,375)	0,496 (1,031)	1.282,000 (4,615)	85,99 (0,309)
2012	8.126 (16,901)	0,494 (1,028)	1.428,379 (5,143)	86,89 (0,313)

1t of steam = 2,08 GJ,    1 kWh = 0,0036 GJ



Electric power is mostly used in production. The improvements in technological procedures and investments into maintenance and renewal of equipment result in a continuous decrease in the consumption of electric power per product unit.

From 6.2012 we installed our nitrogen generator and we produce nitrogen from compressed air. We have bigger consumption of electricity but we reduced nitrogen expenses 50%.

Steam consumption is mostly related to heating the plants, working premises and offices and depends on weather conditions. There is a plan for a project of replacing steam with a more favourable power source, or of reconstructing the existing power utilisation form.

In 2010 we further reduce the consumption of steam temperature control in heated buildings.

In 2011 we made new insulation on inside storage tanks for final products (14 pcs) heated with steam and with that investment we manage reduce steam losses in 2012.



*New insulation on inside storage tanks*

At the end of 2012 we finished replacing steam heating of buildings with new more efficient central hot water heating system and we will have bigger savings in 2013.

## EN8 and EN10

### Water

All water is obtained from local water supply system which is subject to strict control. For a number of years the meter is checked on a daily basis, with the purpose of providing a timely reaction in case of a leakage or an error in production process.

A separate cooling water system with two cooling towers has been in use since 1972, and only the amount lost through evaporation on cooling towers is replaced.

We also have new vacuum pumps system implemented in 2010, with sealing water closed loop, that additional decreased water consumption. Previously system used sealing water only in one direction, not in circulation.

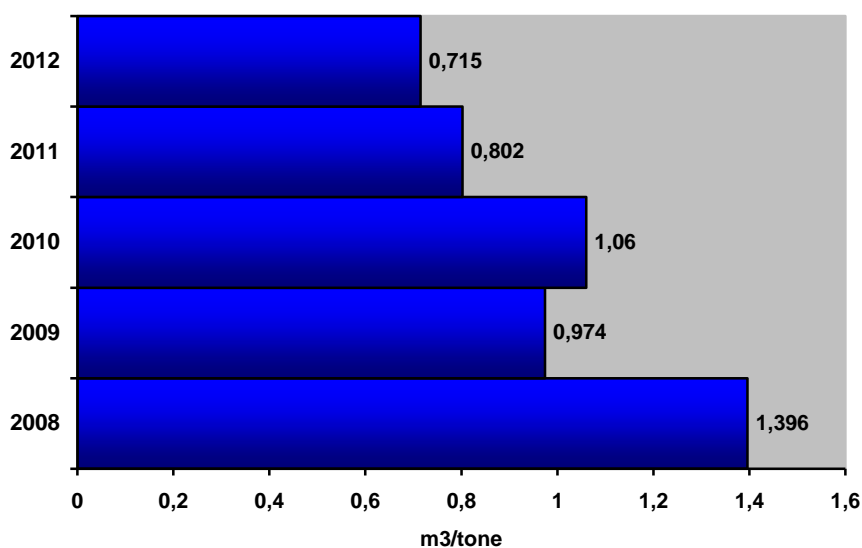
To prevent the accumulation of sediments on cooling planes, till 2012 the water was chemically treated, thus ensuring maximum cooling effect at minimum power consumption. In 2012 we made water treatment reconstruction. Instead of using chemicals, we use ion exchanging treatment. Benefits are that we using less chemicals and water treatment is more efficient. In august 2012 we changed 150 meter of old underground water pipelines with new one and we will decrease water consumption in 2013 for more than 30 %.

The reconstruction of water supply system and regular control of water consumption, water losses, and hence consumption has been continuously decreasing.

### Annual water consumption per ton of products

	m <sup>3</sup> / t of product	m <sup>3</sup> /year
<b>2008</b>	1,396	22.005
<b>2009</b>	0.974	12.370
<b>2010</b>	1,06	16.599
<b>2011</b>	0,802	11.966
<b>2012</b>	0,715	11.757

Annual water consumption m3 per tone of product

**EN16****Greenhouse gas emission**

Burning gas in hot oil boiler for heating the plants results in CO<sub>2</sub> which is the most often mentioned greenhouse gas.

