



# Sustainable Business Report For the Year 2012

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# About the report

## 1. About the report

Sustainability is a minimum condition that our planet needs in order to maintain in its current form. Business entities have a very important role in ensuring the sustainability. AD Plastik, as the largest Croatian manufacturer for automotive plastic components, is aware of its role concerning sustainability. Adherence to high standards, that, regarding the environment and sustainability, is defined by automobile manufacturers is „condicio sine qua non“ for participation in the manufacture of automobiles.

In order to move the current level of awareness of the responsibility for the sustainability of the AD Plastik to a higher level, AD Plastik decided to create and publish this Report on Sustainable Business. This Report is focused on improving communication of AD Plastik with stakeholders and on encouraging stakeholders to exchange views, all with the purpose of more responsible business of AD Plastik. Social responsibility are not only specific performed activities, but the process incorporated into all relevant elements of the company's business. Therefore, this Report represents an additional step of AD Plastik on its way towards sustainable development.

### 1.1. Scope and framework of the report

This Report is related to the year 2012 and in it are partially used the guidelines of external reporting standards (Global Reporting Initiative). The report provides information on the progress in the implementation of a worldwide agreement Global Compact. AD Plastik shall continue with the practice of reporting on sustainability for the two-year reporting period, therefore, the following Sustainable Business Report shall refer to the period of the year 2013 and 2014.

Sustainable Business Report mostly refers to the business of AD Plastik Inc., but partly also to the business of AD Plastik Group. In this Report AD Plastik presents its results in terms of economic, environmental and social performance. Even though this is the first Sustainable Business Report, AD Plastik tried to establish data collection system, in order to establish continuity and comparability of data of the existing with the future reports.

## 1.2. Content of the report

The first Sustainable Business Report of AD Plastik in its introductory part defines the scope and framework of Report. After the introductory part, continues the statement of the Chairman of the Board to the stakeholders, with reference to corporate social responsibility of AD Plastik in 2012. The third chapter contains the Progress report according to Global Compact. The fourth part of this Report describes corporate social responsibility of AD Plastik divided in four subchapters.

The first subchapter refers to determinants of AD Plastik as a company, within which are in more detail described the key parameters of the company, such as ownership structure, mission, vision, managing, risk managing, Code of Business Ethics CCE, Code of Business Conduct of AD Plastik Group, quality policy, stakeholders involvement and awards and recognitions. In second subchapter are listed in detail the most significant sales markets, salaries, payments to governments and relationships with buyers and sellers. The third chapter is dedicated to workplace, that is the relationship of AD Plastik with its employees and contains the following topics: education and human resources development, interpersonal relationships development, employee rewarding system, classification of employees by type of the contract, location, gender and age, collective bargaining, promoting health care and safety, number of injuries at work and solidarity fund of employees. The last subchapter of the chapter about corporate social responsibility of AD Plastik is related to the environment. Under this subsection are provided more detailed information on chemicals management, electricity, wastewaters and CO<sub>2</sub> emissions to the atmosphere. The final chapter contains the goals, set for the following Sustainable Business Report of AD Plastik.



# Statement of the Chairman of the Board

## 2. Statement of the Chairman of the Board

Dear stakeholders,

I want to welcome you to the pages of the first Sustainable Business Report of AD PLASTIK. Even though the high standards of autoindustry made us confront the conditions of sustainability much earlier, we decided to create this Report just now. The goal of this Report is to inform all our stakeholders about the activities and the results of AD Plastik regarding the sustainability in year 2012.

Complex situation in the European automotive market has put before us a number of challenges in 2012. Despite the decline in new car sales in its largest sales market, AD Plastik managed to achieve a net profit of 44,8 million HRK. At the level of AD Plastik Group we managed to achieve increase of revenues from 4,75%, and a majority of this growth was achieved in the Russian market.

The year behind us, except for successful business, was important for the fact that we made significant steps regarding corporate social responsibility. We

have adopted the basic policies of AD Plastik Group regarding the environment, working practice, human rights, fair business practice and sustainable procurement. All the above policies are included in our Code of Business Conduct and we have also adopted a measure that ensures its implementation. In addition to the Code, we launched an internal newsletter for employees ADP News, and we became a signatory to the Global Compact, the initiative of United Nations focused on corporate social responsibility in companies around the world. In addition to these steps, there are number of activities taken and I invite you to read about them in this Report.

We are proud of the positive progress that we have made, though we have set the objectives for the next two-year reporting period. Therefore I ask for cooperation and evaluation of all of our obligations from your side and all of your suggestions, comments and criticism are welcome, all with the aim of our further progress on the issue of sustainability.

*Mladen Peroš*

*Chairman of the Board of AD Plastik Inc.*





# Progress Report according to Global Compact

## Human Rights

**Principle 1** | *Businesses should support and respect the protection of internationally proclaimed human rights;*

**Principle 2** | *Businesses should make sure that they are not complicit in human rights abuses.*

Proceeding from legal obligations and the provisions of the AD Plastik Group Code of Business Conduct, which was adopted during the reporting period, AD Plastik actively supports and respects human rights of its employees and stakeholders with whom we are in contact. By this Code we committed ourselves to respect human rights according to the Universal Declaration of Human Rights of the United Nations. Respect for human rights is reflected in the provision of adequate working conditions and safe workplace. All matters related to the respect of human rights are decided in cooperation with the Works Council.

## Labor Rights

**Principle 3** | *Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;*

**Principle 4** | *Businesses should uphold the elimination of all forms of forced and compulsory labor;*

**Principle 5** | *Businesses should uphold the effective abolition of child labor; and*

**Principle 6** | *Businesses should uphold the elimination of discrimination in respect of employment and occupation.*

AD Plastik signed a collective agreement in 2012, so continuing the current practice of respecting human rights and the right to freedom of association. Application of the collective agreement is comprehensive and applies to all employees. In our company there are three trade unions and the Works Council, which participates in advising on all actual issues. Legal regulations of the Republic of Croatia prohibit possibility of employment of children and all forms of discrimination, and AD Plastik closely follows these regulations. These issues are additionally regulated by AD Plastik Work Regulations. Also, by the Code of AD Plastik Group, AD Plastik committed to treat all employees equally, with dignity and respect re-

gardless of race, religion, political conviction, gender, age, national origin, sexual orientation, marital status, disability, or any other characteristic.

## Environment

**Principle 7** | *Businesses should support a precautionary approach to environmental challenges;*

**Principle 8** | *Businesses should undertake initiatives to promote greater environmental responsibility; and*

**Principle 9** | *Businesses should encourage the development and diffusion of environmentally friendly technologies.*

AD Plastik is certified according to ISO 14001:2004 standard. According to this standard are defined the requirements for the environmental management system in the company. Apart from before mentioned standard, our company is certified according to the quality management standard for suppliers in the automotive industry, ISO/TS 16949. In the reporting period we adopted basic environmental policy, within the Code of Business Conduct of AD Plastik Group. Also, in the observed period we increased investment in material assets in order to protect the environment.

## Anti-Corruption

**Principle 10** | *Businesses should work against corruption in all its forms, including extortion and bribery.*

In the reporting period the greatest step forward that AD Plastik made regarding anti-corruption is the adopting basic policy of fair business practices, that contains the anti-corruption related part. This policy is a component part of AD Plastik Group Code of Business Conduct, adopted in observed period.



# AD Plastik and Corporate Social Responsibility

## 4. AD Plastik and Corporate Social Responsibility

### 4.1. AD Plastik determinants

#### 4.1.1. Organizational profile

AD Plastik Inc. is the largest Croatian manufacturer for automotive plastic components. The company was founded in 1992, by separating from the former Jugoplastika, and in 1996 is formed as a Inc., under the current name. It was privatized in 2001, on the basis of so called employee share ownership program, which has been successfully realized.

Therefore, today the employees of AD Plastik are the owners of almost a fifth of the shares of their company.

The activity of AD Plastik in Croatia is the production of plastic components for interiors and exteriors of automobiles. The production in Croatia takes place at locations in Solin, the headquarter, and in Zagreb, Jankomir. Apart from production in Croatia, the company has plants organized as companies, with the status of legal person, in Serbia, three plants in Russia (near Samara, Saint Petersburg and in Kaluga), in Slovenia and Romania.

