



2016

SUSTAINABILITY REPORT

according to the G4 Guidelines of the
Global reporting Initiative (GRI), core option



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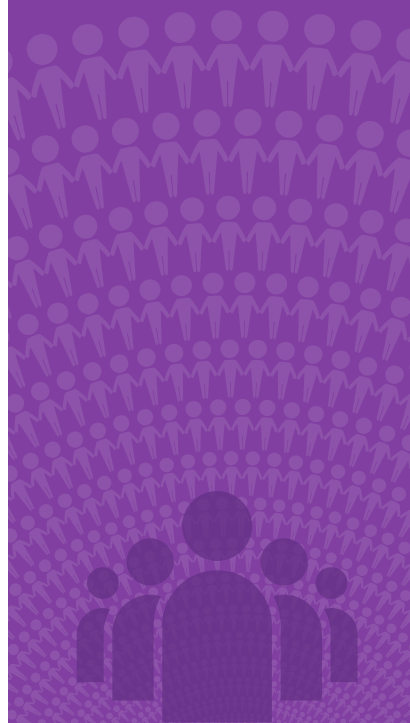
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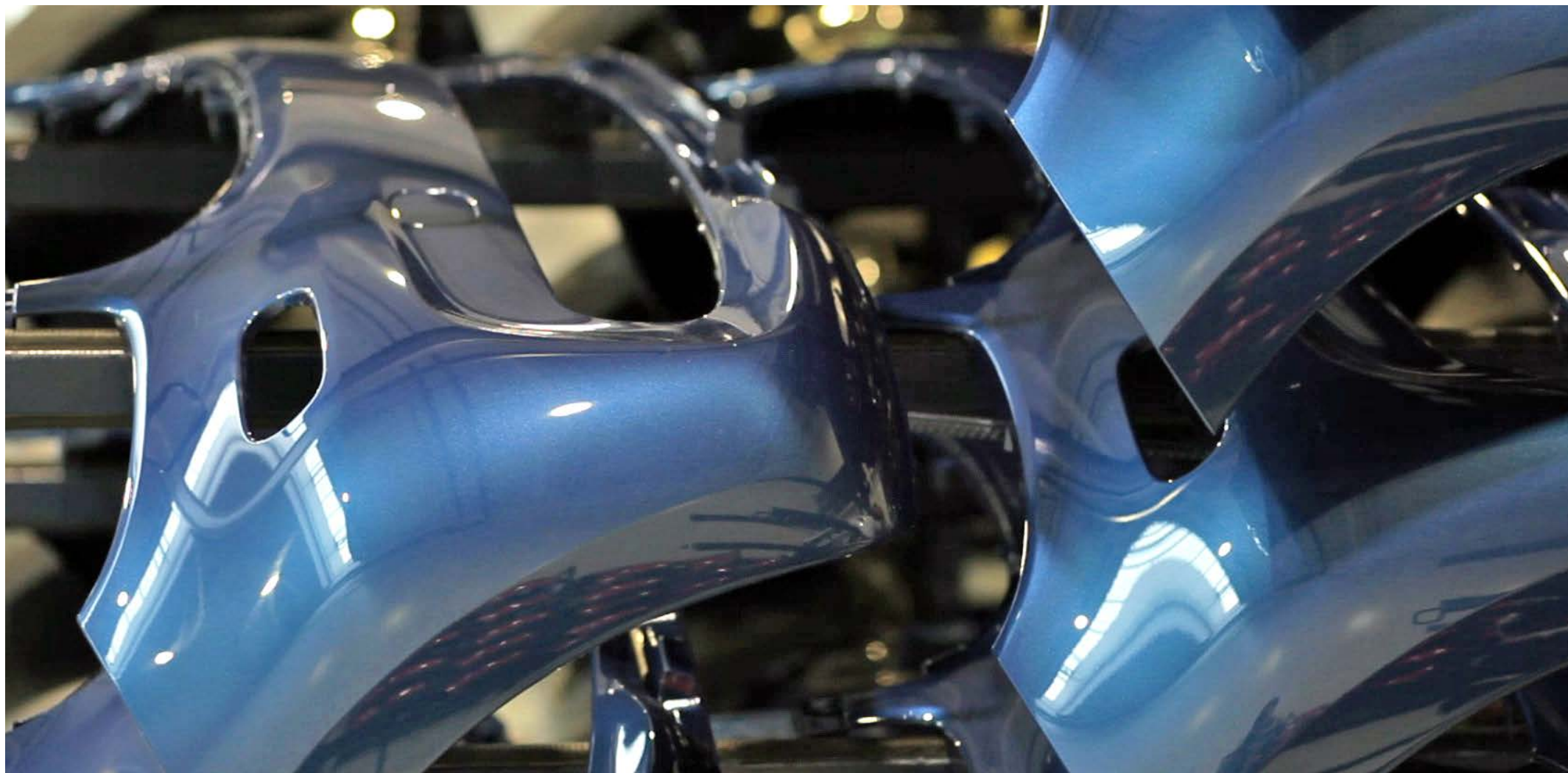


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We are pleased to present you with the fourth Sustainability Report of the AD Plastik Group for 2016, prepared under the G4 Global Reporting Initiative (GRI) Guidelines. The Sustainability Report is intended for all our stakeholders and persons interested in our company.

About us



Statement by the President of the Management Board

Dear stakeholders,

Our company has been tenaciously developing and advancing in line with the changes on the market, especially those within the automotive industry in which it operates. In order to remain being the ever more important and significant participant in the global automotive market, as well as to continue our development, we are resolved to achieve and maintain extremely high standards of quality, environmental protection and sustainable business. We are strategically focused on the promotion of knowledge and the professional and personal development of each individual because the satisfaction and motivation of our employees represents the key to our company's success. In addition, we have geared our reward systems

towards the recognition of individual contributors to inspire employees to achieve results that exceed expectations.

In the next short-term period, we plan to redesign the organisation and key business processes to improve the company's efficiency and flexibility, while human resource management functions will become the strategic partner of the Management Board and all management levels in successful employee management. An optimum human resource management and organisation that contribute to the satisfaction of all employees represent prerequisites for our future growth and development. During the observed period, we have launched a

number of additional activities to improve the communication and awareness of our employees, as well as other company stakeholders.

We have closed several very important contracts in 2016, thereby expanding our portfolio of customers and products, and strengthening the position of our group in the next period. We have concluded new deals with Maserati, Fiat, Volkswagen, Renault Clio and Ford, whose total value in full production years exceeds EUR 20 million a year. We focused on the development of products with greater strategic potential and continue to move in that direction. ►



Statement by the President of the Management Board (continued)

- We are recognized by the investing public thanks to successfully realized negotiations and new contracts, in addition to the overall improvement of our business, as well as the comprehensive and improved reports on business operation, along with frequent and transparent communication with investors. We have accomplished great business results for the second consecutive year by achieving our goal of strengthening the company's financial stability and improving profitability.

As customers are one of the most important stakeholders in the AD Plastik Group, building and maintaining strong partnerships with them is of utmost importance. We are participating in all phases of developing new projects for our customers, which is additionally reinforced by mutual everyday communication and consultancy.

Within the reporting period we have participated in multiple industry and economic conferences and round tables, and continue to actively participate in the work of national and regional economic initiatives that represent strategic interests of the Croatian economy. We are ambitiously creating a dynamic business environment with the aim of continuous development and progress of our company. We therefore not only pursue activities that will further reduce the Group's loan liabilities and optimize cash flows, but also continue to invest in new technologies that will reduce our impact on the environment. Our key business objectives for 2017 include a growth on existing and new markets, a further increase in business efficiency, risk management and, ultimately, a further increase in the market value of the company, that is, the value of stocks. In order to guarantee a success in realizing our goals, we strive to develop a successful and long-term cooperation with all our

stakeholders by ensuring a mutual routine and transparent communication. Improving the development and quality of our products to the satisfaction of our customers, as well as our end users, is the basic premise for a successful future of our company. We therefore pay special attention to the selection of quality materials and reliable suppliers.

The corporate social responsibility is one of the most important components of our company's development policy. In spite of the demanding economic environment, we have achieved the goals set from the economic and other aspects of sustainable development within the reporting period. The observed aspects are mostly presented as consolidated data at the Group level. In order to better track and compare such data, their portion is shown for each member of the Group individually.

We are pleased to present you with the fourth Sustainability Report of the AD Plastik Group for 2016, prepared under the G4 Global Reporting Initiative (GRI) Guidelines.

The Sustainability Report is intended for all our stakeholders and persons interested in our company. I believe our results and achievements will be widely recognized. Our goal is to include all our stakeholders in the development and assessment of our Sustainability Report in order to make further advances and become an even better employer in the community we operate. We value your opinion because we can make the environment in which we live and work more enjoyable and better only by mutual action.

Marinko Došen

President of the
Management Board



AD Plastik Group

Who we are ?

- a multinational company with more than **30** years of experience in the automotive industry
- **7** manufacturing sites in **4** countries
- over **2100** employees (excluding JV)



What we do ?

- one of the leading companies in the development and manufacture of car components in Eastern Europe



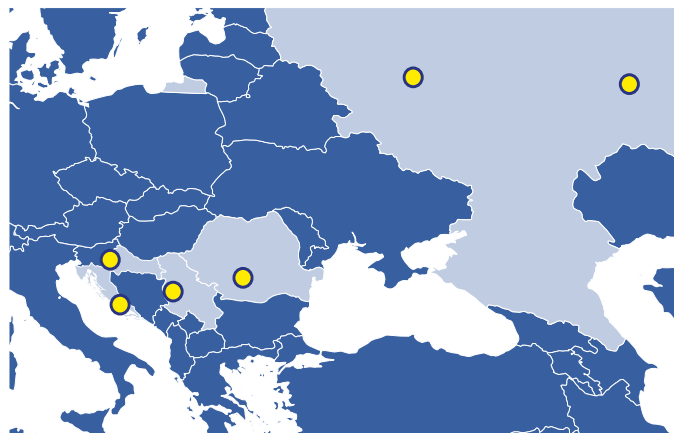
Where we are ?

- headquarters in Solin, Croatia



The AD Plastik Group is the leading company for the development and manufacture of car interior and exterior components in Croatia, and one of the leading ones in Eastern Europe. It is a multinational company with more than thirty years of experience in the world of automotive industry, with seven manufacturing sites in four countries.

The AD Plastik Group runs three factories in Croatia, namely one in Solin and two in Zagreb, where it employs over 1,200 persons in total. Our factory in Serbia employs approximately 200 persons, while our two factories in Russia employ over 700 persons. Moreover, AD Plastik has formed a Romanian joint venture company Euro APS with Faurecia. We export a hundred percent of our products manufactured in Croatia, where the company is seated, to the EU and Serbian markets, while factories in Russia mainly supply the Russian market.

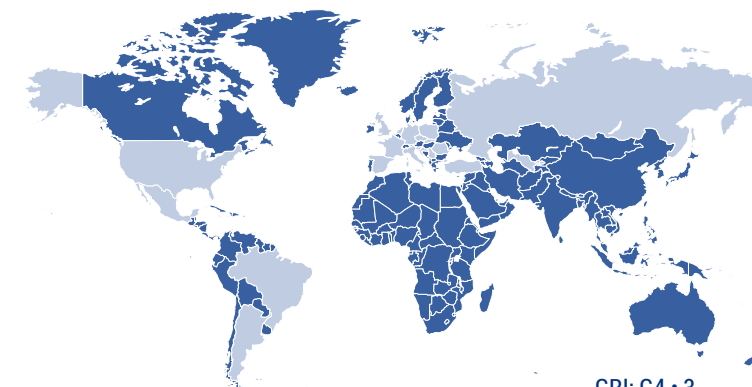


A thirty-year history provides experience and considerable sophistication to our company, which builds its business on tradition, knowledge, exceptional expertise and dedication of

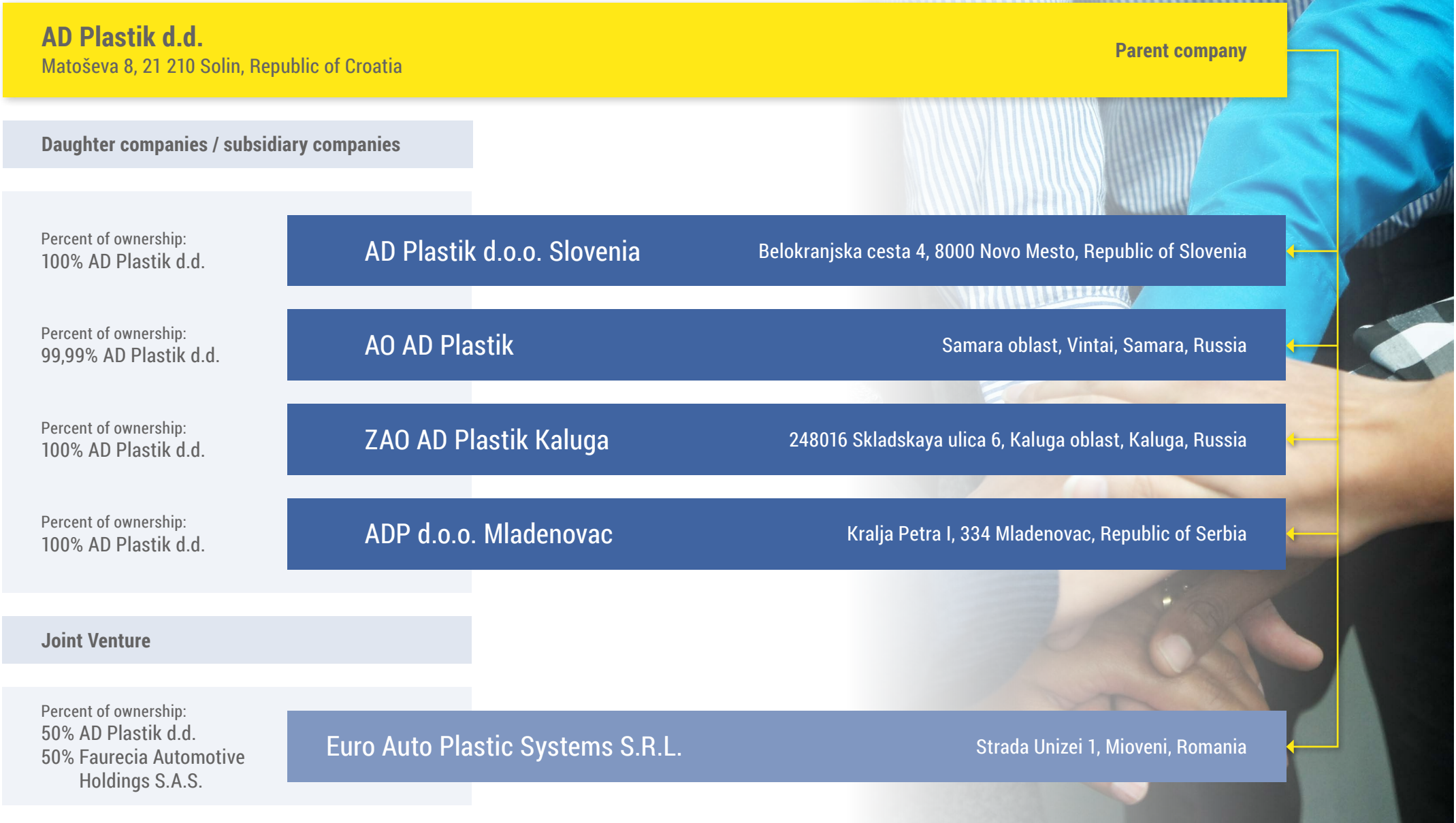
each employee. Our cooperation with customers is based on trust, reliability and quality from the early stage of development to the final product. A focus on customer needs, maintaining high quality and competitiveness of products and services, as well as the continuous investment into the development and improvement of technology are prerequisites for the survival and development of the company.

The AD Plastik Group is aware of its responsibility towards the environment and the community in which it develops its business, and is, therefore, continuously working on the improvement of sustainable business. All automotive suppliers, as well as car manufacturers themselves, are continuously working on developing new materials and products to reduce the impact of finished products on the environment. The establishment and reinforcement of environmental standards and criteria in this industry is a priority without which it is impossible to survive. The AD Plastik Group is on the panel of world-renowned manufacturers, which proves its quality, success and focus on corporate social responsibility.

The long-term strategy of the Group is to ensure a high-quality and stable business to the satisfaction of all its stakeholders.



Corporation matrix



Ethics and integrity

ADP Vision Statement

To be the market leader in the development and manufacture of car components on the territory of Eastern Europe, and to expand the business to new markets.