	CO2 emission t/year	CO2 kg/t product
2009	738	58
2010	809	52
2011	773	52
2012	986	60

**EN20**

By using earth gas for fuel, there is no SO<sub>2</sub> emission.

Emissions of NO<sub>x</sub> increase with increasing production. To achieve a reduction in NO<sub>x</sub> emissions it is necessary to change the burner on the hot oil boiler for heating the plants – this is one of the planned investments in the coming years.

	NO <sub>x</sub> kg/year
2009	716
2010	1079
2011	1384
2012	1184

In 2012 we have invested in Central dust collector system. It is the best solution for reducing organic dust emission during our solid raw material charging.

### Total water disposal

	MASS FLOW RATE G/H	CONCENTRATION MG/M3
LIMITS till November 2012	> 500	50
	< 500	150
New limits	> 200	50
	< 200	150
Without filtration	370	102
With filtration	8,5	2,5

### EN21

A positive trend of reducing waste water disposal has been observed in a number of years. The decrease in disposed waters is connected with strict technological discipline and regular daily monitoring of consumption, followed by a swift reaction to possible variations. With the purpose of reducing disposal, a new closed cooling system was installed in the Laboratory as a replacement for the continuous flow system, which used water supply cooling water a single flow.

A new positive step forward is seen when the closed gasket water system is installed in the new vacuum station.

	Waste water release m <sup>3</sup>	Waste water release m <sup>3</sup> /t of products
2009	7.752	0,611
2010	7.752	0,611
2011	8.174	0,548
2012	7.375	0,449

**EN22****Total waste**

Non dangerous waste (paper, plastic, metal) is collected and recycled by authorised companies.

With better sorting for non dangerous waste we have more useful waste for collection and for recycle, and less waste ends up in communal waste.

For this reason, we have increasing quantity of non-hazardous waste.

Quantity of hazard waste is higher past two years because our obligation according to IPPC regulation (reference documents for polymer production) is to send our reaction waste water to thermal treatment (waste incinerators).

Dangerous waste, because of its specifics, may currently only be disposed by thermal processing. Only waste oils are recycled in Croatia, while all other dangerous waste is exported by authorised companies to waste incinerators.

In recent years, we continuously working to reduce the quantity of hazardous waste generated in production:

- we use liquid instead of solid raw materials wherever we can, thus reducing the amount of hazardous waste packaging
- new pumps and pipes are installed to prevent leakage of raw materials and finished products
- waste resin are sort in order to be re-used in finished products etc.

Total waste

	Not dangerous waste, kg	Dangerous waste, kg
<b>2009</b>	21669	46256
<b>2010</b>	48047	61876
<b>2011</b>	36649	121607
<b>2012</b>	41100	101386

Waste per ton of products

	Not dangerous waste, kg/t	Dangerous waste, kg/t
<b>2009</b>	1,71	3,64
<b>2010</b>	3,07	3,89
<b>2011</b>	2,46	8,16
<b>2012</b>	2,50	6,16



**EN26****Initiatives for reducing the impact on environment**

According to positive legal regulations, a producer is obliged, at his expense and at the request of customers, dispose of dangerous substances packaging. A very efficient system has been introduced 4 years ago in SCOTT BADER, by which the packaging from our customers is disposed of in Croatia. The amount of packaging collected and disposed of is related to the sales on the domestic market, so in the year 2007, in the light of record sales on the domestic market, the quantity of disposed packaging was the highest ever. All regular requests made by the customers for the return of packaging were met.

**EN30****Total ecological investments, cost & services**

	2009	2010	2011	2012
Investments	761.559	1.126.920	1.550.000	700.000
Costs	308.694	291.481	270.000	280.000
Services	109.754	19.100	20.000	20.000
<b>Total</b>	<b>1.182.016</b>	<b>1.437,501</b>	<b>1.840.000</b>	<b>1.000.000</b>