The largest buyers with whom AD Plastik and other members of the Group successfully develop long-term business cooperation are Renault, Nissan, PSA, Ford, Opel, VW, Dacia, VAZ, Daewoo, Fiat, Mitsubishi.

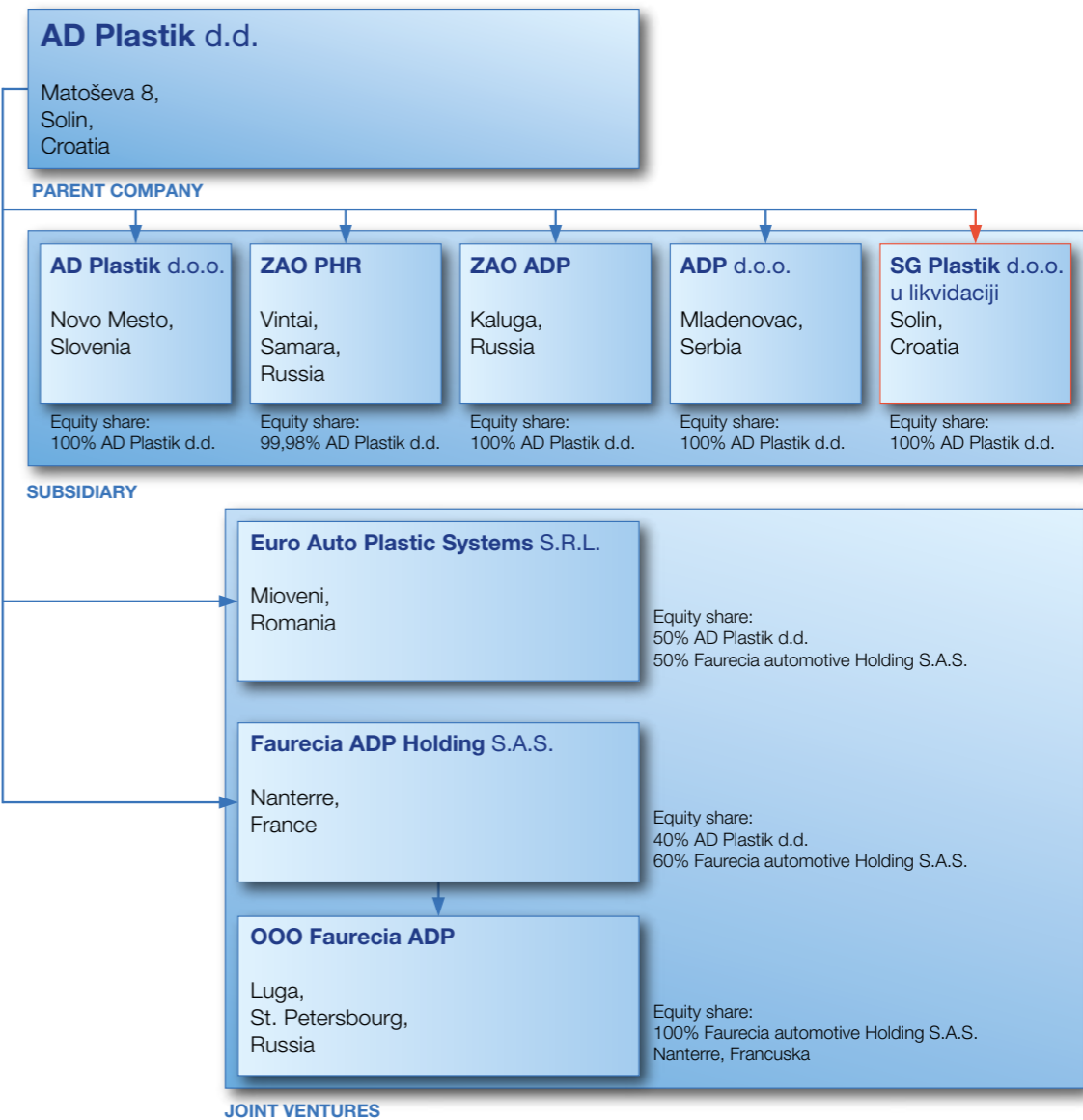


Image 1. Organizational structure of AD Plastik Group

4.1.2. Ownership structure

AD Plastik Inc. is a joint-stock company with approximately 3.000 domestic and foreign investors (foreign investors, institutional investors, natural persons from Croatia and abroad). Capital stock of the company amounts 419.958.400,00 HRK of the nominal value of 100 HRK.

The company treats, in the same way under the same conditions, all the shareholders regardless of the number of shares that each investor has, the country of their origin and any other basis. All shareholders have the right to participate in the General Assembly, in a way that the number of votes they are entitled to equals to the number of their shares.

During 2012 the company has acquired a total of 41,500 of their own shares. In September, the company disposed 4,962 of its own shares for the purpose of rewarding employees of the company for the successful work of these employees in 2011. On 31.12.2012 the company had 40.281 of their own shares which makes 0,96 % of the company capital.

ACCOUNT OWNER	31.12.2012.
OAO HOLDING AUTOKOMPONENTI	30,00%
HYPO ALPE-ADRIA-BANK D.D./ RAIFFEISEN OBVEZNI MIROVINSKI FOND	6,13%
ADP-ESOP D.O.O.	5,23%
PBZ D.D./CUSTODY ACCOUNT	3,78%
ERSTE & STEIERMARKISCHE BANK D.D./CUSTODY ACCOUNT	2,63%
BAKIĆ NENAD	2,56%
BOBAN JOSIP	1,73%
HYPO ALPE-ADRIA-BANK D.D./ RAIFFEISEN DOBROVOLJNI MIROVINSKI FOND	1,33%
ERSTE & STEIERMARKISCHE BANK D.D./CUSTODY ACCOUNT	1,26%
ACM POTHVATI D.O.O.	1,24%
OTHER SHAREHOLDERS	44,11%

Table 1. Structure of shareholders at 31.12.2012.

In 2012 the Company paid the dividend in total amount of 8,00 HRK per share, 2,47 HRK per share was paid in February, and a difference of 5,53 HRK was paid in August.

During year 2012 stock price movement of AD Plastik Inc. followed the trend of the Croatian capital market measured by Crobex. The highest average daily stock price ADPL-R-A in 2012 was achieved in

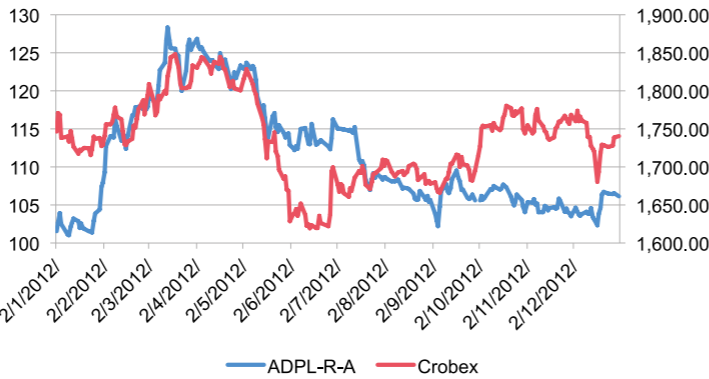


Image 2. Movement of average daily stock price ADPL-R-A and Crobex in 2012

March and amounted 128,35 HRK, and the lowest price was achieved at the beginning of the year in January and amounted 101,02 kuna. The total turnover achieved by stock trading of AD Plastik Inc. in 2012 amounted 105.338.736,68 HRK, while the turnover of 2011 amounted 134.818.736,00 HRK. Out of all the stocks listed on the Zagreb Stock Exchange, the stock ADPL-R-A was seventh in achieved turnover in 2012.

4.1.3. Mission and vision

Mission of AD Plastik company is development and production of automotive plastic components for automotive industry, and partially for programs outside of automotive industry, while taking care of business sustainability and the interests of all stakeholders.

Vision of AD Plastik company is, by the end of the second decade in the eastern part of the European region, to become one of the leading corporations for development and production of plastic components for automobile interiors and exteriors.