ADP Mission Statement

To contribute to the quality of the final products and to the success of our customers with innovative and creative solutions, as well as with constant advancement of the product research & development. We meet our goals by applying the principles of socially responsible and ethical business to the satisfaction and welfare of all our stakeholders – employees, business partners, customers and shareholders.

Key values

Reliability

We base our relationships with all our stakeholders on trust, and honest and frank communication. The continuous establishment of long-term partnerships with all our stakeholders is based on mutual respect.

Excellence

In every business segment, we strive to meet the highest quality standards, be it products, working methods or employee competences.

Innovation

With our own ideas and creativity, we are working to improve the development of the company and each individual segment within it daily, simultaneously following the developments and trends on the global market.

Responsibility

The responsibility is ours. It is an important prerequisite for the development, growth and results of the company. We express it daily in our relationship with each individual, work, partners, stakeholders and our actions with regard to the society, nature and community in which we operate.

Dedication

Loyalty, productivity and satisfaction are the indicators of the dedication that we wish to encourage with a conscientious approach to the company. We wish our employees to identify with the company and its values.

Collective community

We encourage mutual cooperation on all levels, as well as team work, which is necessary for the development and growth of not only the company, but also each individual person. Sharing ideas and knowledge, a multicultural environment, mutual respect and solidarity are the key principles of community that we are developing.

Ethics and integrity (continued)

Code of Business Conduct and policies of the AD Plastik Group

The AD Plastik Group Code of Business Conduct and policies define the rules that aim to ensure the avoidance of conflicts of interest and any form of corruption, as well as to assume obligations under international law to respect human rights. The company bases its business activities on good corporate governance practices, while by implementing everyday business practices, strategies, policies and internal regulations the company aims to contribute to transparent and efficient business operation and establish better relations in the environment where it operates.

In order to keep abreast with changes on the global market, the AD Plastik Group, as a multinational company, regularly revises and updates its internal acts, procedures and policies. Consequently, at the end of 2016, the company's Code of Business Conduct received its second edition. The Code defines the rules of business conduct for the Group that must be observed in day-to-day business relationships within and outside the company. All employees are required to implement the Code's guidelines which explicitly emphasize the personal responsibility of each individual. Namely, in order to preserve the company's reputation, it is an obligation of each employee to act in a responsible and conscientious manner in accordance with company values.

In the reporting period, the AD Plastik Group has updated and developed new policies: anti-corruption policy, anti-monopoly policy, quality policy, policy of sustainable supplier management, energy management policy, human rights policy, environmental policy, occupational health and safety policy, and diversity policy.

The Code of Business Conduct and policies are published on the company's website in three languages, as well as on the Intranet website. Every employee familiar with a suspected breach of any provision of the Code of Business Conduct must immediately inform relevant persons or departments specified in the Code. Where necessary, the procedures prescribed by the internal procedure will be implemented and the measures prescribed by relevant laws applied.

In agreements with suppliers, we ask that they respect the essential provisions of the Code of Business Contact, Global Compact initiative of the UN, and ILO conventions against child labour and forced labour (ILO138, ILO29 and ILO105).

I	KODEKS POSLOVNOG PONAŠANJA 4	IX	POLITIKA ZAŠTITE LJUDSKIH PRAVA38
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- The mission statement
- Vision statement
- Key company values
- Code of Business Conduct of the Group

Integral parts of materials that each person receives upon recruitment to the AD Plastik Group.

Technologies

The technologies used by the AD Plastik Group in its business operation include the following:
Injection moulding, Painting, Non-woven textiles, thermoforming, extrusion and blow moulding.



Research & development

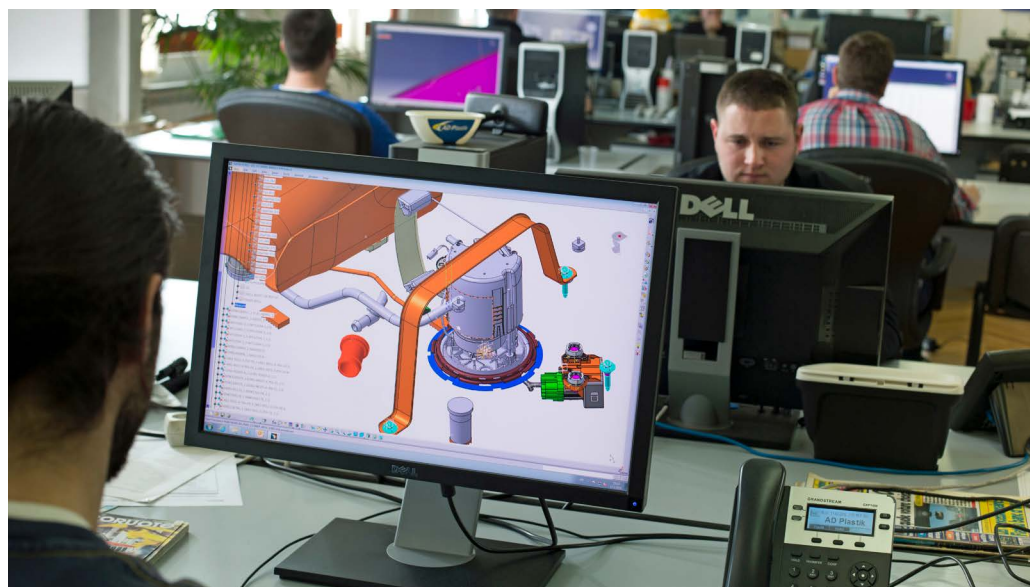
Research & development significance and activities

Car manufacturers focus on their core business, while research and development of specific components are left to suppliers. In accordance with the stated requirements of customers and the market that are in constant pursuit of advanced technologies and products, the AD Plastik Group invests considerable resources in research and development in order to track trends and offer the same quality or better solutions than the competition. There is an intense focus on new processes, technologies and materials that will in the near future represent a step forward in the sense of development and manufacture-technology. As customers want to receive complete solutions from suppliers, the research and development department of the AD Plastik Group is focused on the development of complete modules combining multiple technologies. This requires the highest level of competence in developmental sense and flexible solutions that will demonstrate the required aspects of cost and quality.

As a result of continuous investment in research and development in the AD Plastik Group, the company became a reliable and stable partner for the majority of global automotive manufacturers.

Almost 4% of total revenues were invested in the research and development within the AD Plastik Group in 2016, indicating the importance of this area. The research and development department employs more than 100 engineers who have the state-of-the-art systems and tools at their disposal.

4% of total revenue invested in Research and development
>100 engineers



Environmental Protection

A special attention should be paid to the environmental aspects of the product from the product development phase, the design planning itself, the selection of material and the required manufacturing process, to the end of its life cycle. A good planning of each process and procedure, as well as the design of each component or system, and a continuous improvement of manufacturing process reduce the impact on environment. Harmful gas emissions are a global problem, so in the recent years companies have been manufacturing cars with low harmful gas emissions, while the reduction trend is rapidly moving

toward zero emissions. Since it is necessary to reduce the weight of future cars in order to achieve the desired goal of reducing the emission of harmful gases, the immediate priority is the choice of so-called lightweight materials. Car weight can be reduced by modifying the weight of each individual component, particularly as regards car interior or exterior. The AD Plastik Group is ready to respond to new market demands through its research of new and lighter materials, as well as the development of lighter components, and the exploration of possibilities to implement natural materials. We are making continuous efforts to increase the proportion of basic recycled raw materials that are more environmentally friendly.



Research & development (continued)

Composite materials

Because composite materials have an important impact on the reduction of car weight, the AD Plastik Group experts have in the reporting period devoted special attention to the research and development of natural material applications in thermoformed interior products, all with a view to reduce their weight and possibly implement them in subsequent periods.

The AD Plastik Group can, in the area of composite material development, offer its customers innovative solutions in line with global trends in the automotive industry.



Materials recycling

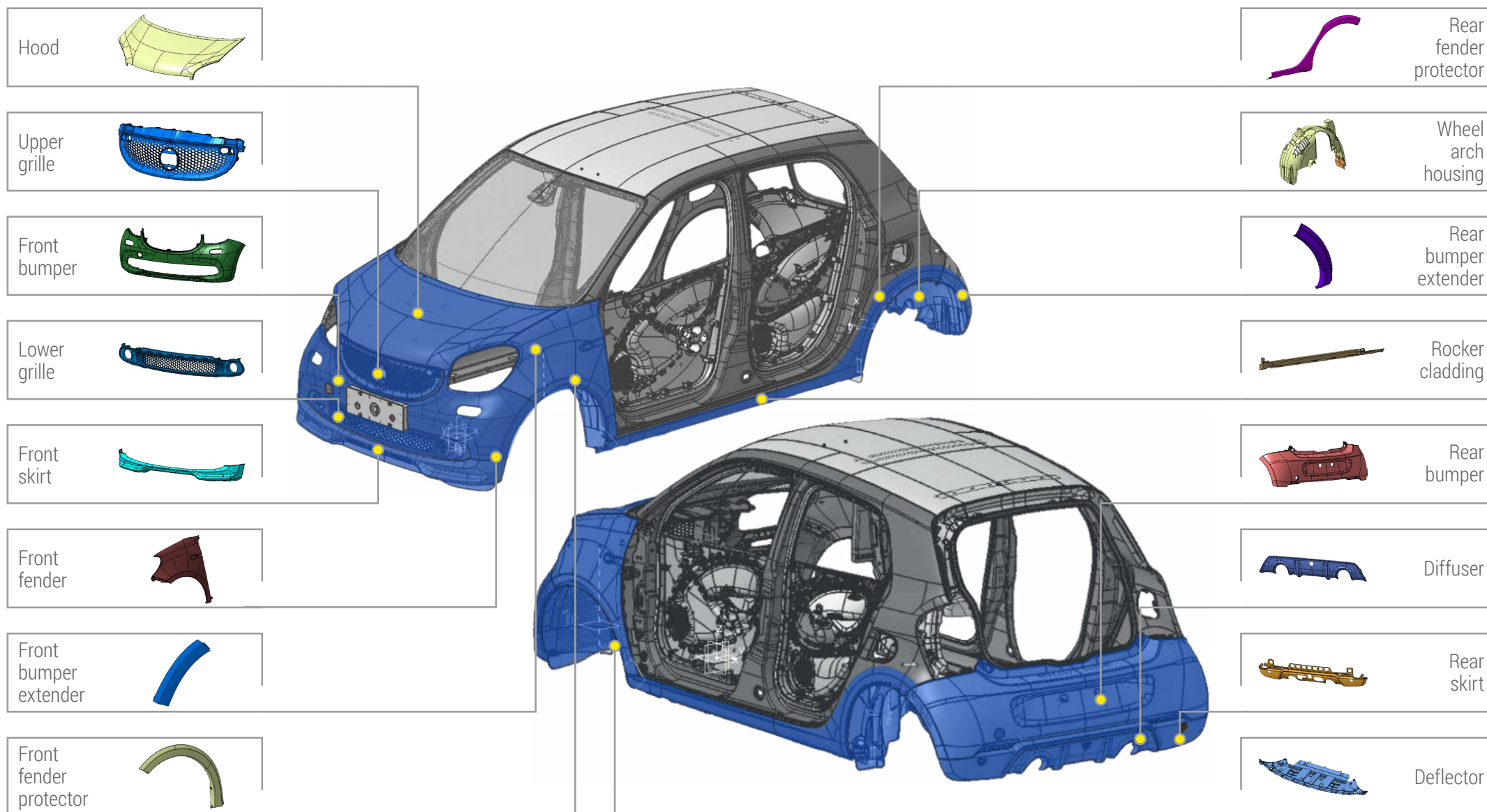
In order to reduce the impact on the environment after the end of the life cycle of a product, the AD Plastik Group, in cooperation with its customers, takes necessary measures to improve the recycling potential of products after their life cycle. When starting the product development phase and selecting the material itself, we give the priority to materials that contain a certain proportion of recycled material. We are exploring the possibility of using natural materials to ensure that each individual product is not only lighter, but also, to the greatest extent possible, recyclable at the end of its life cycle. It is important to emphasize that all products must retain the

properties and characteristics required for their functionality.

In 2016, we have implemented the use of materials with fifty percent recycled content of non-woven textiles.



Product examples - Exterior

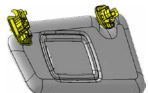


Product examples - Interior

Grab handle



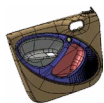
Sunvisor



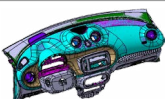
Headliner console



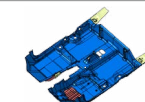
Door panel



Instrument panel



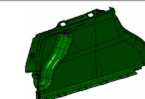
Headliner



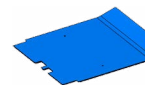
Floor carpet



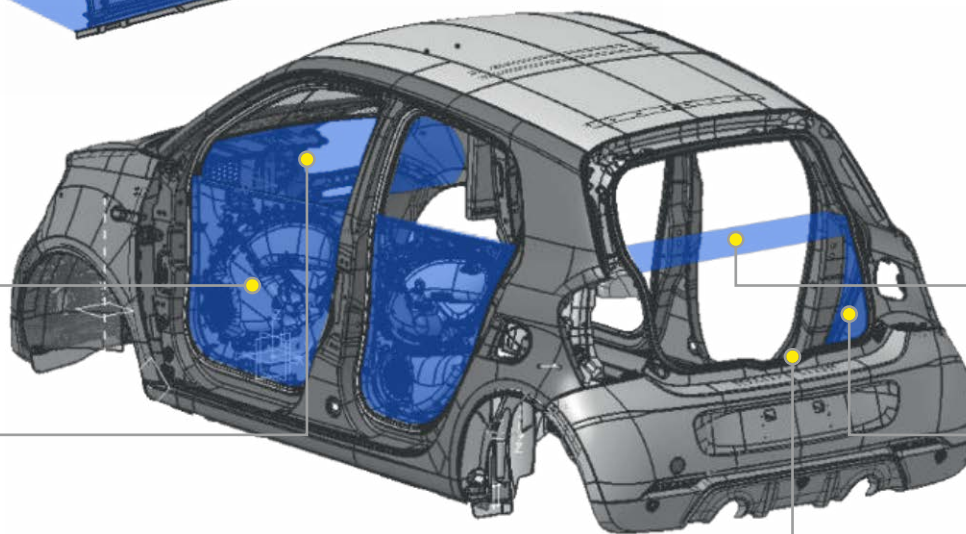
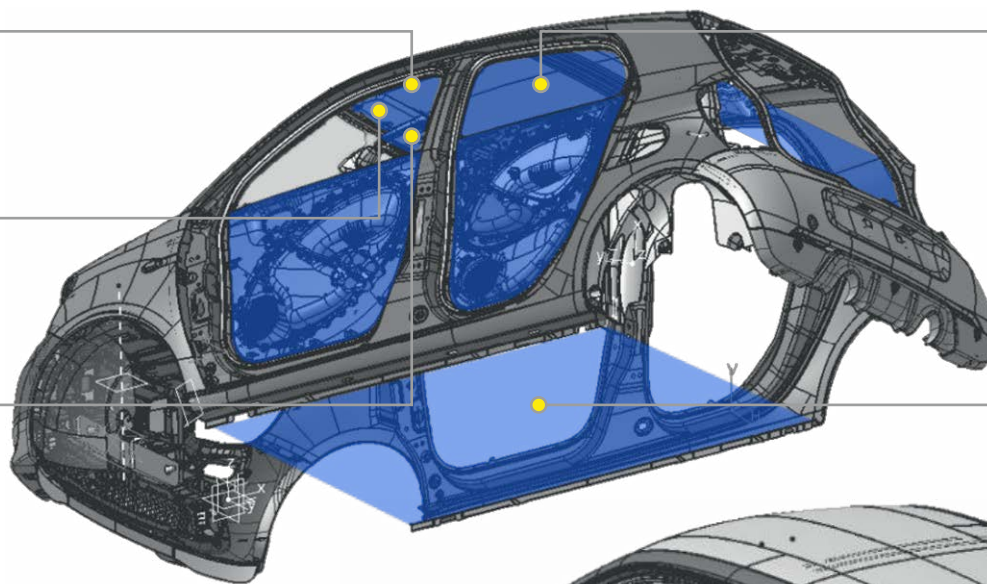
Parcel shelf



Trunk side trim



Trunk carpet



Product examples - Sealing systems

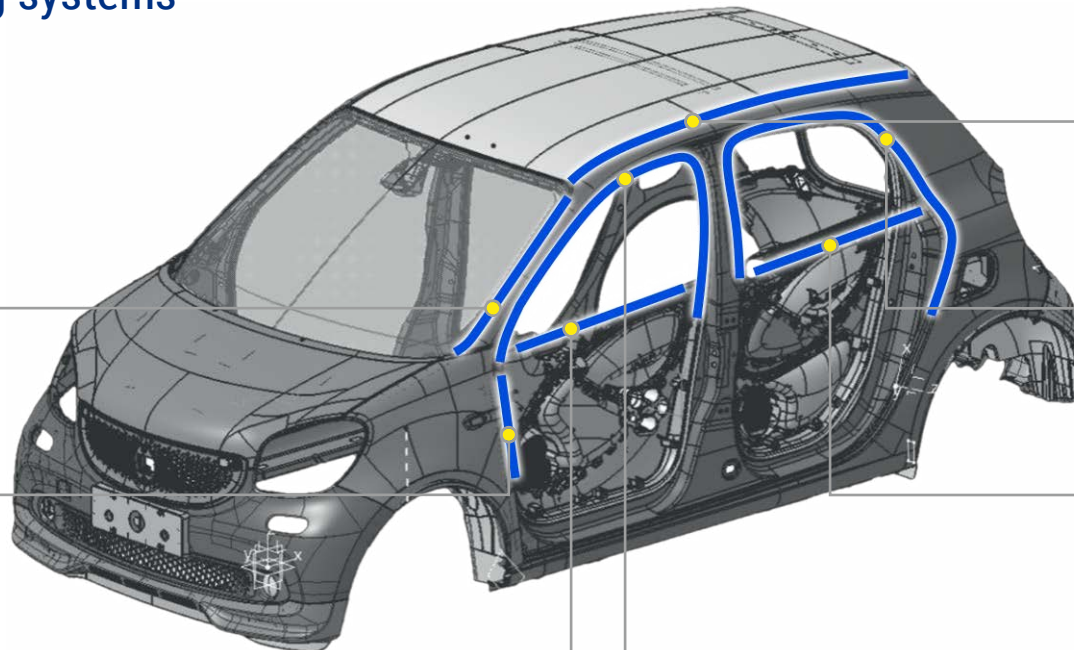
Windshield
finisher



Inner
belt



Bellow
belt



Roof
moulding



Glass run
channel



Door
hidden
frame



Outer
belt



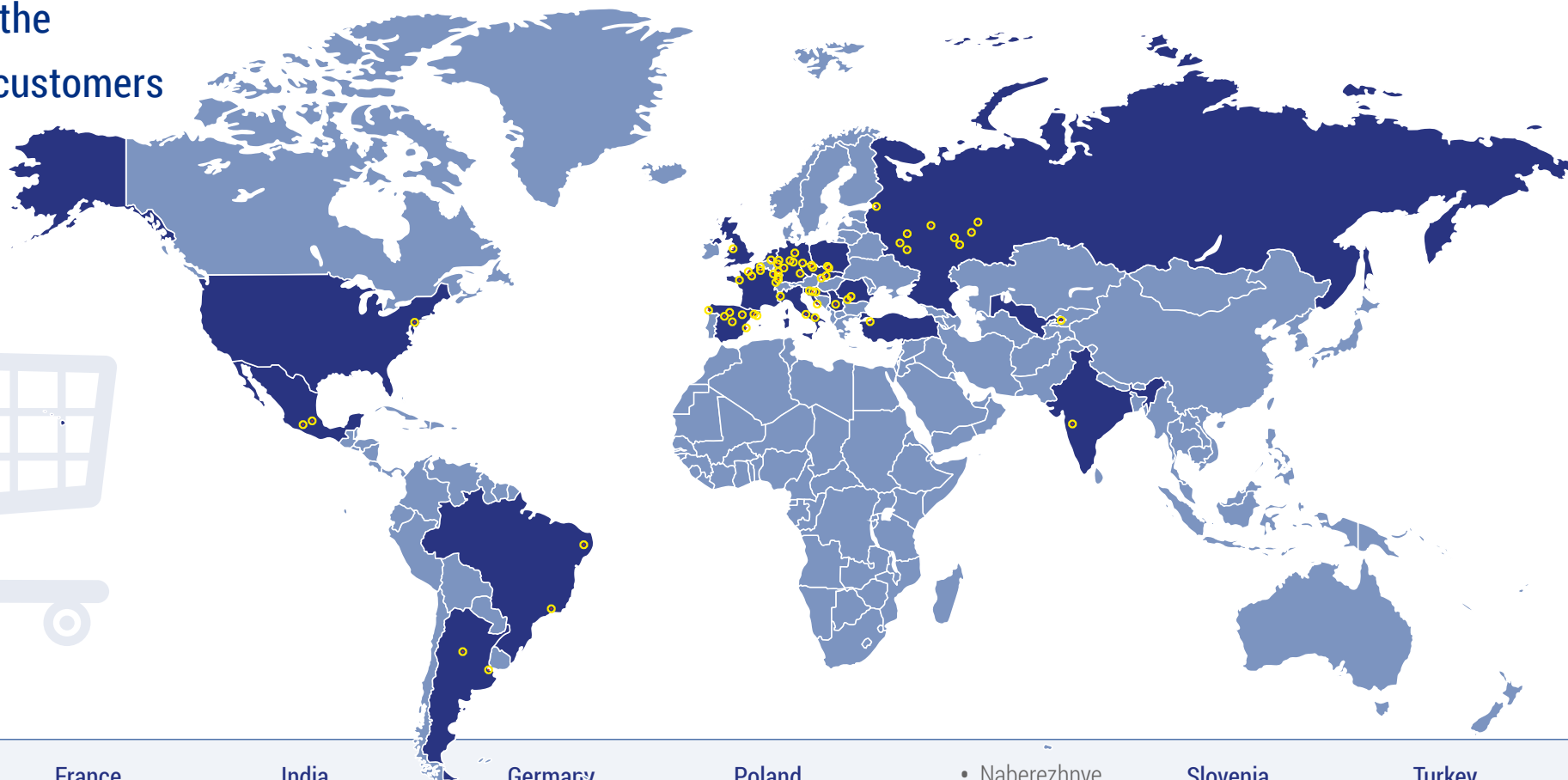
Countries in which we operate

Organisation headquarters

AD Plastik d.d., Matoševa 8, Solin



Overview of the market and customers



Argentina

- Córdoba
- Buenos Aires

Brazil

- Pernambuco
- Porto Real

Czech Republic

- Kolín
- Mladá Boleslav

France

- Batilly
- Douai
- Hambach
- Mulhouse
- Poissy
- Rennes
- Sandouville
- Sevelnord
- Sochaux

India

- Ranjangaon

Italy

- Cassino
- Melfi
- Mirafiori

Mexico

- Cuautitlán
- Toluca

Germany

- Bochum
- Cologne
- Eisenach
- Kassel
- Mosel
- Regensburg
- Ruesselsheim
- Saarlouis
- Wolfsburg

Poland

- Gliwice
- Tychy

Romania

- Craiova
- Mioveni

Russia

- Izhevsk
- Kaluga
- Moscow

- Naberezhnye Chelny
- Nizhny Novgorod
- Saint Petersburg
- Togliatti
- Ulyanovsk

Serbia

- Kragujevac

Slovakia

- Bratislava
- Trnava

Slovenia

- Ljubljana
- Novo Mesto

Spain

- Barcelona
- Madrid
- Palencia
- Valencia
- Valladolid
- Vigo
- Zaragoza

Turkey

- Bursa

UK

- Ellesmere Port

USA

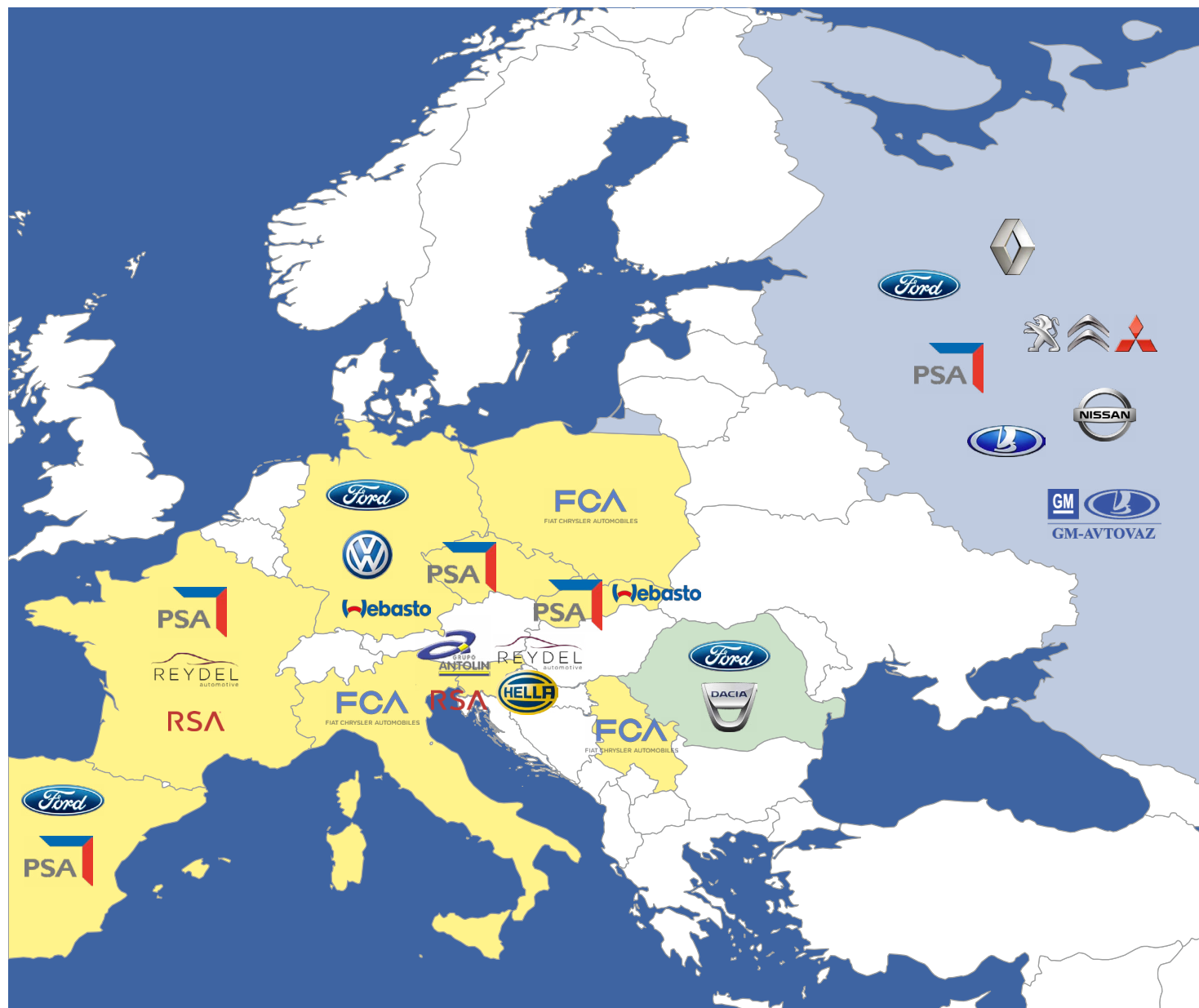
- Detroit

Uzbekistan

- Asaka

Overview of the market and customers (continued)

Europa + Serbia	
Customer	Sales market
FCA	Serbia, Italy, Poland
Ford	Spain, Germany, Romania, Russia
Grupo Antolin	Slovenia
Hella	Slovenia
PSA	France, Spain, Czech Republic, Slovakia, Argentina, Brazil, China, Russia
Reydel	Slovenia, France
RSA	Slovenia, France
VW	Germany
Webasto	Germany, Slovakia
Euro APS, JV Romania	
Customer	Sales market
Dacia	Romania
Russia	
AvtoVaz	Russia
Ford	Russia
GM-VAZ	Russia
Nissan	Russia
PCMA	Russia
Renault	Russia
VAZ	Russia
VAZ	Rusija



Income from sales

As in previous years, AD Plastik Group’s plants in Croatia and Serbia sell their products mainly on the EU and Serbian markets, but also on new markets such as Mexico, Brazil and the United States. Russian companies from the AD Plastik Group sell their production assortment mostly on the market of the Russian Federation.

The Group is strongly positioned in the market of automotive components manufacturers in Europe, especially with regard to the manufacture of grab handles. AD Plastik grab handles are installed in a wide range of vehicles of well-known car manufacturers such as Fiat, Jeep, Renault, PSA Group, and we should point out new grab handle manufacturing project for the VW Group. This increase in grab handle manufacture is specially visible thanks to the exceptional growth of manufacture in Serbia.

The Edison project continues to have the greatest impact on production volume and realization in 2016, and we must highlight the transfer of console production which began at the end of the year.

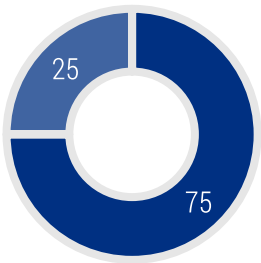
The Russian market was marked by stabilization if compared to the previous two years, and this has created a basis for further growth.

Last year was marked by a series of inquiries and technical presentations, which are a good foundation for implementing new business operations and plans.



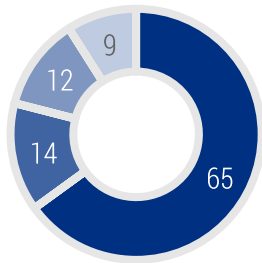
- Other countries
- Italy
- France
- Germany
- Slovenia
- Russia

Income from sales by sites



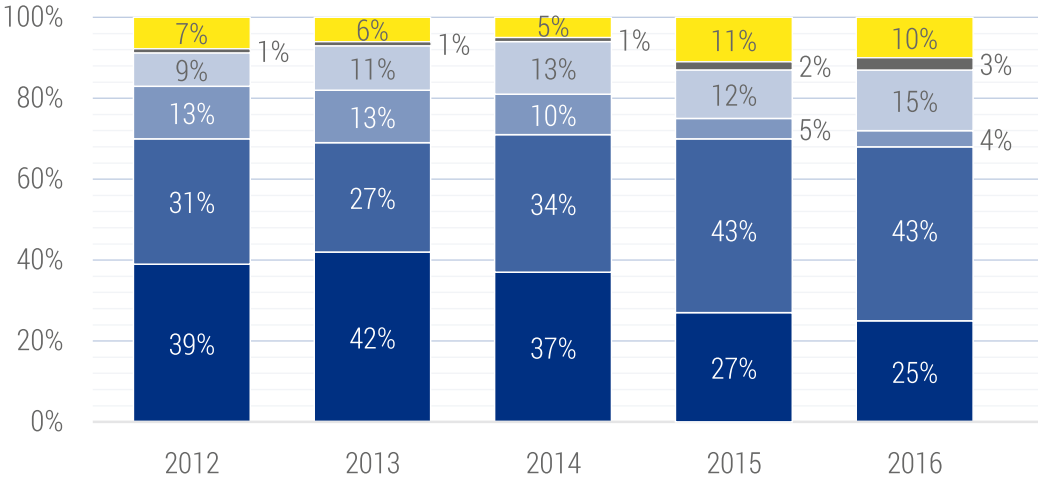
- EU + Serbia 75%
- Russia 25%

Income from sales by technology



- Injection moulding + Blow moulding . 65%
- Painting 14%
- Thermoforming + Non-woven textile. 12%
- Extrusion 9%

Income from sales by market



Stakeholders

The AD Plastik Group regards the needs and understanding of its stakeholders extremely important and therefore holds regular consultations and discussions with different groups of stakeholders, as well as works at improving mutual communication and involvement. In this way, we are also trying to include individual stakeholders in the preparation of the Company Sustainability Report. Even though the stakeholders' reaction in this area is somewhat slower, there is still plenty of room for development and progress.

Through transparent and regular communication with all its stakeholders, the AD Plastik Group seeks to achieve mutual understanding as the basis of its business development and progress.

Occasional consultations and meetings are the most common form of involvement for the majority of stakeholders. Moreover, a part of them is also involved in public discussions within the community. The AD Plastik Group customers were inten-

sively involved in the preparation of the Sustainability Report as one of the key stakeholders. Since the company's report must meet the standards for sustainable development set by individual customers, much of its content is based on regular customer consultations. The AD Plastik Group has signed an agreement or guidelines on compliance with the rules of corporate social responsibility in the automotive industry with the majority of customers.

According to the AD Plastik Group business development strategy, the key stakeholders of the company are:

- customers,
- employees,
- unions,
- suppliers and partners,
- owners and shareholders,
- the financial public,
- local and national authorities,
- community (universities, associations, organisations) and
- media

The key stakeholders at the same time constitute a part of the AD Plastik Group mission and vision.