4.1.4. Additional information

On 31.12.2012 AD Plastik employed 830 employees in Croatia. Annual income for 2012 amounted 514,66 million HRK, out of which in the income structure more than 95 % makes the export. The net profit of mother company AD Plastik for 2012, including affiliated companies, amounted 44,91 million HRK. Likewise, at the level of the Group, the consolidated net profit on the basis of unaudited financial statements for 2012 amounted 56,08 million HRK.

4.1.5. Management

Companies within the Group are legally independent companies, while the mother company supervises them, strategically directs them and supports via supervisory boards of subsidiaries and affiliated companies.

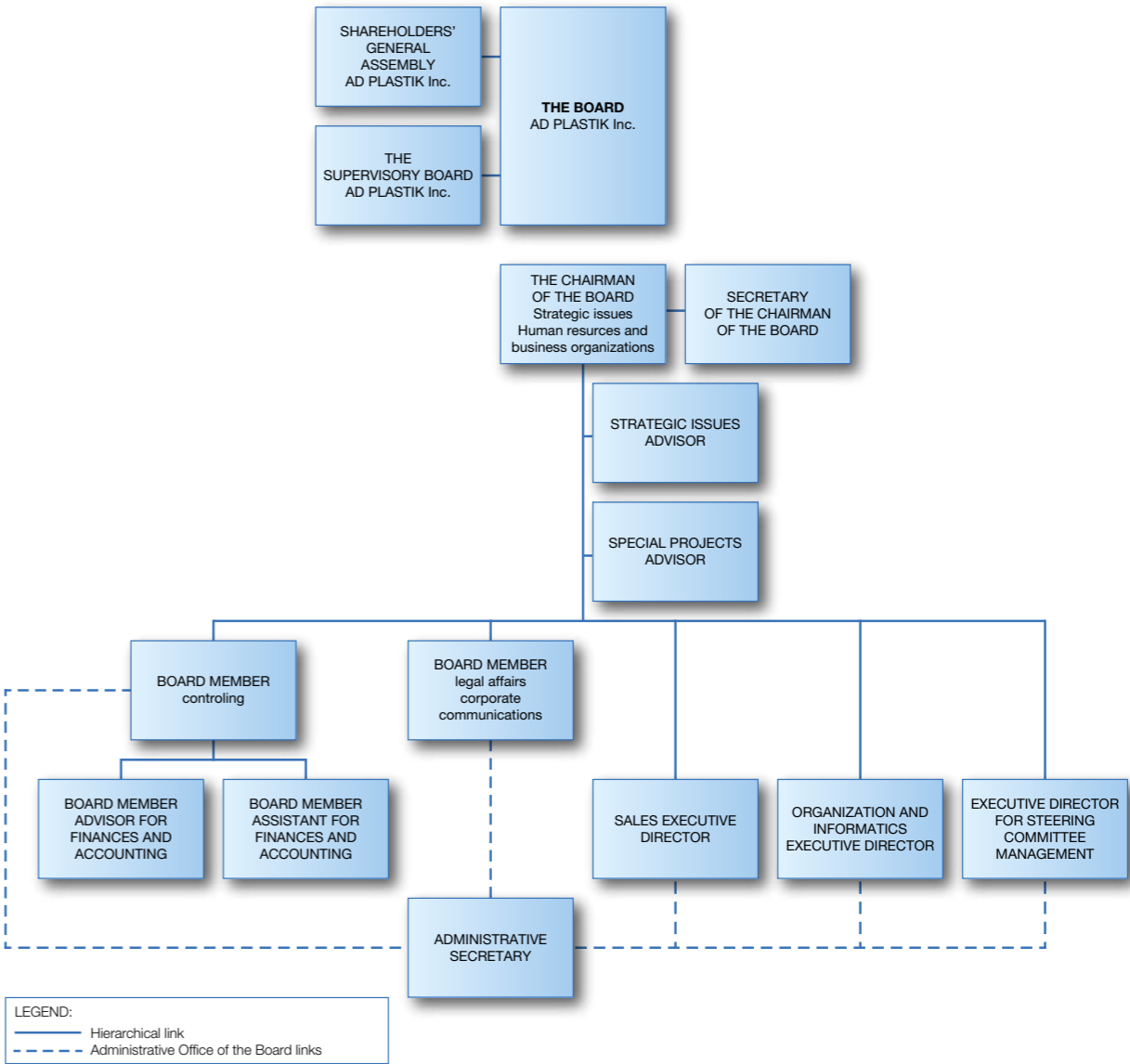


Image 3. Organizational scheme of the Board and the office of the Board of AD Plastik Inc.

## The Board

The members of the Board and its Chairman are appointed and removed by the Supervisory Board. Their term of office lasts up to five years after which they can be reappointed. Pursuant to Company Statute, the Board must consist of three to eight members. On the 31.12.2012. the Board consisted of three members: Mr. Mladen Peroš, Chairman of the Board, Mr. Ivica Tolić, member of the Board for legal affairs and corporate communications and Mrs. Katija Klepo, member of the Board for controlling, accounting and finance.

## Supervisory board

The Supervisory Board is responsible for appointing and removing Board members, and for supervising the businesses of the Company in accordance with Companies Act, Company Statute and Rules of Procedure of the Supervisory Board of the Company. In accordance with the Provisions of the Company Statute, the Supervisory Board consists of seven members. Six members are selected by General Assembly, and one of them by Works Council of the Company. On 31.12.2012 the Supervisory Board had six members, and they were Mr. Josip Boban, the Chairman, Mr. Nikola Zovko, deputy of Chairman, Mr. Marijo Grgurinović, member, and three members that represent the largest individual shareholder OAO „Holding Autokomponenti“ (Mr. Dmitrij Leonidovich Drandin, Mrs. Nadezhda Anatolyevna Nikitina and Mr. Igor Antoljevich Solomatin). The Supervisory Board established Appointment Committee, Remuneration Committee and Audit Committee.

## General Assembly

The work of General Assembly is regulated by Companies Act, Company Statute and Rules of Procedure of General Assembly. At the General Assembly have the right to participate the shareholders who apply to participate in the General Assembly, no later than six days before the meeting in written form to the Legal Services of the Company or to the public notary whose official seat corresponds to the Company's headquarters. The shareholders who apply must also submit evidence in written form of owning shares on the 21 (twentyfirst) day before the meeting of General Assembly issued by the Central Depository and Clearing Company.

The right to participate in the General Assembly have representatives and proxies of shareholders which applied for their participation in accordance with previously mentioned conditions.

## Corporate Governance Code

Given the fact that the company shares are listed on the Official Market of the Zagreb Stock Exchange, the company applies the Corporate Governance Code published on the website of the Zagreb Stock Exchange and on the website of the Croatian Agency for Supervision of Financial Services, which is applied from the 1st January 2012.

The company adheres to the majority of the provisions of the Code with the exception of those provisions specified in the Statement on Corporate Governance Code application for business year 2012.

### 4.1.6. Risk management

#### Financial risk management objectives

Financial Service of the company provides services to the businesses of the company, coordinates access to domestic and international financial markets, monitors financial risks relating to the operations of the company and manages them through internal reports on the risks in which the exposures are analyzed by degree and magnitude of the risk. These risks include market risks that is currency risk, fair value interest rate risk and price risk, and also credit risk, liquidity risk and interest rate risk.

The Company seeks to reduce the effects of these risks to the lowest possible level. The Group does not conclude contracts regarding financial instruments, including derivative financial instruments, and it does not trade them for speculative purposes.

#### Price Risk Management

The largest market in which the company provides its services and sells goods is the European Union market and the market of the Russian Federation. The Management board of the company determines the prices of their products based on market prices, separately for domestic and separately for each individual foreign market.

## Interest rate risk

Interest rate risk is a risk that the value of financial instruments will change due to changes in market interest rates compared to the interest rates applicable to the financial instruments. The risk of interest rate regarding cash flow is a risk that interest expenses on financial instruments will fluctuate over time. Exposure to interest rate risk is low because there are no significant financial instruments that have floating interest rates.

## Credit risk

The company is exposed to credit risk on loans and accounts receivables. Loans are granted to subsidiaries and the credit risk is controlled by the company. Accounts receivables are corrected for the amount of bad and doubtful debts.

The six largest buyers of the company AD Plastik Ltd. Slovenia, Visteon Germany, Hella Saturnus Slovenia, Revoz Slovenia, Peugeot France and Ford Motor Germany.