Stakeholders (continued)

Customers

Customers are one of the key stakeholders in the automotive industry. The AD Plastik Group builds partnerships with its customers in all phases of cooperation, starting from the early stages of development to the final product. The aim is to contribute to the quality of finished products, and thus to the success of car manufacturers and their customers, as well as the safety of end users. In order to remain competitive and successful on the global market, the company is constantly making improvements, carrying out research and offering innovative solutions to existing and potential customers.



Types of consultations and frequency

- Visits/meetings (regularly)
- Audits (where necessary)
- Written communication (where necessary)
- Satisfaction survey (regularly via specialised portals)
- Official website (regularly)
- Sustainability Report (annually)

In the reporting period, a total of 63 customer audits were conducted within the Group, of which 31 at sites in Russia. The largest number of audits was carried out by the Renault Group, which is expected since it is the largest customer of the AD Plastik Group. Audits were also carried out by Nissan, VW, VAZ, Ford, Hella, Fiat and Jaguar Land Rover. The number of customer audits in the reporting period was increased in order to maintain the expected quality, but also due to expansion of business cooperation and new nominations.



Stakeholders (continued)

Employees

Employees are the most important stakeholders and the biggest value of the AD Plastik Group. They are responsible for the achievement of ambitious and dynamic development projects, and united in activities and projects, they showed flexibility and willingness to change in order to achieve long-term growth and development of the company. Continuous monitoring of the latest trends, strategic reflection and modern human resources management processes enable the company to create a competitive advantage through its employees. The employees of the AD Plastik Group respect the standards of excellence and mutual cooperation, share knowledge and experience, propose new ideas and solidarity, enabling creation of a community that constantly evolves.



Types of consultations and frequency

- Survey of the organisation climate and satisfaction (annually)
- E-mail announcements (where necessary)
- Bulletin board notices (where necessary)
- Internal newsletter (every two months)
- Intranet (regularly)
- Sustainability Report (annually)
- Informal gatherings (regularly)

In the reporting period, a number of additional activities were launched to improve the level of information and communication with employees on an individual, operational and corporate level. The practice of employee involvement at all levels, areas and in all countries in which the Group operates is applied, having in mind the importance of communication as the best performance indicator in all business and measurement aspects. In 2016, external consultants carried out a survey of organisational climate and satisfaction for the first time, in order to obtain a better and more objective complete picture of the company, all with a view to strengthen the activities to improve motivation and develop employee dedication.



The project "Idea for Improvement" rewarding was implemented at the sites in Croatia, as an example of good practice from our Russian companies, with the aim to encourage creativity and engagement of all employees. In the reporting period, ADP Day was also celebrated for the first time at all sites of the Group. Team building and the Chatroom - open days of the Management Board were also held for the first time, as well as corporate gatherings on Christmas and New Year holidays. Croatian employees officially represented the company at B2B races in Split and Zagreb. We also organized informal social functions for employees, as well as ceremonial awards, humanitarian actions providing aid to vulnerable families in Vukovar, sports events, group visits to shows and various informal social employee events.



Stakeholders (continued)

Unions and Workers' Council

Unions and the Workers' Council are public institutions that participate in the decision-making process of the company, especially regarding the position of workers. Unions participate in collective bargaining decisions and, ultimately, in conclusion of collective agreements with the company. The Workers' Council represents the workers' interests and regularly reports on all matters related to the position of the workers. One member of the Workers' Council is also a member of the Supervisory Board, and thus participates in supervising the company's operations. Collective bargaining as a model of conducting business in the company has proven to be very successful and effective.



Types of consultations and frequency

- Meetings/negotiations (where necessary)
- Internal newsletter (every two months)
- Intranet (regularly)
- Sustainability Report (annually)

In the reporting period, unions met with the employer two times during collective negotiations regarding the conclusion of a new Collective Agreement in Croatia. The Collective Agreement signed in 2014 and effective for a period of three years was still in force during 2016, and at the end of 2016, collective negotiations began regarding the new Collective Agreement for 2017. Collective bargaining in Russia was held and completed in September.



Suppliers and partners

Types of consultations and frequency

- Supplier evaluation (monthly)
- Quality criteria evaluation (monthly)
- Visits (where necessary)
- Sustainability Report (annually)

Supplier performance monitoring is carried out regularly, in accordance with the prescribed procedures and questionnaires. In the reporting period, monthly supplier evaluation was introduced, and the continuous cooperation and consultancy with the suppliers continued for the purpose of improving their business system, and meeting the required standards of the car industry.

Suppliers and partners are important stakeholders of the AD Plastik Group, who can significantly affect the company's business. Contracting commercial and other business relations with suppliers and managing their quality, play a significant role in achieving the company's annual and medium-term goals. Business is largely dependent on suppliers because offering customers a greater level of product and service quality in order to reduce costs and strengthen the positive impact on both the environment and the society as a whole is achieved through our mutual cooperation.



Stakeholders (continued)

Owners and shareholders

Owners and shareholders are an important part of the public whose trust we have been building for years. By achieving good business results aimed at increasing the company's value and creating new value, regular and transparent reporting and interactive communication, we have built partnerships to our mutual satisfaction. It is a long-term strategy of the AD Plastik Group to increase the satisfaction of the shareholders by increasing the value of stocks and paying out attractive dividends.

Types of consultations and frequency

- Notifications (where necessary)
- Financial reports (quarterly)
- Shareholders' Assembly (annually)
- Official website (regularly)
- E-mail communication (where necessary)
- Annual financial report (annually)
- Sustainability Report (annually)

Improving the financial reporting, continuous communication and regular notifications to shareholders were a priority in the observed reporting period.



Stakeholders (continued)

Financial public

The financial public includes investors and creditors, as important stakeholders of the AD Plastik Group, with which a partnership is realized based on timely and transparent reporting. The company's objective is to inform the stakeholders of all relevant events in the Group, so that they could make decisions based on accurate information in real-time.

Types of consultations and frequency

- Notifications (where necessary)
- Financial reports (quarterly)
- Official website (regularly)
- Conferences (twice a year)
- Roadshow (annually)
- E-mail communication (where necessary)
- Annual financial report (annually)
- Sustainability Report (annually)

In addition to improving the financial reporting methods, in the reporting period we have continued the practice to regularly inform our stakeholders about quarterly reports and held meetings and presentations intended for the financial public that provided more detailed indicators and information by introducing new indicators and information.



Stakeholders (continued)

National and local administration bodies

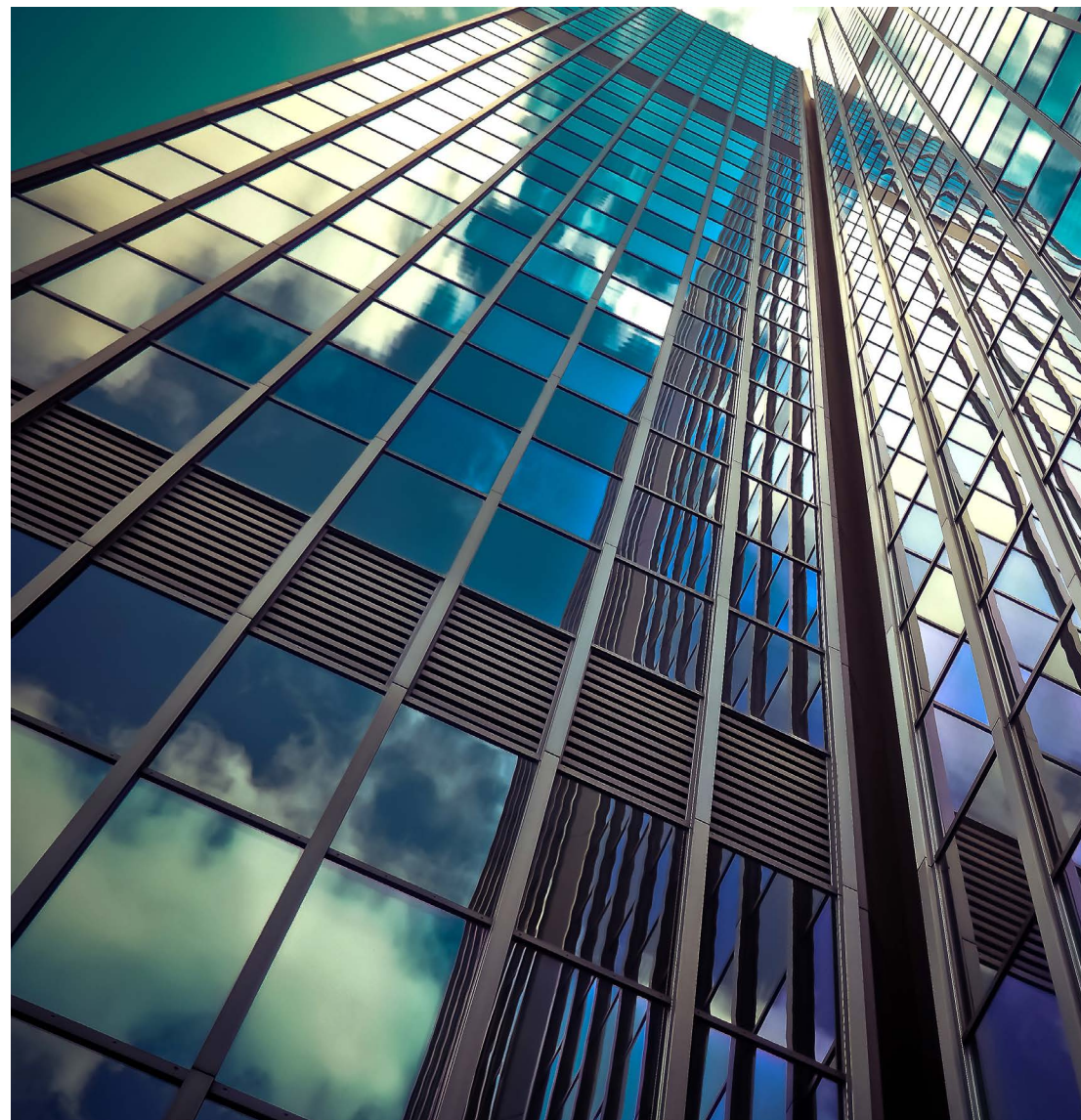
National and local administration bodies are a part of the public the company cooperates with regularly in all countries in which it operates, in accordance with their demands and company policies. As a renowned and respectable economic operator, the Group has a responsibility to improve the business environment in the communities it operates in.



Types of consultations and frequency

- Participation in specialised congresses and conferences (where necessary)
- Participation in consultations with state institutions (as appropriate)
- Memberships (regularly)
- Visits (where necessary)
- Sustainability Report (annually)

The Management Board of the AD Plastik Group responded positively and urgently to all inquiries and requests for consultations with the aim of defining certain national positions in the reporting period. For example, defining of interests in individual markets and removing trade barriers, redefining the export support model and programming of future development projects in automotive industry and 4.0 Industry. The representatives of the AD Plastik Group have participated in several conferences organised by the national and local administration bodies. In this way, our professional know-how and experience contributed to the development and improvement of the business conditions in the area, particularly in connection with exporters.



Stakeholders (continued)

Community

The community (universities, associations, organisations...), in which members of the AD Plastik Group operate, is an important part of the public. Collaboration and partnership with the community are part of the corporate culture of the company that wants to build new business and economic standards. Mutual recognition of values, exchange of knowledge, ideas, projects and initiatives are necessary to enhance the quality of business and community living. Representatives of the Group regularly participate in domestic and international conferences, economic forums and round table discussions. The AD Plastik Group develops regular cooperation with the university community and promotes employment of local residents, and supports various professional associations and citizens' associations. Local initiatives and associations are supported through donations and sponsorships.

Types of consultations and frequency

- Participation in conferences (where necessary)
- Memberships (regularly)
- Visits (where necessary)
- Sustainability Report (annually)

In the reporting period, the representatives of the AD Plastik Group attended and participated in a number of economic events on competitiveness, investment promotion, export, socially responsible business, financial and corporate governance, as well as specialized car industry issues. The most prominent active participations in the observed period were: the economic event "Business Expectations for 2016", where Katija Klepo, member of the Management Board, participated in the round table discussion; the "Russian Automotive Forum" in Moscow, where Marinko Došen, the President of the Management Board, held a presentation on "Supplier Strategy in the Automotive Industry - How to survive and succeed" and participated in the round table discussion; the "Ciraz 2016: Harnessing Innovation to Drive Economic Growth - the Ron Brown Legacy" conference held in Dubrovnik, where Marinko Došen, the President of the Management Board, participated in the "Boosting the economic com-



petitiveness growth" panel; the International SEE Automotive Conference held in Novi Sad, Serbia, where our Sales Manager, Toni Štambuk, held the presentation of the AD Plastik Group and participated in the round table discussion; the "Corporate Governance in Croatia" conference held in Zagreb, where Marinko Došen, the President of the Management Board, participated as a winner of the Corporate Governance Excellence Award in the round table discussion "First-rate Corporate Governance in Croatia – Experience of the Best Joint-stock Companies"; expert conference of the Croatian Competitiveness Cluster for Automotive Sector "Development Potential of the Croatian Automotive Industry" held in Zagreb, where Assistant Director of Zagreb plant, Zoja Crnečki, held a presentation on "Development Potentials and Trends in Plastic Parts Production".

The company also supported the Private Sector Youth Initiative, launched by the Croatian Employers' Association and the European Bank for Reconstruction and Development and, through long-term good cooperation with the Faculty of Electrical Engineering,

Mechanical Engineering and Naval Architecture, the Faculty of Chemistry and Technology and the Faculty of Economics in Split, even greater number of students got the opportunity to gain experience in the AD Plastik Group. Cooperation with the Faculty of Textile Technology and the Aspira University College has also been formalised. In the reporting period, 27 students, especially from the Faculty of Chemistry and Technology and the Faculty of Electrical Engineering, Mechanical Engineering and Naval Architecture, completed their practice in the company's services. Cooperation with higher education institutions has continued on the implementation of projects of mutual interest in the area of research and development, and in the field of study programs tailored to the needs of the Group, whereas one of the goals is early selection of talents and further development of business and professional cooperation. For the third year in a row, the AD Plastik Group has been involved in the "Experience is Gold" initiative, a project aimed at sensitizing the business community and the wider community regarding employment of particularly vulnerable people on the labour market.

Stakeholders (continued)

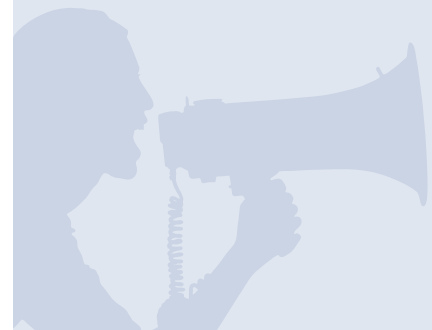
The Media

The media are the stakeholders through which the company informs and communicates with the general public, as well as all other stakeholders, about all relevant issues and changes in the company. The aim is to inform all company's stakeholders in a timely and transparent manner in order to maintain regular and successful cooperation.

Types of consultations and frequency

- Press releases (regularly)
- Press conferences (where necessary)
- Visits (where necessary)
- Statements (regularly)

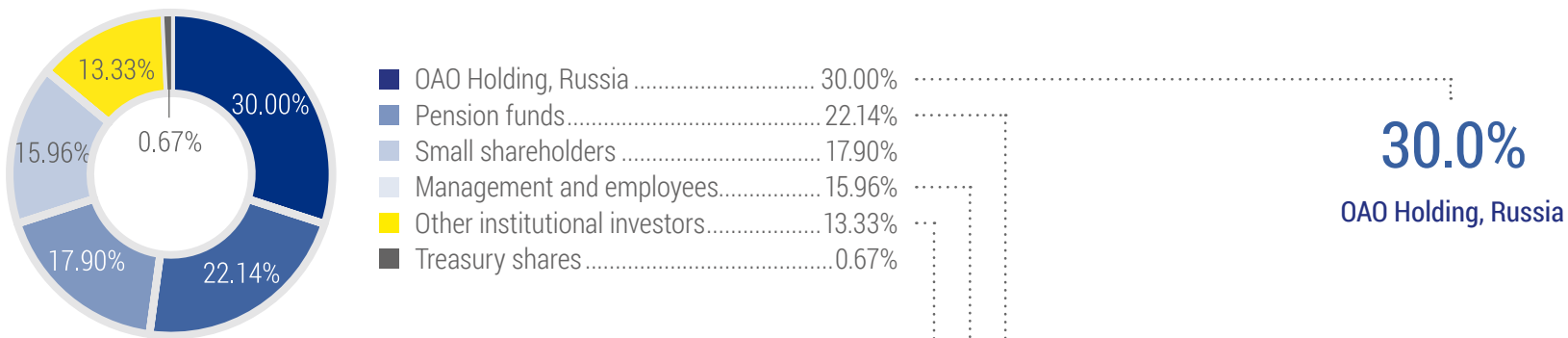
In the reporting period, structured and regular communication with the media continued to improve the image of the company.