Business policy of the company are businesses with financially stable companies in which the risk of collection of receivables is minimized.

## Currency risk

The Company performs certain transactions in foreign currency, and regarding that it is exposed to fluctuations in exchange rates. The Company is mostly exposed to the risk of fluctuations in exchange rates of EUR and RUR.

### 4.1.7. Code of Business Ethics of the Croatian Chamber of Economy

As the member of Croatian Chamber of Economy, AD Plastik Inc. is a signatory to its Code of Business Ethics. This Code establishes basic guidelines for ethical conduct of business entities within Croatian economy. As the signatory to the Code, AD Plastik accepts the obligation to act in compliance with the criteria of responsibility, truthfulness, efficiency, transparency, quality, good faith and observance of fair business practices towards business partners, business and social environment and its own employees.



### 4.1.8. Code of Business Conduct of AD Plastik Group

Beside the Code of Business Ethics of the Croatian Chamber of Economy, AD Plastik Group as an international company and all our employees for corporate responsibility implement guidelines of the Code of Business Conduct of AD Plastik Group. This Code defines the rules of business conduct that must be applied in our daily relations within the company and with external parties. As a global company, AD Plastik Group employs workers of different nationalities, cultures and religions, which requires a mutually agreed ethical standards and practices. This Code sets standards of conduction in different areas, with which all employees of AD Plastik Group must comply, to preserve the reputation of AD Plastik Group, as a company with a high level of integrity and confidentiality.

The Code is divided into five major themes, and they are: Human rights, Work practices, Protecting the Environment, Fair Business Practices and Business Partners. When creating this code, AD Plastik Group followed the principles of the Universal Declaration of Human Rights of the United Nations, the International Labour Organization and the initiative of the United Nations Global Compact.

In the event of a breach of any provision of the Code of Business Conduct, are implemented the procedures prescribed by internal procedures and applied the measures prescribed by relevant laws.



Image 4.  
ISO/TS 16949 certification for AD Plastik plant in Solin



Image 5.  
ISO/TS 16949 certification for AD Plastik plant in Zagreb

#### 4.1.9. Quality policy

The global automotive industry demands the highest level of product quality, productivity and competitiveness, and also continuous improvements. So the company could achieve these objectives the majority of automotive manufacturers demand from their suppliers that they are certified according to quality management standard for suppliers in the automotive sector, better known as ISO/TS 16949. This certification is issued for a period of three years and it must be confirmed once a year by the IATF (International Automotive Task Force) auditors or by the appropriate institution authorized by the IATF. The plants in Solin and Zagreb are certified according to this standard valid since May this year. Earlier this year is conducted an audit by independent authorized institution according to this standard and both of the plants will receive a new certification that will be valid for three years.

One of the objectives of the quality is taking care of environmental protection for the purpose of permanent reduction of negative environmental impact. Standard ISO 14001:2004 specifies the requests for environmental managing system and provides a framework that company follows to ensure an effective environmental management system. ISO 14001:2004 provides assurance to company management and employees, and to all stakeholders, that environmental impact of business is being measured in order to prevent environmental pollution.

Both of the AD Plastik plants in Croatia are certified according to this standard. Production plant in Solin is certified until July this year, while the plant in Zagreb is certified until July next year. After certification expiration it will begin the process of recertification by a competent institution.



Image 6.  
ISO 14001:2004 certification for AD Plastik plant in Solin

Apart from the ISO certifications above mentioned, AD Plastik has Ford Q1 certification. This program of Ford demands from a supplier that its production plant achieves excellence in four critical areas: capable system, continuous improvement, ongoing



Image 7.  
ISO 14001:2004 certification for AD Plastik plant in Zagreb

performances and the most important of all – buyer satisfaction. Our plant in Solin is a holder of this certification since April 2006 and we still have the status Q1 for the buyer Ford.

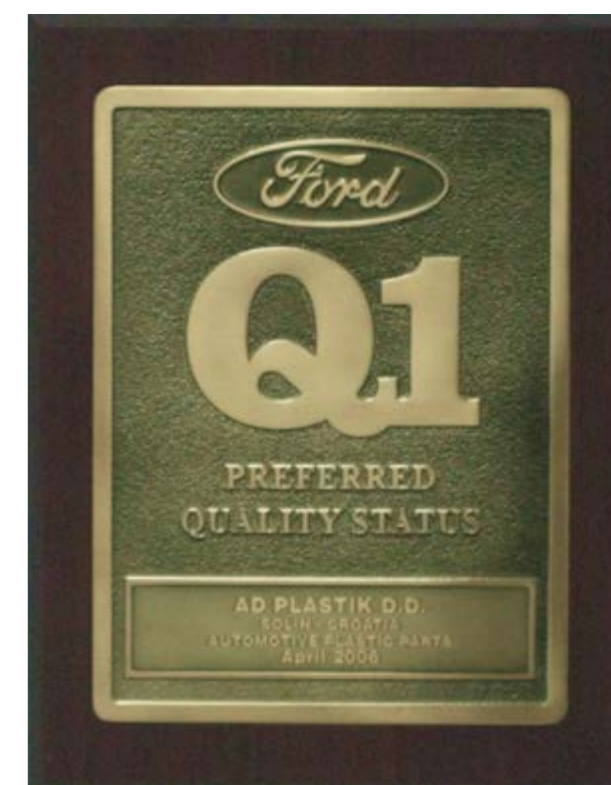


Image 8. Certification Q1 for the buyer Ford

4.1.10. Stakeholder involvement

A relationship with stakeholder is strategically important for our market position, and not just to fulfill our obligations towards sustainability. We continue to consult with stakeholders and respond to their needs, first of all for our buyers, employees, suppliers, creditors, investors, local community and civil society organizations. With key stakeholders is performed a continuous communication through meetings, contacts, assemblies, and in business they strive to meet the common interests of all parties.

The basic communication with employees of AD Plastik Inc. is carried out through an internal quarterly newsletter ADP News that is published in 500 copies and distributed in print and electronic format.

Webpages (address: www.adplastik.hr) are an important communication channel for communicating with business partners at home and abroad, but also with the public in general. According to our needs, our webpage is created in three languages (Croatian, English and Russian). The plan for this year is to create a webpage for AD Plastik Group, which would include all the subsidiaries.



Image 9. Webpage of AD Plastik

4.1.11. Awards and recognitions

AD Plastik Inc. from Solin is named the best large Croatian company by the Croatian Chamber of Economy for 2012. Among firsts in Croatia AD Plastik received ISO 9001 certification, and somewhat later it received other certifications ISO 14001 and ISO/TS 16949. The company also won four annual awards of County Chamber Split as the most successful company of the county. Unitill now, we have been nominated three times for the award Golden Marten of Croatian Chamber of Economy as one the most successful large company in Croatia.

In October 2010 the company AD Plastik and subsidiary company ZAO PHR from Russia received the award by Renault, as the best supplier of the automotive industry for Eurasia, which is one of four geographic areas for which Renault assigns this award.



Image 11. The award Golden Marten by the Croatian Chamber of Economy

4.2. Market

4.2.1. Business indicators

In 2012 AD Plastik achieved revenue in the amount of 514,66 million HRK. More than 95 % of this amount made the export. In 2012 AD Plastik Group managed to achieve growth in sales income of 4.15% compared to 2011. Consolidated net profit of AD Plastik Group in the reporting period amounted to 56,08 million HRK. Material expenses in 2012 are reduced for 0,62 % compared to 2011. Financial expenses for 2012 amounted to 22,63 million HRK, and which is a decrease of 37,5 % compared to 2011.

These business results are achieved with 4,82 % fewer employees compared to 2011. At the end of 2012 the company employed 830 employees, while the year before that had 872 employees. On 31.12.2012 AD Plastik Group employed 2.711 employees, while the year before that on the same date employed 2.489 employees.