Ownership structure

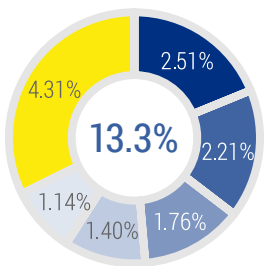
AD Plastik d.d. (Parent company) is a joint-stock company founded in the Republic of Croatia and entered into the court register of the Commercial Court in Split under the company registration number (MBS) 060007090, company identification number (OIB) 48351740621.

The share capital of AD Plastik d.d. amounting to HRK 419,958,400 has been divided into 4,199,584 stocks with the nominal value of HRK 100.00 each. Its shareholders are legal and natural entities from Croatia and abroad, who pursue their interests through the General Assembly and the Supervisory Committee in accordance with the legislation of the Republic of Croatia.



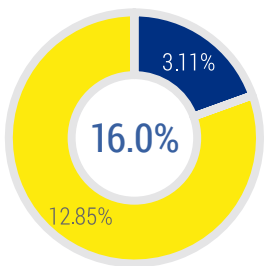
30.0%
OAO Holding, Russia

Other institutional investors



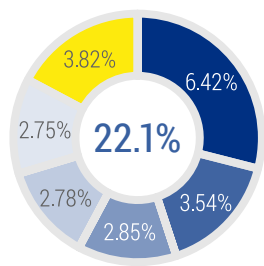
- Erste bank / Zbirni skrbnički račun 2,51%
- PBZ d.d. / State street client..... 2,21%
- Zaba / State street bank..... 1,76%
- PBZ d.d. / Skrbnički zbirni račun 1,40%
- ZABA / ZB Aktiv..... 1,14%
- Others 4,31%

Management and employees



- ADP ESOP 3.11%
- Others 12.85%

Pension funds



- Raiffeisen OMF category B 6.42%
- Raiffeisen DMF 3.54%
- PBZ CO OMF category B..... 2.85%
- Capital fund..... 2.78%
- Erste Plavi category B..... 2.75%
- Others 3.82%

Overview of the top 10 shareholders as of 31 December 2016

N°	Shareholder	No. of shares 31 December 2016	Share (%)	No. of shares 31 December 2015	Share (%)	Move- ment
1	ОАО HOLDING AUTOKOMPONENTI	1,259,875	30.00	1,259,875	30.00	■
2	RAIFFEISEN MANDATORY PENSION FUND - category B	269,462	6.42	269,462	6.42	■
3	RAIFFEISEN VOLUNTARY PENSION FUND	148,645	3.54	-	-	▲
4	ADP-ESOP D.O.O.	130,532	3.11	212,776	5.07	▼
5	PBZ CO MANDATORY PENSION FUND - category B	119,640	2.85	119,640	2.85	■
6	KAPITALNI FOND D.D.	116,541	2.78	116,541	2.78	■
7	ERSTE PLAVI - category B	115,353	2.75	115,353	2.75	■
8	ERSTE & STEIERMARKISCHE BANK D.D. - Joint custodial account	105,349	2.51	105,349	2.51	■
9	AZ MANDATORY PENSION FUND - category B	93,900	2.24	93,900	2.24	■
10	PBZ D.D. - STATE STREET CLIENT ACCOUNT	92,948	2.21	111,366	2.65	▼
TOTAL		2,452,245	58.39	2,491,039	59.32	▼

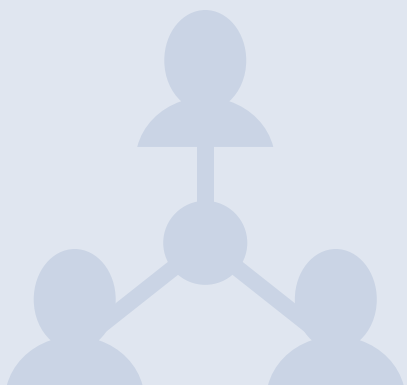
The Company has no majority shareholder, the largest shareholder is the Open Joint Stock Company "Holding Autokomponenti" from St. Petersburg, Russia, which owns 1,259,875 shares representing a 30 percent share of Company equity capital.

- RBA Voluntary Pension Fund became one of the ten largest shareholders in 2016 (3.54 percent).
- Shares of other top ten shareholders were mostly unchanged compared to 2015, which indicates that large volumes of shares are not traded at the stock exchange despite the free float of 69.33 percent.



Management

The AD Plastik Group bases its business activities on good corporate governance practices, while by implementing everyday business practices, strategies, policies and internal regulations the Group aims to contribute to transparent and efficient business operation and establish better relations in the environment where it operates. All company employees must aim at honest and frank relationships with all stakeholders in order to ensure, above all, respect for human rights, avoiding conflicts of interest, and any form of corruption.



AD Plastik applies the Corporate Governance Code of the Zagreb Stock Exchange, as the company's stocks are listed on their official market. The regular completion of annual questionnaire published on the official website of the Zagreb Stock Exchange (www.zse.hr) and the company's website (www.adplastik.hr) directly reflects the dedication of AD Plastik to principles of corporate management and social responsibility. The Annual Report of the AD Plastik Group, which can also be found on the company's website, includes a Statement on the Application of Corporate Governance Code signed by all members of the Management Board.



ZAGREBAČKA BURZA
THE ZAGREB STOCK EXCHANGE

In 2016, we did not deviate from the legally prescribed and accepted Corporate Governance Code of the Zagreb Stock Exchange, except in parts stating that the majority of Supervisory Board members are not independent members and that Supervisory Board committees are mostly composed of its independent members.



HRVATSKA GOSPODARSKA KOMORA
CROATIAN CHAMBER OF ECONOMY

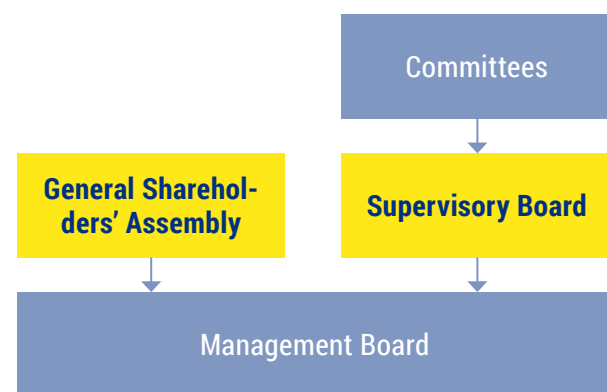
AD Plastik is also a signatory of the Code of Ethical Business of the Croatian Chamber of Commerce, with the obligation of responsible and ethical conduct as the necessary prerequisite for an efficient functioning of the market. Identification of ethical criteria contributes to a transparent and efficient business.



Management structure

The corporate management structure of AD Plastik is based on a dual system comprised of the Management Board and the Supervisory Board.

The Management Board and the Supervisory Board, together with the General Assembly and Audit Committee, comprise the four key functions of the company.



General Assembly

Shareholders exercise their rights in joint stock company affairs through the General Assembly, which is competent for deciding on the following issues: election and dismissal of Supervisory Board members, use of profit, release from duty of Management and Supervisory Board members, appointment of auditors, amendments to the Statute, increase and reduction of capital stock, status changes and termination, listing of stocks on the regulated market for the purpose of trading and withdrawal of stocks from such listings, and other matters that, in accordance with the provisions of the law, fall within its competence.

The extraordinary General Assembly held on 6 April 2016 has in accordance with the Law and the Statute adopted a decision on the payment of dividend advance from unallocated (retained) profit and other reserves generated in 2014..

The regular General Assembly held on 14 July 2016 has in accordance with the Law and the Statute adopted decisions on accepting the Annual Report on the status of the AD Plastik Group for 2015, Supervisory Board reports on the completed supervision of the Group's conduct of business for 2015, the use of profit, a decision on the payment of dividend, a release from duty of Management and Supervisory Board members, an appointment of the Auditor, and a decision on the election of two Supervisory Board members.

Supervisory Board

The Supervisory Board oversees the company operations, including the examination of business accounts and documents, of which it reports to the General Assembly. The Supervisory Board gives prior consent for certain types of works that otherwise cannot be performed. The Supervisory Board can convene the General Assembly, and all its members share the responsibility of supervision, oversight and sustainable business. The Supervisory Board consists of seven members, of which four members are elected by the General Assembly for the mandate of four years, and these members are eligible for a re-appointment. One member is appointed by the Workers' Council for the period of four years, while two members are appointed by the shareholder Holding Autokomponenti, open joint-stock company, Saint Petersburg, Russia, for the period of four years, eligible for a re-appointment.

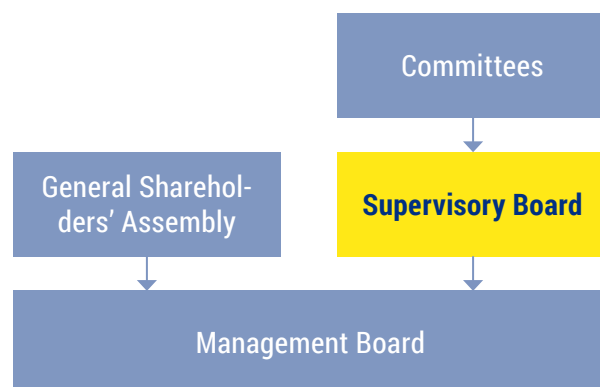
In 2016 five regular sessions of the Supervisory Board were held, in accordance with the previously published Calendar of Sessions. The Supervisory Board has in accordance with the Rules on the Supervisory Board activities outside sessions met an additional five times outside regular sessions in order to finalize decisions.

Since the mandate of the President of the Supervisory Board Josip Boban and the member of the Supervisory Board Nikola Zovko expired on 19 July 2016, in accordance with the Decision of the General Assembly, Ivica Tolić and Hrvoje Jurišić were elected new members for a four-year mandate as of 20 July 2016.

Management structure (continued)

Members of the Supervisory Board

According to the Statute, members of the Supervisory Board may be remunerated for their work in the amount determined by the General Assembly in its decision for the business year in which the award will be paid, depending on the business results and the state of the company. The decision sets out the remuneration for the members of the Supervisory Board as follows: 1.5 average monthly gross salary to the President for each session of the Supervisory Board, and 1 average monthly gross salary to other members for each session of the Supervisory Board. The amount of remuneration is determined on the basis of gross average monthly salaries in AD Plastik achieved in the three months prior to the payment of such remuneration. Remuneration is paid after each meeting of the Supervisory Board. In the year 2016, the decision on the payment of remuneration to members of the Supervisory Board was not made.



Dmitrij Leonidovič Drandin President

- Current mandate from 15 October 2015 to 14 October 2019
- Appointed by the shareholder Holding Autokomponenti open joint stock company

Hrvoje Jurišić Member

- Current mandate from 20 July 2016 to 19 July 2020
- Elected by the General Assembly

Igor Anatoljevič Solomatin Member

- Current mandate from 23 July 2015 to 22 July 2019
- Elected by the General Assembly

Dolores Čerina Member

- Current mandate from 2 June 2015 to 1 June 2019
- Appointed by the Workers' Council

Ivica Tolić Vice President

- Current mandate from 20 July 2016 to 19 July 2020
- Elected by the General Assembly

Marijo Grgurinović Member

- Current mandate from 23 July 2015 to 22 July 2019
- Elected by the General Assembly

Nadežda Anatoljevna Nikitina Member

- Current mandate from 15 October 2015 to 14 October 2019
- Appointed by the shareholder Holding Autokomponenti open joint stock company

Management structure (continued)

Supervisory Board Committees

In accordance with the laws and rules of procedure, three committees have been appointed to support the work of the Supervisory Board by preparing decisions to be adopted by the Supervisory Board and overseeing their implementation.

These committees are as follows:

- **Audit Committee**
- **Remuneration Committee**
- **Appointments Committee**

The Audit Committee consists of four members, while the Remuneration Committee and the Appointments Committee consist of three members each.

Audit Committee

The Audit Committee is responsible for monitoring the efficiency of the internal control system, internal audit system and risk management system, supervising the implementation of the review of annual financial and consolidated reports, and discussing plans and the annual internal audit report, as well as discussing significant issues connected with this area.

President:

Nikola Zovko

Members:

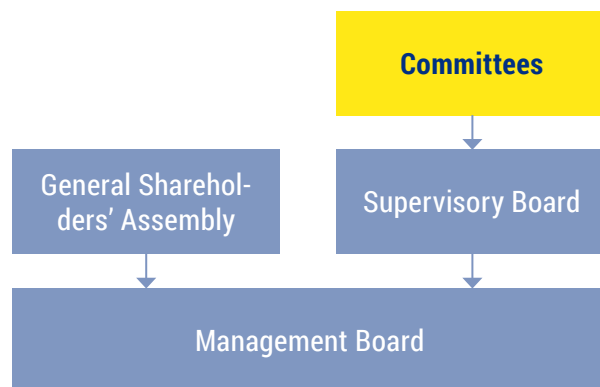
Nenad Škomrlj

Dmitrij Leonidovič Drandin

Anatolij Janovskis

During the reporting period, four sessions of the Audit Committee were held as follows:

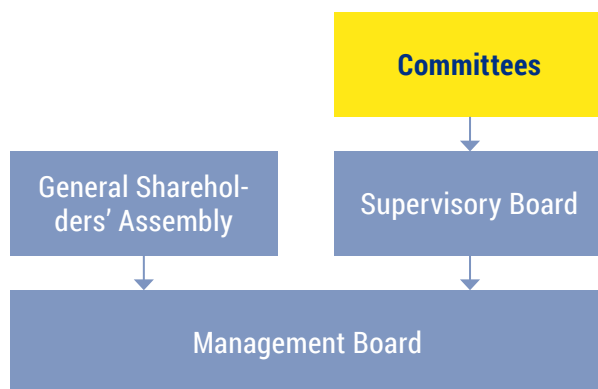
- On 28 January 2016, the 15th session was held on which the Report on the realisation of the Annual Internal Audit Plan for 2015, the Report on the implementation of the policy regarding the provision of non-audit services for 2015 and the Annual Internal Audit Plan for 2016 were adopted.
- On 24 May 2016, the 16th session on which the Consolidated Financial Statement of the Group for 2015 and the Auditor's Report on the audit of the above financial statements were reviewed, and recommendations to the Supervisory Board were made regarding their approval. Proposals for decisions on profit use for 2015, dividend payment, appointment of auditors for 2016 and determination of the auditor's remuneration were discussed. The Internal Audit Report for the first quarter of 2016 was adopted, and recommendations to the Supervisory Board on the determination of the proposed resolutions were made.
- On 14 July 2016, the 17th Session was held on which the Internal Audit Report of July 2016 was discussed and adopted.
- On 24 November 2016, the 18th session was held on which the amendments to the Internal Audit Report of July 2016 and the Internal Audit Report of October 2016 were adopted.



Management structure (continued)

Supervisory Board Committees (continued)

The internal supervision is carried out by the controlling and internal audit services. Controlling informs the Management, and internal audit informs the Management and Audit Committee of the supervision carried out. The scope of the internal audit covers assessments and recommendations for corporate management process improvement, evaluation of adequacy and effectiveness of controls in organisation management, business operations and IT system, supervision of the realisation of aims and compliance with the prescribed policies, procedures and work instructions, reporting and giving opinions on applications by areas of activity, anticipating and managing risks, and protecting the company property.



Remuneration Committee

The Remuneration Committee proposes to the Supervisory Board the Management reward policy, rewards for the members of the Supervisory Board decided on by the General Assembly, as well as the appropriate form and provisions of the agreements concluded with the members of the Management.

President:

Ana Luketin

Members:

Dmitrij Leonidovič Drandin
Nikola Zovko

No session of the Remuneration Committee was held in the reporting period.

Appointments Committee

The Appointments Committee proposes candidates for the Management Board and Supervisory Board, considers the Management policy regarding the recruitment of senior management, and evaluates the performance of the Supervisory Board and Management.

President:

Nikola Zovko

Members:

Nenad Škomrlj
Dmitrij Leonidovič Drandin

In the reporting period, the Appointments Committee held a session on 24 May 2016, on which the President and Vice President of the said Committee were elected, and the Proposals for candidates for three members of the Audit Committee, one member of the Remuneration Committee and proposals for candidates for the President and members of the Management Board were discussed and decided.

Management structure (continued)

Management Board

At the session of the Supervisory Board held on 19 July 2016, new Management Board was appointed, as follows:

- **Marinko Došen** - President of the Management Board
- **Katija Klepo** - Member of the Management Board for Sales and Strategic Procurement
- **Sanja Biočić** - Member of the Management Board for Finance, Accounting, Controlling and IT
- **Mladen Peroš** - Member of the Management Board for Research and Development

Mandates of the members **Ivica Tolić** and **Hrvoje Jurišić** expired on 19 July 2016.

Denis Fusek resigned as Member of the Management Board on 30 April 2016, for personal reasons.

In 2016, 24 sessions of the Management Board were held.

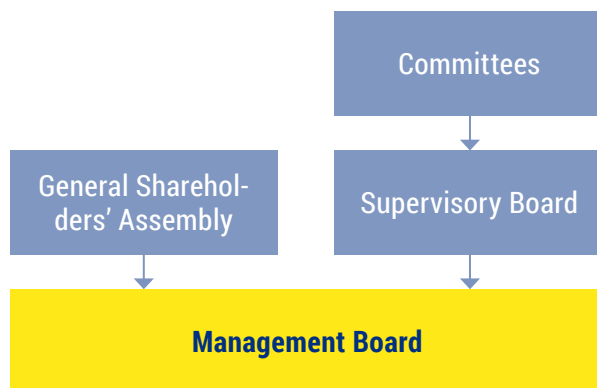
The Management Board of the AD Plastik Group is responsible for conducting business, including defining corporate functions and their tasks, representing the company individually; preparing draft decisions (economic, development, social and environmental), general acts and agreements within the purview of the General Assembly; implementing decisions adopted by the General Assembly within its purview, reporting to the Supervisory Board, submitting consolidated annual reports to the General Assembly, affairs related to the management of subsidiaries, and participation in the management of affiliates.

The Management Board consists of 3-8 members appointed and dismissed by the Supervisory Board. They determine the number of members, and appoint one member President of the Management Board. They can also ap-

point the Vice President. The mandate of the members of the Management Board is five years, with the possibility of re-appointment with no restrictions on the number of mandates. The members of the Management Board have executive status. Each member represents the company independently and individually, and is appointed on the basis of his/her expertise and the necessary experience.

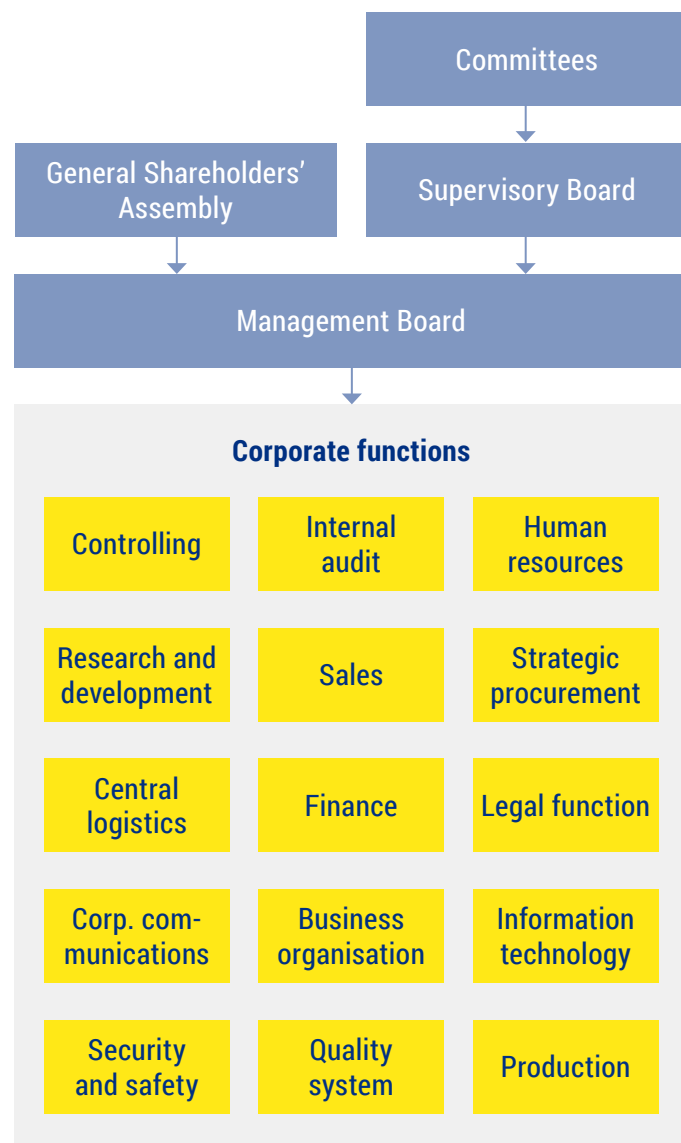
In 2016, a special Diversity Policy of the AD Plastik Group was adopted, with the aim to establish the standards required to ensure diversity in the aspects of gender, age, education, skills and other differences that may help in decision-making process in the company management.

The Management Board defines tasks of corporate functions, and each individual corporate function has a defined position on the executive level that corresponds to the highest management body or appropriate positions on the management level (directors, managers) that report directly to the Management Board on the plans, progress and task completion. The Management Board directly participates in the development, approval and updating of statements on the purpose, value and mission of the organisation, its strategies, policies and goals. It is responsible for quality management of potential business risks, while the economic, environmental and social impacts and circumstances are discussed at regular sessions.



Management structure (continued)

Corporate functions



Corporate functions include: controlling, internal auditing, human resources, research and development, sales, strategic procurement, central logistics, finance, legal function, corporate communications, business organisation, information technology, security and safety, quality system and production.

The President of the Management Board of AD Plastik is the executive manager for the areas of human resources, quality system and executive committee management. The reason for the assignment of those management functions to the president of the highest body is the reduction of the information transfer level as regards human resources management and strategic decision-making in connection with the quality system of the Group in the sense of the system, and development and manufacturing quality.

The Management Board occasionally organises consultations with individual stakeholders of the Group, while the regular consultations with individual stakeholders are delegated to the management, which is obliged to send feedback to the Management Board. By adopting strategies and plans, the existing management methods are analysed, and new advanced ones are proposed, while the corporate functions routinely suggest improvements in individual areas. The Management Board is continuously working on the advancement of the collective knowledge on all relevant topics.

The performance of the Management Board is evaluated by the Supervisory Board at regular sessions. The evaluation is based on business success indicators, as well as the maintenance and creation of a positive company image in all relevant public spheres.

Pursuant to the Companies Act and without the consent of the Supervisory Board, a member of the Management Board may neither be a member of the management board nor a member of the supervisory board in another company whose business activities fall within the scope of the business activities of the company. Furthermore, without the consent of the Supervisory Board, he/she may not participate in decision-making or conclusion of a legal transaction if the legal representative, authorised signatory or the attorney-in-fact of the other contracting party is his/her relative or spouse, extra-marital partner or relative by marriage, to the second degree. A member of the Management Board may not participate in decision-making related to any legal transaction in connection which there is a conflict of interest between the member of the Management Board and the company. The member of the Management Board is obliged to notify the other members of the Management Board and the Supervisory Board of such circumstances, regardless of whether he/she is involved in decision-making or conclusion of the legal transaction. He/she is obliged to state all the relevant facts about the nature of his/her relationship with the other contracting party, as well as his/her assessment of whether there is a conflict of interest.

The Management Board of the AD Plastik Group, namely the President of the Management Board, is responsible for approving the sustainability report of the Group.

The total remuneration for the members of the Supervisory Board, Management Board and executive directors for 2016 amounted to HRK 10,422,000.

Employees

The AD Plastik Group is a multinational company that builds a unique corporate culture, respecting diversity, promoting and encouraging cooperation at all levels, proactivity, taking responsibility, rewarding performance, recognizing excellence, developing collegiality, and respecting each individual's personal integrity. This creates a synergy between various business segments and locations where the company operates.

Satisfied and motivated employees are responsible for the company's success, and therefore the company focuses on promoting the knowledge and professional and personal development of each individual. Recognizing the importance and potential of its employees is the foundation of a human resource management strategy. Reward systems are focused on recognizing individual contributions, thus highlighting employees who achieve results above expectations.

In the medium term, human resources management function will be the strategic partner of the Management Board and all levels of management in the successful management of key corporate resources - people. Standards for all key processes will be build and defined in each domain of competence, and such standards will be implemented at all plants, while respecting its specifics and by implementing the predefined human resource management strategy.

Number of employees by region and type of employment contract for 2016

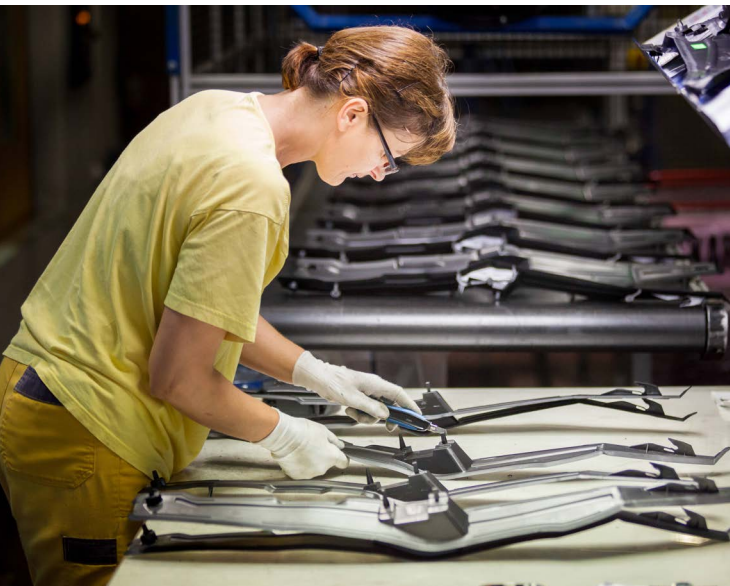
As of 31.12.2016.		Employees with a contract			Total number of employees	Proportion 2016.
Country	Site	Indefinite term	Fixed term	Temporary and occasional employment		
Croatia	Solin, Zagreb	803	390		1193	56,25%
Serbia	Mladenovac	172	0	42	172	8,11%
Slovenia	Novo Mesto	5	1		6	0,28%
Russia	Kaluga	229	0	0	229	10,80%
	Vintai	496	25	9	521	24,56%
TOTAL		1705	416	51	2121	

Proportion of different types of employment contracts in 2016



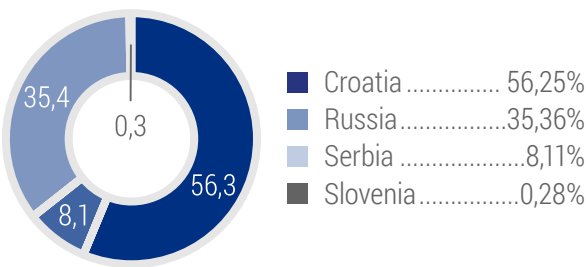
Employees (continued)

- In the short term, redesign of organisation and major business processes will be implemented in order to increase the efficiency, speed of decision making and staffing to make the organisation more efficient and more flexible. This ensures the preconditions for growth and development of the company through optimum management of human resources and organisation, to the satisfaction of its employees.

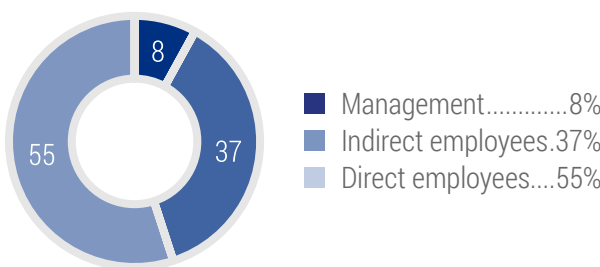


The employee development plan in the company is based equally on external and internal processes (education, trainings, seminars, internal academy, mentoring, integration). At the same time, the company continuously makes efforts, through internal and external activities, to increase the visibility of AD Plastik Group as a desirable employer in the labour market. This is to ensure a quality data base of potential employees with which selection processes will be carried out.

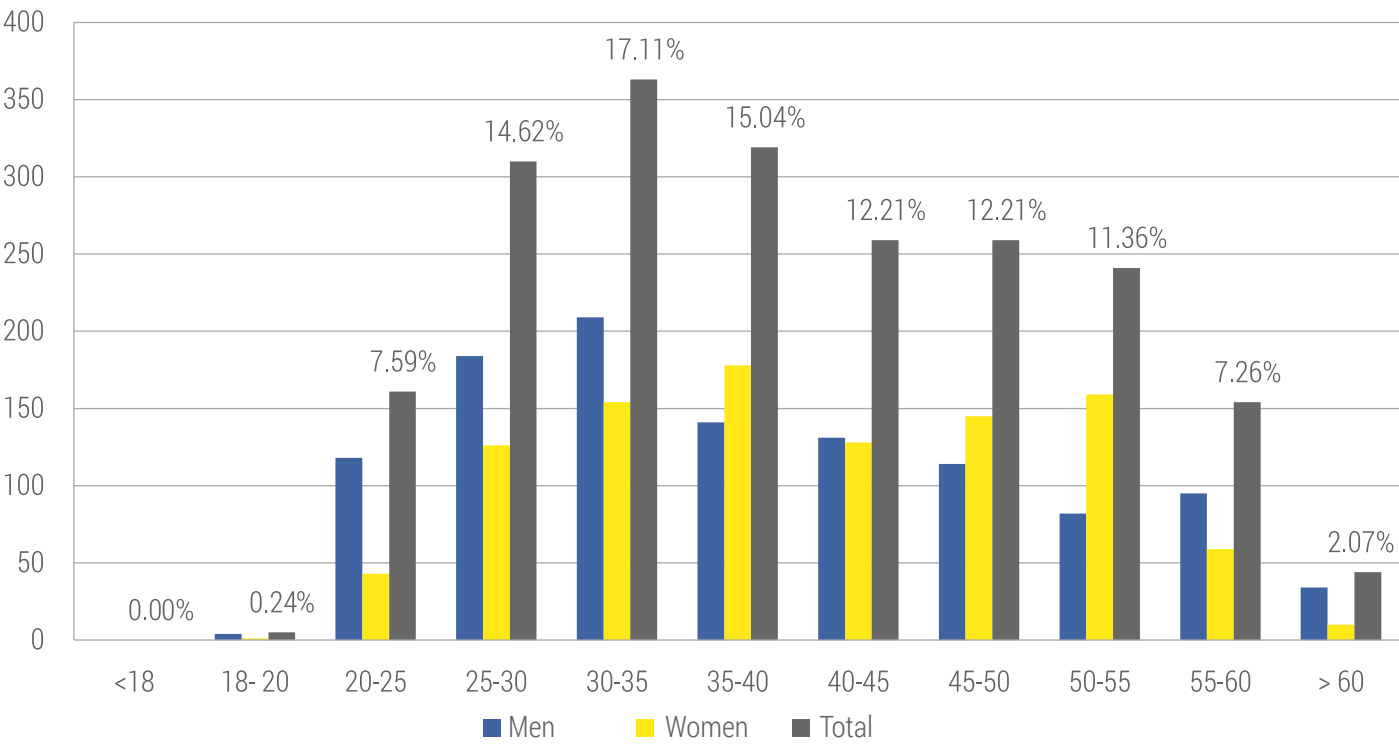
Proportion of employees by country in 2016



Proportion of employees by type of work in 2016



Age structure of the employees in 2019



Employees (continued)

- ▶ The ultimate goal of the AD Plastik Group's human resources management strategy is long-term successful organisational performance. These are the preconditions for achieving the desired incentive climate in which motivated employees are competent and committed to achieving the company's goals set for the satisfaction of all its stakeholders while respecting all elements of socially responsible business.

Each year, according to the business plan of the company, a recruitment plan is also drafted, which anticipates the needs for new employees. Young and innovative experts can find their place in the company, but life and work experience are equally appreciated. The AD Plastik Group is ready to adapt to rapid changes and modifications, and to develop and acquire new knowledge that will enable attracting the most talented employees.

In the reporting period, AD Plastik Group employs a total of 2,121 people, of which 1,193 in Croatia, 750 in Russia, 172 in Serbia and 6 in Slovenia. Compared with the previous reporting period, there were no significant changes in the age structure of employees, except that in 2016 the proportion of employees aged between 35 and 40 years increased. There were no significant changes in the overall gender structure for 2016, so 47.38% of employees are women, while 52.62% are men.