Description	2011	2012
Business revenue	569.354.808	514.660.230
Sales of products and services	557.691.679	507.571.017
Material expenses	328.561.605	326.530.371
Staff expenses	90.429.173	86.487.480
Amortization	39.624.975	37.710.917
Other expenses	81.139.643	46.674.902
Financial expenses	36.214.914	22.633.508
Net profit	51.835.702	44.908.745
Total assets	1.109.140.157	1.114.247.008
Total capital and reserves	671.856.988	678.950.044
Current assets	271.636.937	311.637.313
Current liabilities	342.489.331	313.741.641
Sales per employee	639.555	611.531
Dividend payment	30.597.630	33.849.849

Table 2. Created and distributed economic value in HRK

In 2012 on the basis of income of mother company for 2011 is paid a dividend in the amount of 33.849.849 HRK according to decisions of the Supervisory Board and the General Assembly. Above mentioned dividend is paid in two parts: first part of 2,47 HRK per stock is paid on 27.02.2012, and the second part of 5,53 per share is paid on 14.08.2012.

4.2.2. Most significant sales markets

The largest part of sales revenue AD Plastik Inc. achieved on international market, that makes about 97% of all the sales revenue. The most significant export markets are the European Union and Russia. In the European Union most of the sales revenue is achieved in Slovenia and Germany. Review of the most significant sales market is presented in image 12.

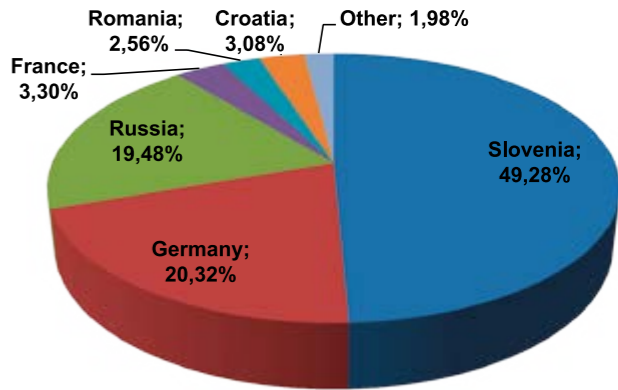


Image 12. Review of the most significant sales markets

4.2.3. Total amount of salaries

Description	2011	2012
Staff expenses	90.429.173	86.487.480
Net salaries and wages	54.257.504	51.892.488
Tax and contribution assessed on salaries expenses	22.607.293	21.621.870
Contributions to salaries	36.171.669	34.594.992

Table 3. Staff expenses for 2011 and 2012 in HRK

The total amount of net salaries in 2012 is reduced for 51,83 millions HRK compared to net salaries of 2011 when the total expense of net salaries amounted 54-26 million HRK. The main reason for reduction of total amount of net salaries is fewer number of employees. The mentioned reduction of number of employees is caused by decline in new car sales in the European Union, the main export market for AD Plastik.

4.2.4. Payments to Government

Total amount of payments to Government in 2012 amounted to 11,73 million HRK, which is a significant growth compared to payments in 2011. The main reason for this growth is an increase in income tax payment. AD Plastik Inc. should be exempt from paying income tax for 2012 in the amount of 3.575.610 HRK.

Basic payments	2011.	2012.
Income tax	1.170.247,26	11.468.726,06
Forest tax	343.773,12	164.458,81
Contribution CCE	57.650,70	30.423,14
Membership fees CCE	66.000,00	57.750,00
Contributions to Tourist Board	5.244,74	6.068,23
Total	1.642.915,82	11.727.426,24

Table 4. Payments to Government in 2011 and 2012 in HRK

4.2.5. Relationship with suppliers

Relationship with our suppliers is based on a principle of long-term partnership, while we strive to ensure the delivery of best quality products and services at the most competitive price, on time and cooperating with responsible and innovative suppliers. Regarding the fact that we are an international company, selection of suppliers is conducted on multiple grounds. AD Plastik Inc. conducts supplier

survey two times per year. During the implementation of supplier evaluation the following criteria are being checked: Evaluation of quality system and environmental protection, delivery time, flexibility, ordered and delivered quantity, execution time, quality, number of complaints and dealing with complaints. Results of supplier survey regarding the environment protection are presented below.

Description	Number
Number of surveyed suppliers	102
Number of responses obtained from suppliers	91
Number of suppliers that are certified according to the standard ISO 14001	55
Number of suppliers who responded positively to survey requests	36
Percentage of suppliers who respect our requests regarding environmental protection system	89%

Table 5. Results of supplier survey regarding environment

4.2.6. Relationship with buyers

Our buyers are mostly the largest world's automobile manufacturers and their subcontractors. So that we can be the supplier for these manufacturers it is necessary to fulfill all their prescribed requirements. First prerequisite for business cooperation with buyer is that our product complies with all relevant regulations of the state in which AD Plastik sells its product. The second prerequisite that we need to fulfill is the compliance with all the specific requirements of buyers. These requirements comprise the following:

- Defining conditions of work and communications with specific buyers in the development and serial production phase;
- Requirements for the product that are specified by the buyer including delivery requirements and activities after delivery;
- Requirements that the buyer did not state, but which are necessary for specified use;
- Additional requirements established by the company.



4.2.6.1. Processes related to the recognition of buyers demands

Processes related to the recognition of buyers demands and demands of other interested parties include following processes:

1. Before the sales process, which consists of:

- Harmonization of quality requirements and special features relating to the product;
- Liabilities in relation to the product, including legal and normative references;
- Legal and other binding requirements;
- Environmental protection requirements.

2. Sales process consists of:

- The realization of the planned sale, delivery in time, in the agreed quality and within planned costs;

3. After sales process consists of:

- Gathering feedback for the quality of products and services, and taking preventive and corrective actions in order to improve the quality of products and processes;
- Gathering feedback regarding environmental protection.

4.2.6.2. Product design and development planning

Product design and development planning establish:

- stages of design and development;
- checking, verification and validation of each stage of design and development;
- responsibilities and authorities for design and development.

Special features regarding product/process which are specified by the buyer are an integral part of planning process of quality of new product/process and control plan, including:

- all specific features related to the product/process;
- defining buyers demands related to the use of symbols (designation for the product/process feature);
- documentation demands of the buyer and other interested parties related to the product/process.

Verification of design and development is a process that represents a review of compliance of output data with input data of design and development. Verification of design and development is conducted in accordance with the work schedule of the project.

Validation of design and development is a result of continuous process of evaluation which proves that the production process is able to give the product aligned with the requirements of the buyer. The purpose is to verify harmonization of product/process features with specification requirements in all the stages of product/process development, in certain steps. The project ends with the buyer confirmation that product satisfies the requirements, and that the production process is able to ensure the requested quantity of product in the requested quality.

The results of all control and product testing are recorded in prescribed documents and archived as prescribed and serve:

- to demonstrate product quality by following the track of incoming materials, from the process flow to the finished product;
- to find the causes and locations of the occurrence of non-quality, in order to take corrective action;
- to improve the process.

Records of control and testing are presented to the buyer at his request.

All the products possess declared quality and features, and their use is safe and acceptable for health. Regarding products the constant care is kept for:

- Correct and useful designations, and the availability of all information necessary for the proper handling and use;
- Secured disposal after the end of life in accordance with the legal provisions;
- Compliance with all other regulations and standards.

4.2.6.3. Product policy after the end of the lifecycle

The majority of our products are products made of plastic. In order to minimize the impact on the environment that the vehicle has after the end of its life cycle, together with our buyers, we take care of improving possibilities of recyclability of plastic parts from the vehicle. For their suppliers our buyers have developed recycling indicators. These indicators make possible the evaluation of life cycle and the integration of recycling options from the phase of design, negotiations with the buyers, measuring of processes made and the progress in an environmentally friendly design. All of our products comply with specified requirements set by the buyer.

4.2.6.4. Care for the health and safety of the buyer

As our product is installed in a vehicle and then sold to the ultimate buyer, as a manufacturer of parts of the end product we must take care of health and safety of that buyer. For that purpose we have to satisfy specific requirements of our buyer, an automobile manufacturer. This is especially true for automobile interior products because these parts of automobile must satisfy the highest requirements all for the purpose of protection and safety of passengers in the car. Every our product passes special tests for the health and safety by the automobile manufacturers in order to ensure parts of vehicles that are completely safe for the ultimate buyer.

4.3. Workplace

Human resource management policy of our company is focused on attracting the most competent employees that will contribute to long-term maintenance of the market-leading position in our market segment. The workplace of every employee must meet and exceed expectations open up opportunities for career development. Legal obligations are the starting point of our approach to workplace. We strive to continuously improve a healthy and safe working environment, that is reducing the risk of accidents and injuries, providing health insurance to all of our employees with zero tolerance for discrimination. We support the right of employees to trade union action and through the Works Council we act to improve and develop the dialogue.

4.3.1. Education and Human Resources Development

The main goal of human resource strategy is to ensure, develop and maintain the necessary personnel with required competencies in accordance with the business strategy and needs of members of AD Plastik Group.

The human resources development strategy involves planning, selection, recruitment, training, practice and education, monitoring and rewarding, and continuous professional education and promoting staff.

Corporate culture of ADP Group represents values in which the company and its employees believe and which they support. Corporate culture is a framework within which human resources will be raised and created as responsible holders of promotion of our corporate culture as a socially responsible company and sustainable growth and development of AD Plastik Group.

TYPE OF TRAINING	TOTAL NUMBER OF HOURS IN 2012
DIRECT LABOR EDUCATION	10.016
FIRE PROTECTION	360
OCCUPATIONAL SAFETY AND HEALTH	10.159
INTERNAL TRAINING	934
EXTERNAL EDUCATION-ADVANCED TRAINING	5.886
<b>TOTAL</b>	<b>27.355</b>
AVERAGE NUMBER OF EMPLOYEES IN 2012	842
<b>AVERAGE NUMBER OF HOURS OF EDUCATION PER EMPLOYEE IN 2012</b>	<b>32,49</b>

Table 6. Number of hours of training for workers / h

Aware that the educational institutions are a source of high quality staff, AD Plastik strives to establish the best possible cooperation with them. During 2012 we cooperated with educational institutions and as shown in the following table.

COOPERATION WITH FACULTIES		
FESB - SPLIT	GRADUATE THESIS MAKING	2 students
FACULTY OF ECONOMICS SPLIT	GRADUATE THESIS MAKING	2 students
	PRESENTATIONS FOR STUDENTS OF MARKETING	17 students
FACULTY OF CHEMISTRY AND TECHNOLOGY ST	VISIT OF STUDENTS OF THE THIRD YEAR OF UNDERGRADUATE STUDY	29 students
FSB - ZAGREB	STUDENT PRACTICE 180 HOURS-PLANT SOLIN	1 student
	STUDENT PRACTICE 180 HOURS-PLANT ZAGREB	2 students
	VISIT OF STUDENTS OF THE THIRD YEAR OF UNDERGRADUATE STUDY	20 students
COLLEGE OF APPLIED SCIENCES IN SAFETY -ZG	VISIT OF STUDENTS OF THE FOURTH YEAR OF STUDY	30 students
FACULTY OF HUMANITIES AND SOCIAL SCIENCES ZAGREB	SIGNED AGREEMENT BETWEEN AD PLASTIK INC. AND THE FACULTY ON COOPERATION ON CONDUCTING STUDENTS' PRACTICE FOR STUDENTS OF PSYCHOLOGY	
COOPERATION WITH HIGH SCHOOLS		
SCHOOL OF SCIENCE AND TECHNOLOGY	VISIT OF STUDENTS OF THE THIRD GRADE	25 students
	STUDENTS' PRACTICE	3 students
HIGH SCHOOL OF ECONOMICS	STUDENTS' PRACTICE	2 students

Table 7. Cooperation with educational institutions

4.3.2. Interpersonal relationships development

In the AD Plastik company, besides functional or- ganizational units, the emphasis is on establishing a project teams to implement significant new projects and products. Teamwork provides an unsurpassed advantage to achieve with joint efforts group results which surpass the sum of the individual results. In doing this, each individual achieves more than in classic conditions outside the team. Nowadays, teamwork and teams represent a key area for de- velopment of companies. The final result is deter- mined by the qualitative and quantitative achieve- ments of the team defined through team objectives and performance indicators, buyer satisfaction and most importantly through the development of team members and building their personal careers.

4.3.3. Employee reward system

AD Plastik adopted Incentive pay rates, regulating issues of material stimulation of employees, accord- ed and realized in the form of a special salary or part of the salary (hereinafter: incentives). Incentives are: Regular incentives - annual bonus, monthly incen- tives for quality work and extraordinary incentives.

Regular incentives – annual bonus - apply to all em- ployees of the company, unless if by a special labor contract for the employee in question is not other- wise specified. Monthly incentives for the quality of work are related to direct labor and to worker of re- work extrusion. Extraordinary incentives are related to all the employees of the company.

Year	2011.	2012.
Gross amount of the payments to the employees for adopted improvements	44.077,61	41.055,67

Gross amount of the payments in 2011 and 2012 (in HRK)

Besides the aforementioned Incentive pay rates, AD Plastik adopted also Regulation on remunera- tion improvement proposals. By this Regulation the improvement is defined as a solution which has not been practiced in the company before, but which represents rationalization and / or improvement of work generated using known technical means and / or technological procedures in all phases of work, which can be expressed as a positive financial im- pact in the period of one year counting from the implementation. Such improvement is called The technical improvement. Useful proposal is a solu- tion that until then has not been accepted or prac- ticed in the company, and which represents a real benefit for the company which, in some cases, can be expressed as a Positive financial impact, and subsidiary (if it can't be expressed as a Positive fi- nancial impact) as an Anticipated financial impact, in the period of one year counting from the imple- mentation.

Amount of reward on improvement is established in the gross amount (gross 1), on the basis of percent- age in accordance with the Positive that is Antici- pated financial impact of Improvements in question. The authors of Improvements, whose impacts can be exactly expressed in the form of Positive finan- cial impact, and whose Improvements are realized in practice, at least three months before the end of the business year, participate in the competition for the annual award for the marked Improvements

4.3.4. Classification of employees by type of contract and location

At the end of the year 2012 in our company worked 830 employees, which is for 42 less then at the end of 2011. Of these 830 employees, 478 of them worked in Solin, while 352 employees worked on the location in Zagreb. The percentage of employ- ees who are employed for an indefinite period during reporting period amounted to about 80 %. The company policy includes the principle that there are no differences between employees for an indefinite period of time and the fixed term, and this principle is implemented by guaranteeing equal rights and privileges for both groups.



4.3.5. Employees structure by gender and age

The structure of our employees demonstrates that about 42 % of employees are female, that is 346 male employees on 31.12.2012. Analysis of employees by age indicates that most of the employees were between 41 and 50 years old, which is in accordance with the average age of all employees that amounts to 42,12 years. Detailed structure of employees by gender and age groups is shown in the following graph.

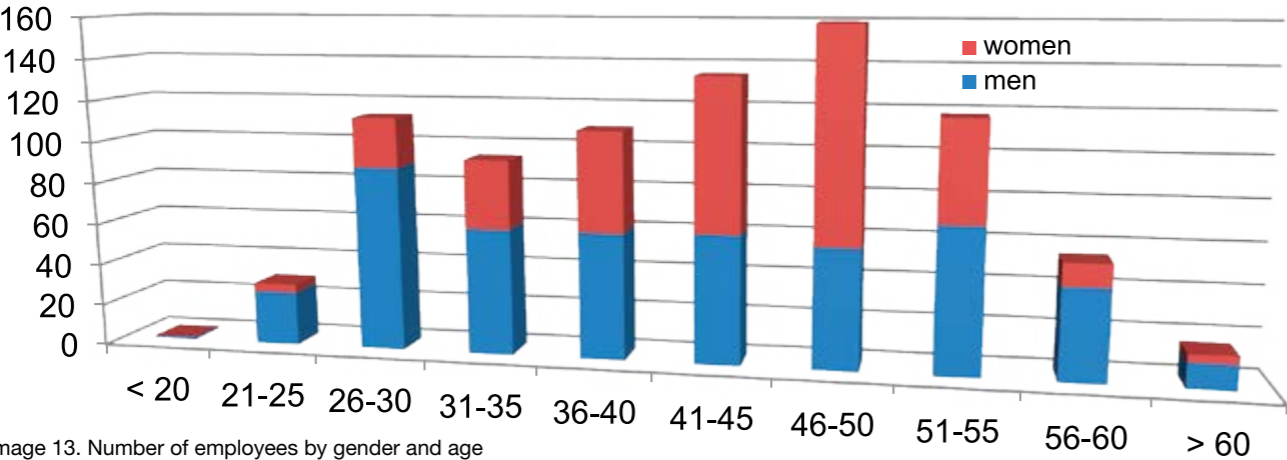


Image 13. Number of employees by gender and age

The average voluntary employee turnover rate is very low and in 2012 amounted to little more than 1%. The trend of voluntary turnover until 2005 is shown in the following graph.