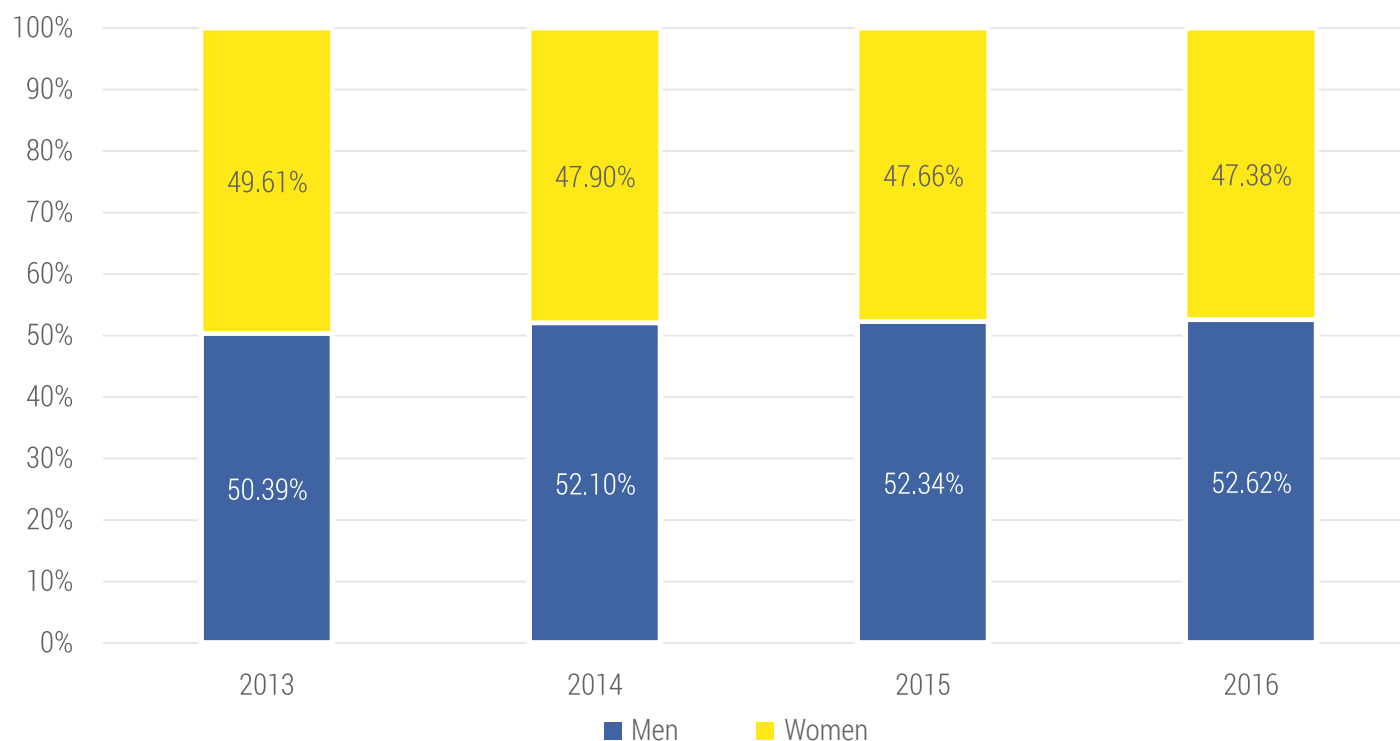
The trend in the number of employees of AD Plastik Group for several consecutive years shows preservation of a stable number of employees. According to job descriptions, the employees of AD Plastik Group are divided into company management that includes the members of the Management Board, executive directors and directors, indirect employees are overhead workers and manufacturing overhead, while

direct employees are employees engaged in manufacturing. Most employees are contracted for an indefinite period of time, and during the reporting period the proportion of fixed-term employment contracts has been further reduced by 1%.

Collective agreements comprise 80.81% of employees of AD Plastik Group, and collective agreements are applied in Croatia and at the Vintai plant. For other employees, rights and obligations are governed by different regulations in accordance with the legal provisions. In the reporting period, collective bargaining was carried out in Russia and commenced in Croatia.



Gender structure of the employees



Supply chain

The supply chain and its performance greatly affect the company's business and status in the automotive world, so it is especially important when it comes to suppliers that directly affect the quality of AD Plastik Group's products. The principles of socially responsible business are built into the policy of supplier management and relate primarily to the obligation to respect human and labour rights, environmental protection and fight against corruption.

Because of its global presence in the automotive industry, the AD Plastik Group is able to leverage other stakeholders in the field of socially responsible business. Therefore, formalisation of suppliers' rules of conduct through procedures and evaluation questionnaires allows the selection of suppliers who meet these criteria, their supervision and the promotion of compliance with the prescribed principles at all our sites.

The main criteria for the selection of new suppliers of materials and components are the possession of the certificate and the operation in accordance with the ISO TS 16949 and the ISO 14001 standard, and the completion of the Self-Assessment Questionnaire which clearly defines environmental standards and guidelines for corporate social responsibility. The questionnaire covers issues related to human rights, right to association of workers, prohibition of child labour and issues regarding combat against different forms of discrimination and corruption. All AD Plastik Group's suppliers are obliged to work on improving their business systems with clearly defined objectives and deadlines, and compliance with the required standards and self-assessment questionnaire is carried out on regular supplier audits.

In the reporting period, a regular evaluation of suppliers was carried out according to the prescribed criteria, namely the monthly evaluation of material suppliers and the annual evaluation of suppliers of equipment, tools and services. In addition to regular evaluation, a survey was conducted in Croatia regarding the compliance with corporate social responsibility guidelines. Supplier evaluation is the responsibility of the Strategic Procurement Department, and is conducted in accordance with the quality management and environmental criteria, in compliance with the provisions of socially responsible business.

Regarding significant changes in the supply chain structure in 2016, which could have a major impact on the features of socially responsible business, it is important to mention new suppliers of chromed parts. The process of verification and compliance with the standards of auto industry and with the

ISO 14001 standard has been carried out on these new suppliers. The suppliers possess the necessary certificates, as confirmed by customer audits.

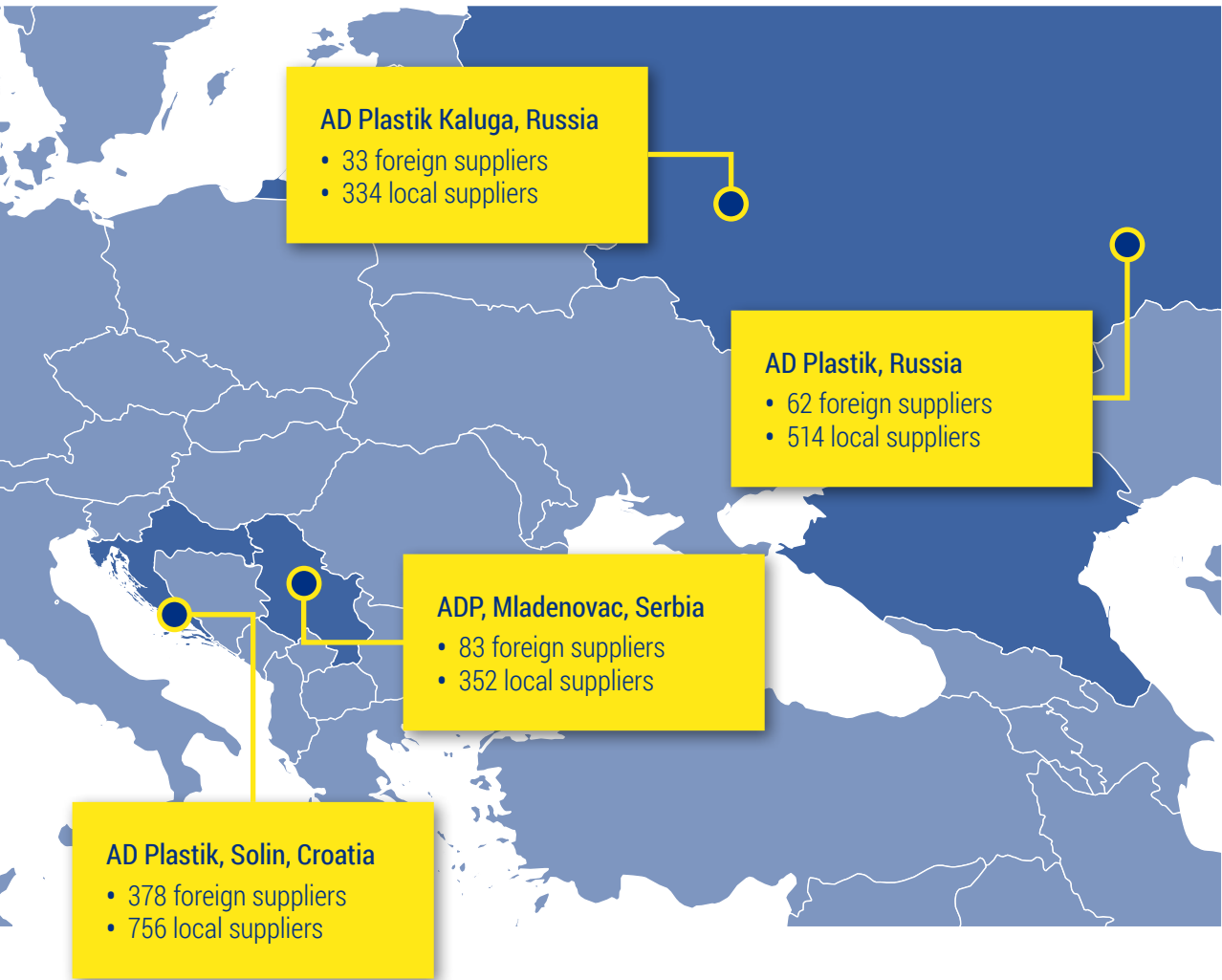
The AD Plastik Group aims to increase the proportion of local suppliers, primarily taking care of the quality requirements that must be met. Local suppliers are suppliers located in the countries of the company's individual manufacturing locations, which are paid in domestic currency.

Since Croatia has no developed auto industry, it is quite hard to find quality local suppliers at this location. In Solin, the total number of suppliers was reduced, but sales with local suppliers were increased due to their increased engagement in different services. Therefore, a number of activities focused on localization of suppliers in Russian companies were conducted during the reporting period.

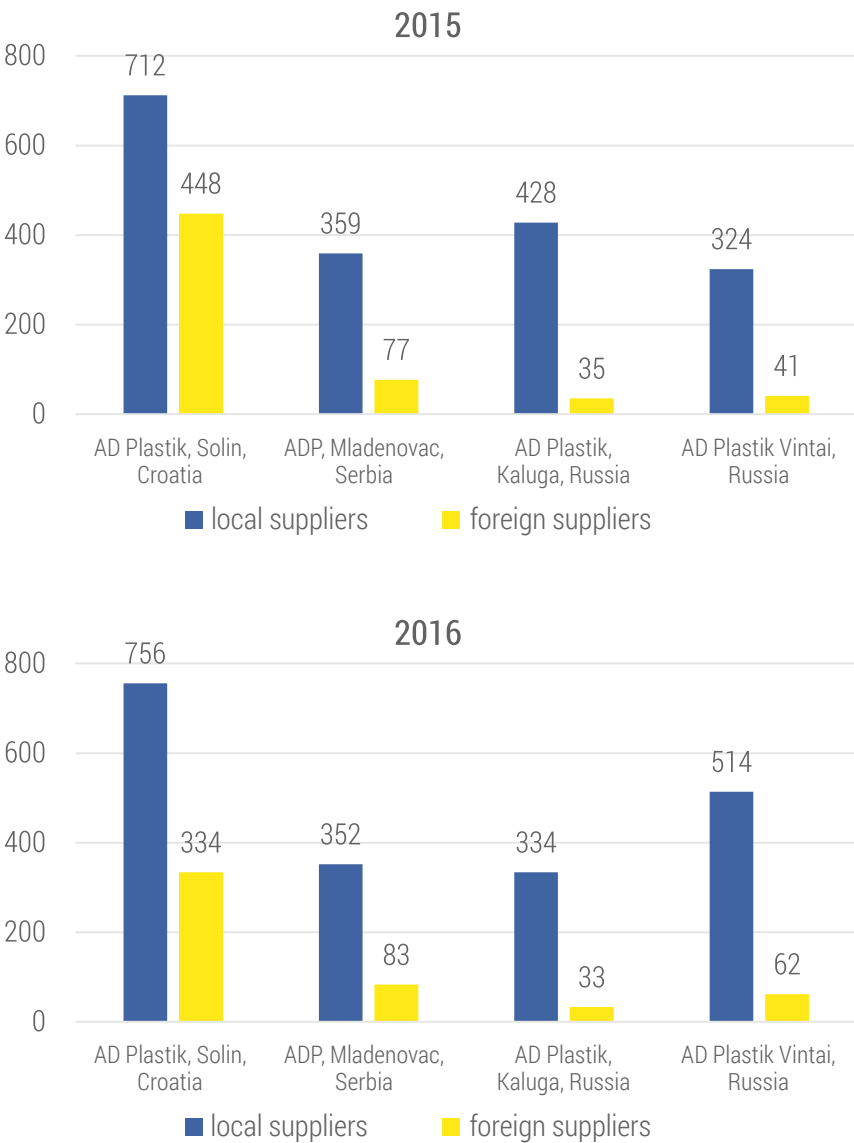


Supply chain (continued)

Total number of local and foreign suppliers by sites



Local and foreign suppliers



Obligations with regard to foreign initiatives

The AD Plastik Group contributes to the economic and social community through active participation in the work of national and regional economic institutions which represent strategic interests of Croatian economy. In the reporting period, the President of the Management Board Marinko Došen is still a member of the Assembly of the Croatian Chamber of Commerce, while the member of the Management Board Mladen Peroš is Deputy Chairman of the Economic Council of the County Chamber in Split.



The company has a leading role in the work of the National Association of Plastics and Rubber Industry of the Croatian Chamber of Commerce, and member of the Management Board Mladen Peroš is the vice president of the Association. Also, Slaven Raguž, from the AD Plastik Group, is the President of the Regional Professional Group of Plastics and Rubber Manufacturers of the Split Chamber of Commerce.



As a leading manufacturer of components in the Croatian automotive industry, the AD Plastik Group is the founder of the AD Cluster, a cluster of car part manufacturers. The President of the AD Plastik Group, Marinko Došen, is also the Chairman of the Assembly of AD Cluster, and the Director of the AD Cluster is also the President of the Management Board of the Croatian Cluster of Automotive Sector Competitiveness. The company is



actively involved in the project of developing a sub-thematic priority area Production of high-value parts and systems for road and rail vehicles initiated by the Ministry of Economy, Entrepreneurship and Crafts, the Centre for Industrial Development and the World Bank. The aim of the project is to raise the competitiveness of Croatian companies operating in the mentioned sub-thematic priority area on a global scale.



The company actively contributes to the achievement of smart, sustainable and inclusive growth and development, by advancing theory and industrial development policy and support policies, with an interdisciplinary approach through membership in the think tank organisation of the Institute for Industrial Development.



The AD Plastik Group is one of the founders of the Centre of Competences for the Development of Car Parts for the Automotive Industry, focusing on R&D activities, and through its membership in the Exporters Club, it promotes the importance of exports and raises awareness of the positive influence of exporters on the Croatian economy as a whole.



For the development of socially responsible business, it is important that the AD Plastik Group is a member of the Croatian Business Council for Sustainable Development, as it is

an effective platform for promoting social responsibility in all segments of society.



They are signatories of the Code of Business Ethics of the Croatian Chamber of Commerce, which sets out the basic guidelines of ethical conduct of business entities within the Croatian economy. Due to the self-assessment and improvement of good practices in the area of socially responsible business, the AD Plastik Group is a member of the Community for Socially Responsible Business of the CCC, Community for Environmental Protection in the Economy of the CCC, and the Community for the Development of Human Potential of the CCC.

The company is a signatory of the United Nations initiative called the Global Compact, whereby we undertook the obligation of promoting the ten principles in the areas of human and labour rights, environmental protection, and eradicating corruption in our business.



The AD Plastik Group is a member of the Croatian-Russian business club and the Association of European Business with headquarters in Moscow, proving its activity and engagement in associations outside Croatia.



The AD Plastik Group applies the principle of precaution, avoiding any possible risk in the application of new technologies until the complete knowledge or understanding of its impact on the environment and human health is gained.