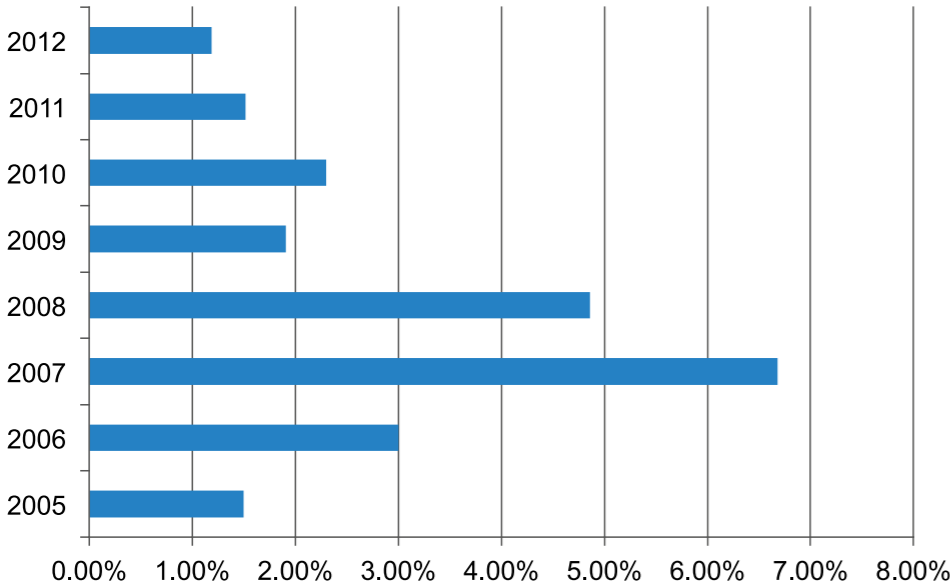


Image 14. TREND of voluntary employee turnover (%) 2005 - 2012

According to the structure of education, 28 % of all employees have college or university degrees, while the highest percentage of employees, 59 % of them, have completed secondary education.

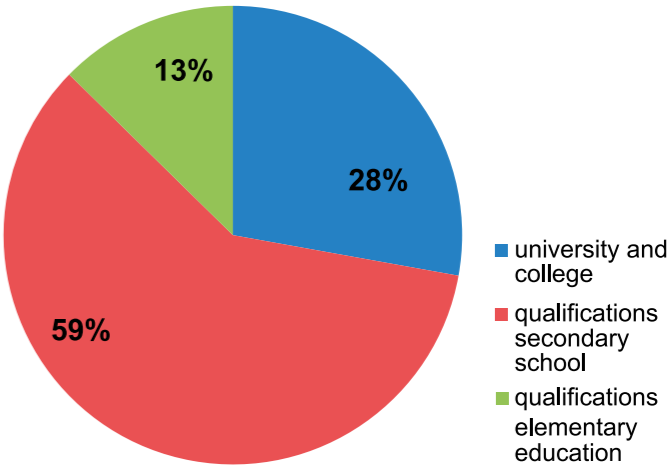


Image 15. Education level of employees

Year	2011.	2012.
Basic salary of man / Basic salary of woman	1:1	1:1

Table 9. Ratio of basic salary for the same workplace of men and women by employee category

4.3.6. Collective bargaining

In AD Plastik act three trade unions. Autonomus union in power industry, chemistry and non-metal industry of Croatia, branch office AD Plastik Inc., Solin, branch office AD Plastik Inc., Zagreb, Trade Union AD Plastik RIS (Regional Industrial Union) Zagreb and Independent employees union of AD Plastik. A Collective Agreement is signed at the end of each year for the next year. Thus, the Collective Agreement was signed for year 2012. The basic salary for each workplace is determined on the basis of the basic hourly rate and complexity coefficient. The employees who have the agreed coefficient of complexity up to including 1,55 for 2012 were entitled to a special basic salary supplement, accounted on the basis of hours of work in the accounting month. All subsidiary companies which operated during the entire 2012 have signed Collective agreements with trade unions.

By the Collective Agreement we seek to promote social and economic security of employees in all companies of AD Plastik Group, especially in the area of rights and responsibilities as: protection of workers' dignity, annual leave and holiday, business hours, fees and other material rights of employees.

The Works Council is a representative body of all employees of AD Plastik company. The council has nine representatives of employees and they all represent the opinions and suggestions of employees in AD Plastik company.

Year	2011.	2012.
Starting basic hourly rate per hour of work	13,42 HRK/hour	13,62 HRK/hour

Table 10. Starting basic hourly rate per hour of work according to the collective agreements for 2011 and 2012

4.3.7. Promoting health care and safety

Legal provisions define that the employers with more than 250 employees and with more plants, that is plants at several locations outside the head-quarters, must establish a central committee for Occupational health and safety, whose task will be to improve safety at work. Our company founded the Committee for Occupational health and safety that convenes at least once every three months. Manufacturing activity in itself carries a certain higher

levels of risk than some other activity. According to that, we undertake a series of measures to increase the safety of our employees and to reduce the risk of injury during the manufacturing process and other aspects of business. All the employees are required to go through special training, that is on-the-job safety training. The table below presents the number of hours of Occupational health and safety training according to plants.

NO.	Trainings	Number of employees	Hours of training per employee	Total hours of training
1	General training of all employees	43	6	258
2	Practical training	33	56	1.848
3	Practical training (revalidation)	46	56	2.576
4	General training of authorized persons	5	6	30
5	Board	19	12	228
6	Toxicology course	10	10	100
7	First aid training	24	6	144
8	Hygienic minimum course	13	23	299
9	Computer use training	17	6	102
10	Health and Safety monitoring	2	660	1.320
11	Seminar Occupational H&S	2	24	48
	<b>Total</b>			<b>6.953</b>

Table 11. Hours of training on Occupational health and safety, plant Solin

NO.	Trainings	Number of employees	Hours of training per employee	Total hours of training
1	General training of all employees	5	6	30
2	Practical training	5	56	280
3	Practical training (revalidation)	14	56	784
4	General training of authorized persons	24	6	144
5	General training of representatives	8	6	48
6	Toxicology course	36	10	360
7	First aid training	24	6	144
8	Computer use training	10	6	60
9	Health and Safety monitoring	2	660	1.320
10	Seminar Occupational H&S	1	24	24
11	Hazardous waste handling	6	2	12
	<b>Total</b>			<b>3.206</b>

Table 12. Hours of training on Occupational health and safety, plant Zagreb

The total number of hours of Occupational health and safety training for the both plants amounted to 10.159 hours, that is, If we consider the average number of employees in our company – 842 in 2012

- we get the average number of hours of training on occupational safety and health in the amount of 12,06 hours per employee.

4.3.8. Number of work injuries

Continuous injuries reducing in workplace is one of the prerequisites for ensuring the quality of working conditions. The table below presents data on the number of injured workers and the number of injuries through average number of employees according to plants and in total at the level of entire company for 2010, 2011 and 2012.

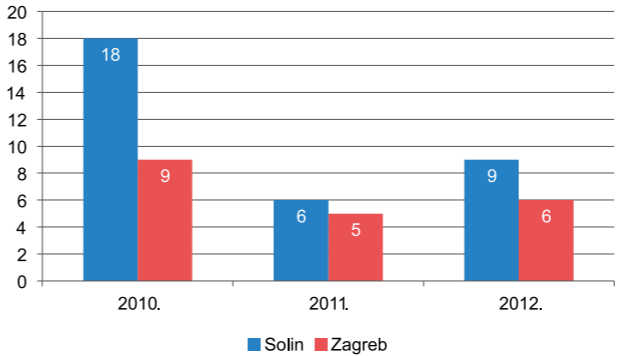


Image 16. Number of injured employees in the workplace

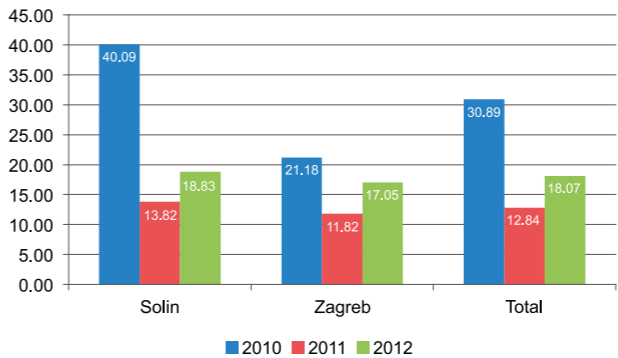


Image 17. (Number of injuries (without injuries of arrival at / leaving from work) / average number of employees) \* 1.000

4.3.9. Solidarity Fund of employees

In AD Plastik Inc., in 2001 entered into force the Agreement on solidarity and assistance in case of seriously ill workers. Pursuant to this Agreement it was formed a monetary fund (on the day 31.12.2012 the fund had 297 members) which is financed by assets that the employees voluntarily allocate monthly in the amount of at least 10,00 HRK per employee during salaries payment, as well as assets provided by AD Plastik Inc. in the amount which can not be less than the amount of three months payment of workers. The Fund assets are used for financial aid in cases of seriously ill workers, their spouses and their children up to the acquisition of full legal capacity. 154 people have used the financial assistance from the fund since its founding.



Year	2011.	2012.
Total payment from Solidarity Fund	106.570,09	39.697,50

Table 13. Paid amount of employees support in HRK

4.4. Environment

As we have previously mentioned, to participate in manufacturing automotive parts it is necessary to respect high criteria of quality and environmental protection. AD Plastik’s plants in Croatia have the certifications ISO 14001:2004 which confirm the effective systematic environmental management. The environmental management and the principle of sustainable business are the foundation of all business decisions and the part of the Code of business conduction of AD Plastik Group, which refers to Environmental protection, basic document.

4.4.1. Chemicals management

REACH (Registration, Evaluation, Authorisation and restriction of CHemicals) represents a legal framework of European Union for chemicals. Regulation (EC) no. 1907/2006 of the European Parliament and of the Council EC concerning registration, evaluation, authorisation and restriction of chemicals (REACH) entered into force on 1st June 2007 and it replaces the numerous former legislative regulations and directives which regulated the area of chemicals by a unique system.

From suppliers and importers REACH requires the registration of chemical substances in the European Chemicals Agency (ECHA) and prescribes the

responsibilities of manufacturers, importers and downstream users of substances individually, in preparations and products, that are produced or imported into the EU over one tonne, and providing specific information on these substances. Contents of the necessary documentation for registration depends on the quantity of the substance placed on the EU market.

Manufacturets and importers are obliged to provide data on substances they manufacture, that is import, and to use these data to assess the risks and to establish and recommend appropriate risk managment measures. Without data on manufacturing or importing substances, manufacturers and importers cannot place them on the market.

Although this Regulation in the area of Croatia will become a legal obligation only by Croatian accession to the EU, AD Plastik had to act in accordance with this regulation since its adoption in the European Union. Measures taken include analysis of substances of REACH, requiring from all the suppliers from and outside the European Union to fulfill all requirements set by REACH and to satisfy requirements from The Automotive Industry Guideline on REACH.

Year	2010.	2011.	2012.
Electric power consumption (kwh)	9.799.927	8.769.500	8.153.811

Table 14. Electric power consumption AD Plastik in KWh

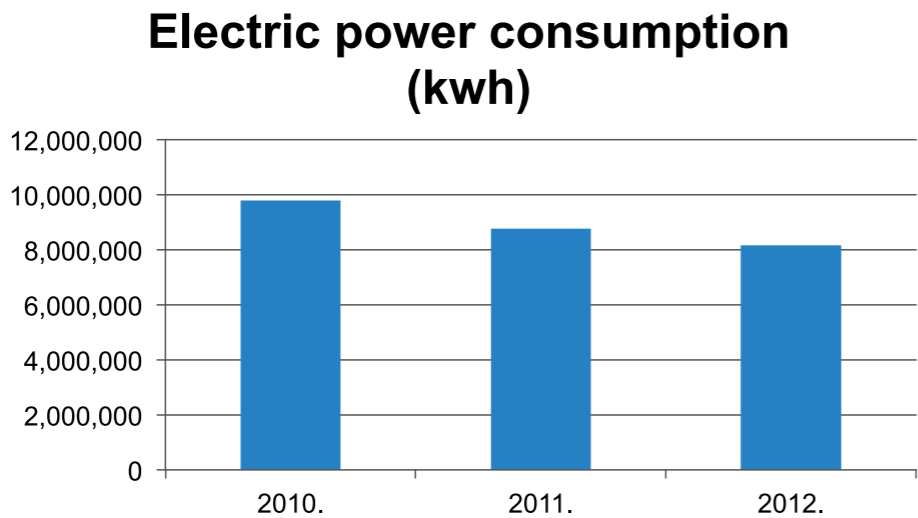


Image 18. Electric power consumption AD Plastik in 2010-2012

4.4.2. Electric power, wastewaters and CO2 emissions

Activities taken in 2012 for reducing electric power are the following:

- Coating heaters on all isolators machinery;
- Replacing the existing lighting fixtures with the more modern fixtures which have provided better lighting and reduced power consumption in lighting by about 40%;
- Installation of three additional electricity meters for better monitoring of consumption;
- Installation of continuous monitoring of all energy sources system

Year	2010.	2011.	2012.
CO2 emission kg/year	1.781.439	1.403.988	1.297.160

Table 15. CO2 emission for AD Plastik in kg/year

According to results of analysis of wastewater, it corresponds to limit values and permitted concentration of quality indicators in accordance with the water permit.

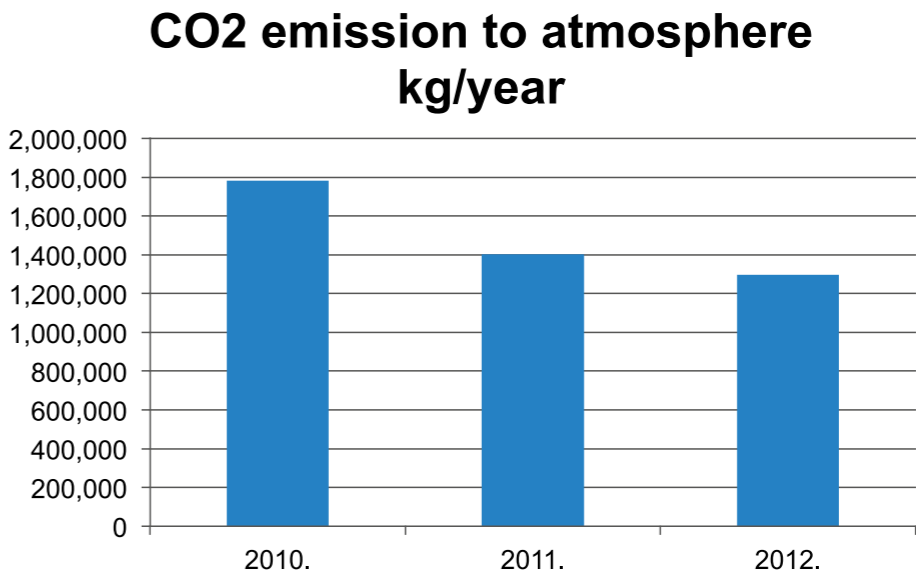


Image 19. CO2 Emission of AD Plastik since 2010-2012

Year	2011.	2012.
Investments in material assets in order to protect the environment	253.732	544.860

Table 16. Amount of investments in material assets in order to protect the environment in HRK



# Objectives for 2013 and 2014

## 5. Objectives for 2013 and 2014

Key objectives for the future reporting period are:

- Introduction of system OHSAS 18001 for managing health and safety at work for locations in Croatia;
- Evaluation of relevant suppliers regarding business sustainability;
- Evaluation of buyer satisfaction;
- Increasing the amount for donations and sponsorships;



# Contacts

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