Obligations with regard to foreign initiatives (continued)

Audits in 2016

External audits and certification is carried out by an independent certification company **Bureau Veritas Certification (BVC)**, as follows:

- **ISO TS 16949** - Quality Management System
- **ISO 14001** - Environmental Management System
- **OHSAS 18001** - Environmental protection and occupational safety system
- **ISO 50001** - Energy Management System
- **ISO 27001** - Information Security Management System




The following external audits of implemented standards were carried out in 2016 across the AD Plastik Group:

- Croatia – ISO TS 16949, ISO 14001, OHSAS 18001, ISO 50001
- Serbia – ISO TS 16949, ISO 14001, OHSAS 18001, ISO 50001
- Kaluga, Russia – ISO TS 16949, ISO 14001
- Vintai, Russia – ISO TS 16949, ISO 14001

	ISO TS 16949:2009 valid until	ISO 14001:2004 valid until	OHSAS 18001:2007 valid until	ISO 50001:2011 valid until
Solin, Croatia	14 September 2018	15 September 2018	9 October 2017	27 November 2019
Zagreb, Croatia	14 September 2018	15 September 2018	9 October 2017	27 November 2019
Samara, Russia	1 April 2017	18 October 2017		
Kaluga, Russia	14 September 2018	15 September 2018		
Mladenovac, Serbia	14 September 2018	15 June 2018	20 December 2018	14 February 2020

Significant events in 2016

Nominations (new deals)

Renault Clio

AD Plastik won the nomination for the manufacture of painted front and rear bumpers and side covers for the rear bumper of the **Renault Clio** which will be manufactured at the Revoz site in Slovenia. Start of mass production is planned for August 2017, with AD Plastik doing injection moulding, painting and assembly of components under this project.

Expected revenue is valued at EUR 16.5 million in the two-year period.



Volkswagen

AD Plastik won the nomination for the manufacture of grabhandles for four Volkswagen vehicles, namely **Golf Variant**, **Golf Sportsvan**, **Touran** and **Tiguan**. Grabhandles will be manufactured in Solin, and mass production is planned for 2017. Grabhandles will be shipped from Solin to facilities in Germany (Wolfsburg and Sachsen) and Mexico (Puebla). The cooperation with Volkswagen was signed for a minimum period of four years, and in addition to income it will facilitate improvements in terms of organization due to the fact that Volkswagen is a customer who insists not only on the quality of products, but also the efficiency of all manufacturing processes. Considering the volumes produced by the Volkswagen Group, expanding our cooperation is extremely important for company's overall business operations.

Expected annual revenue is valued at EUR 2.5 million.

"We possess the necessary knowledge and experience for manufacturing grabhandles, and are certain that this project will have a very positive impact on the operations of AD Plastik in the long term", said **Kristijan Žaper**, sales manager for VW and BMW.

Maserati Levante

Following the successful grab handles development project with **Fiat - Chrysler** (FCA), AD Plastik found itself in the role of a development partner in the air ducts project for the luxury **Maserati Levante**. Eleven positions have been designed in total under this project, namely the central air ducts frame, central air ducts, grill, connecting air duct and front air ducts.

AD Plastik won the nomination for the manufacture of air ducts intended for a new product in Maserati's product line which carries air for cooling/heating of passenger space from the instrument panel to the rear part of the vehicle. The project includes seven components produced using blow moulding technology that will be manufactured at ADP

Mladenovac plant, and five injection moulded components manufactured in Solin.

Expected project revenue is valued at EUR 3 million.

"This is our first joint development project with the FCA Group, and Levante is categorised as a luxury vehicle on which we have not often collaborated. This stands as proof that we have the knowledge, capacity and quality necessary to meet the challenges of most demanding customers and models in the automotive market," said **Uroš Pavlović**, Deputy Director of Development for Injection Moulded, Painted and Blow Moulded products.



Significant events in 2016 (continued)

Nominations (new deals)

Edison



AD Plastik won the nomination for an additional job under the **Edison** project, namely the manufacture of the central console for **Smartforfour** (S4S) and **Smartfortwo** (S2S) vehicles. It involves a transfer of manufacture from the Reydel plant in Rougegoutte, France. These consoles will be manufactured at our sites in Zagreb and Solin, with first shipments starting in early 2017.

Expected revenue from this project is estimated at EUR 3 million annually.

"I am very pleased that we are increasing the production share for vehicles under the Edison project. This project is not complex from a technological aspect, but the schedule is challenging and requires the preparation of the manufacture process for mass production and validation of products in short periods," said **Nino Kaćanski**, Project Manager.

Ford EcoSport

AD Plastik won the nomination for **EcoSport**, Ford's class B vehicle to be manufactured in Craiova, Romania. Start of manufacture is scheduled for October 2017 with the planned production period of three and a half years. AD Plastik will manufacture front wheel arch housing and rear wheel deflectors for the new EcoSport model at its Solin plant.

Expected project revenue is valued at EUR 4.8 million.

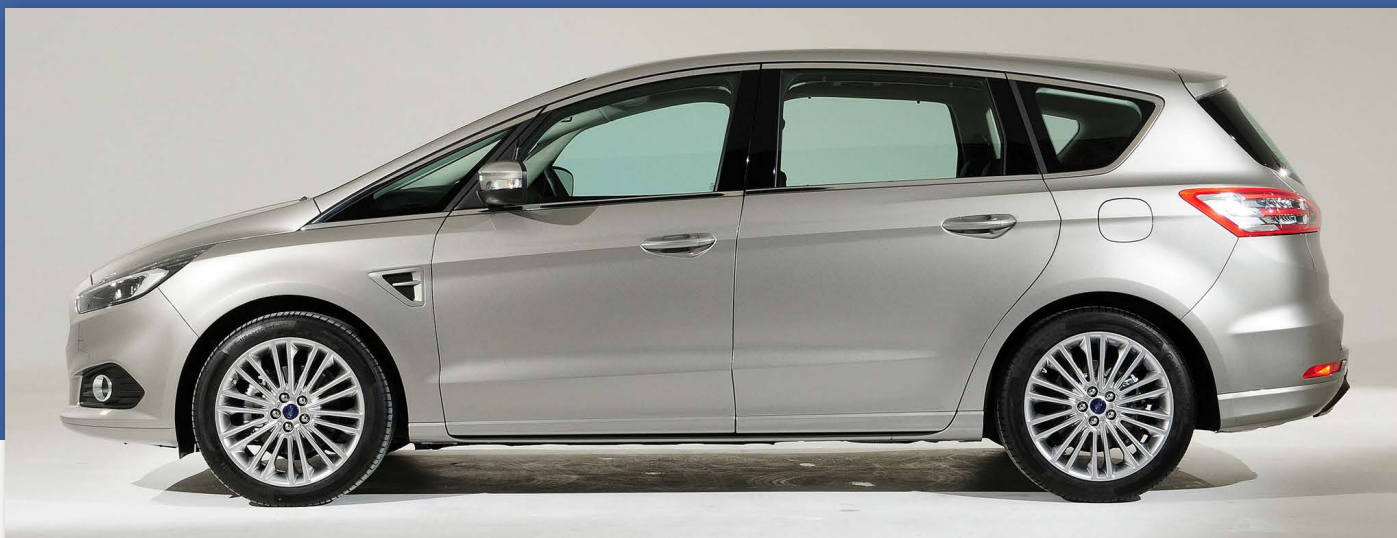
"AD Plastik become a supplier for another Ford production site in Europe, thereby proving their quality and beating tough competition from manufacturers located in the vicinity of their plant in Romania. EcoSport is the sixth Ford model in the portfolio of AD Plastik, following the Fiesta, Mondeo, Galaxy, S-Max and Vignale," said **Tonći Jakaša**, Ford Program Manager.

We have also won the nomination for manufacturing injection

moulded interior lining for Ford EcoSport in Russia, with respective parts manufactured at AD Plastik Group's site in Vintai. According to current customer information, mass production is planned for mid-2017 at the Ford Sollers plant, Naberezhny Chelny, Russia.

Expected annual revenue for a full production year is valued at EUR 1.5 million.

"Given the current decline in sales on the Russian market, majority of Tier I suppliers have excess available capacity meaning that the competition for winning this nomination was extremely strong. This nomination positions us back on the panel of strategic Ford suppliers in Russia, which is of great significance and provides us with more opportunities to compete for other vehicle models of this customer," said **Mislav Čelar**, Sales Manager for Russia.



Significant events in 2016 (continued)

Nominations (new deals)

Fiat

AD Plastik won the nomination for the manufacture of painted instrument panel parts, bumpers, air duct connectors and steering wheel padding for **Fiat 500**. Parts included in this project will be manufactured in three AD Plastik Group's sites: Solin, Zagreb and Mladenovac. According to current customer information, mass production is planned for 2017 at the FCA Kragujevac plant in Serbia. This is AD Plastik's first painting operation for Fiat, which ensures a much better starting position for potential future nominations for painting multiple components, as well as other vehicle models of this renowned manufacturer. In addition to painting, bumper components will be injection moulded at the Zagreb site, blow moulded parts in Mladenovac, while some injection moulded parts will be manufactured in Solin.

Expected annual revenue for a full production year is valued at EUR 6 million.

"Winning this nomination has substantially increased our cooperation with Fiat, and the realization of said project would place Fiat in the second place in our customers portfolio with regard to overall value, just behind Renault. This job provides us with new opportunities, and the results we managed to achieve with Fiat are due to hard work invested on building our partnership," said **Toni Štambuk**, Sales Manager for the European market.



Significant events in 2016 (continued)

Awards

Top Price Gainer

AD Plastik stock was recognized as the **Top Price Gainer** for the first time at the Zagreb Stock Exchange Awards. Ceremony of the 5th Zagreb Stock Exchange Awards was held in Zagreb - Awards were founded in 2012 with the aim of strengthening the recognition of the capital market and its active participants among the financial and general public. Maintaining that excellence deserves recognition, rewarding aimed at garnering recognition and support for leading companies has become a tradition.

Awards Committee of the Zagreb Stock Exchange decided on the awards across seven categories, taking into consideration the objective, statistical criteria, and the overall contribution toward educating and developing the domestic capital market.

“In these challenging times for our business operation, the confidence of our shareholders is among the top priorities of the Company. We will press on with our designated business plans, increasing operating efficiency and profitability and developing business reporting quality, and will continue to enhance high transparency and reporting standards. This award is both an encouragement and a responsibility in our further business development towards creating added value for the Company, based on a relationship of harmony with all our stakeholders,” said **Marinko Došen** upon receiving the award on behalf of AD Plastik.



Golden Key Award

AD Plastik received two **Golden Key Awards in the past year - for the most innovative exporter and the best exporter to France in 2015**. In addition to these awards, the Company also competed in the category of “emerging markets” for the best exporter to Russia and the best exporter to Slovenia in 2015. The awards were presented at the 11th Convention of Croatian exporters held in Zagreb.

“I am particularly pleased to receive the award the most innovative exporter because it shows that our exceptional work and invested efforts have been duly recognized. Our Company’s mission is to create innovative and creative solutions and constantly improve research and development process to ultimately contribute to the quality of the final product and the success of our customers. It is extremely important to follow the trends and innovations of the automotive industry in order to keep up or get ahead of competition. We’ve been awarded the Golden Key for several consecutive years, which is a great honour and validates the continuity of our successful business,” said **Marinko Došen** upon receiving the award.



Significant events in 2016 (continued)

Awards

Best progress award

AD Plastik received the **Best progress award** according to the Corporate Social Responsibility Index for 2016. Based on the results from questionnaires sent to numerous companies, Croatian Chamber of Economy (HGK) and the Croatian Business Council for Sustainable Development (HR BCSD) annually give out the CSR Index Award for the successful implementation of corporate social responsibility in the category of small, medium, large and public companies.

CSR Index uses a specific methodology for assessing responsible practices in business operations of Croatian companies, modelled after similar global methodologies, primarily the Business in the Community CR Index. The above method of assessing corporate social responsibility in Croatia is based on a ranking system that enables an objective assessment and comparison of socially responsible practices used by companies.



Award for excellence in corporate governance

AD Plastik d.d. has been recognized as one of the most successful companies in the field of corporate governance in Croatia and won the **award for excellence in corporate governance**. At the second "Corporate governance in Croatia" business conference companies were awarded for the first time for the excellence in corporate governance according to the methodology developed as part of an international research project initiated and performed by members of the South East Europe Corporate Governance Academic Network (SEECGAN).

Best medium manufacturing investment

AD Plastik won the **award in the category of medium manufacturing investments** - given out as part of the new Lider Invest project aimed at finding best manufacturing investments in Croatia - for an investment of 141 million kunas made under the Edison project. Lider Invest is a new project with the aim of giving well-deserved social recognition to entrepreneurs who dared to invest in manufacture. Its intention is to encourage entrepreneurs who are considering making investments, but also highlight the importance of manufacture in the Croatian economy. All investments exceeding 150 million kunas were considered for the "100 percent Lider Invest" award for best large manufacturing investment, all investments between 10 million and 150 million kunas were competing for the best medium manufacturing investment, and investments with a value less than 10 million kunas qualified for the small manufacturing investment award.

National Champion in the import/export category

AD Plastik was awarded the **National Champion** for Croatia certificate in the import/export category at the European Business Awards 2016/2017. European Business Awards is one of the largest European competitions that promotes and rewards excellence and best business practices in the European business community. AD Plastik was chosen during the first stage of selection by an independent jury which evaluated key EBA values - innovation, ethics and business success.



Significant events in 2016 (continued)

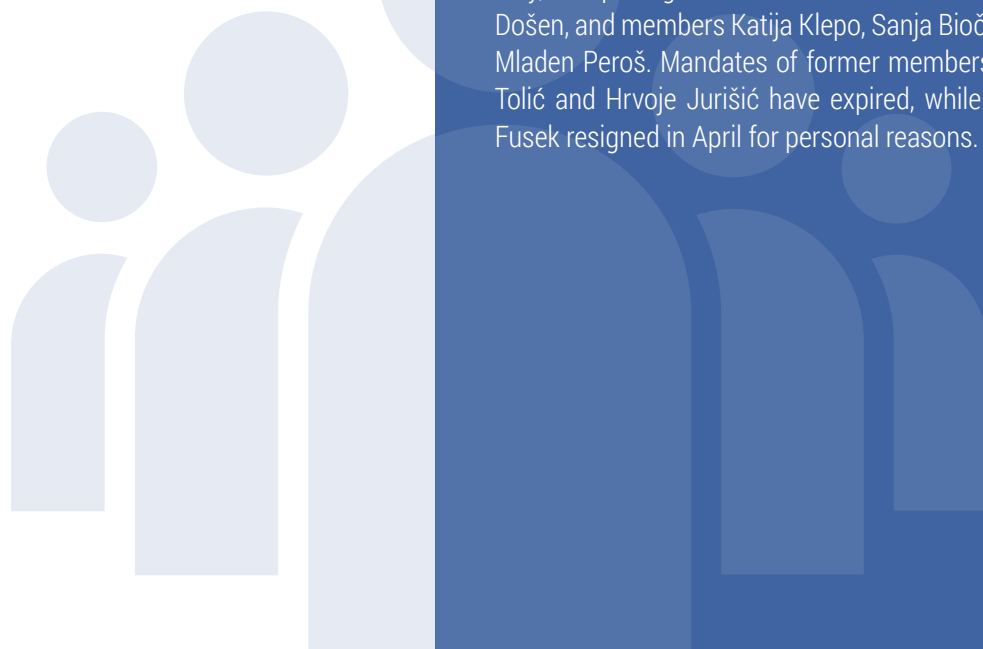
Changes of Management and SB

At its session held in July 2016, General Assembly of shareholders elected two new members to the AD Plastik's Supervisory Board, Ivica Tolić and Hrvoje Jurišić, replacing former members Josip Boban and Nikola Zovko whose mandate has expired.

New Management Board of AD Plastik was appointed at the Supervisory Board session held in July, comprising of the Board's President Marinko Došen, and members Katija Klepo, Sanja Biočić and Mladen Peroš. Mandates of former members Ivica Tolić and Hrvoje Jurišić have expired, while Denis Fusek resigned in April for personal reasons.

Exit from the Faurecia ADP Luga JV

AD Plastik and Faurecia Automotive Holdings, France, signed a Share Purchase Agreement according to which AD Plastik sells, and Faurecia buys 278,136 shares (40 percent) of the Faurecia ADP Holding s.a.s., France, which is the sole owner of the 000 Faurecia ADP company from Luga. Transfer of shares pursuant to the Agreement was executed on 16 December 2016. Faurecia consequently become the sole owner of Faurecia ADP Holding s.a.s, i.e. FADP plant in Luga, Russia. The aforementioned sale of shares has no impact on the operating results of AD Plastik Group and its scheduled activities in the Russian market. Cooperation between AD Plastik and Faurecia continues under the Euro Auto Plastic Systems s.r.l. JV company in Romania, without any changes.

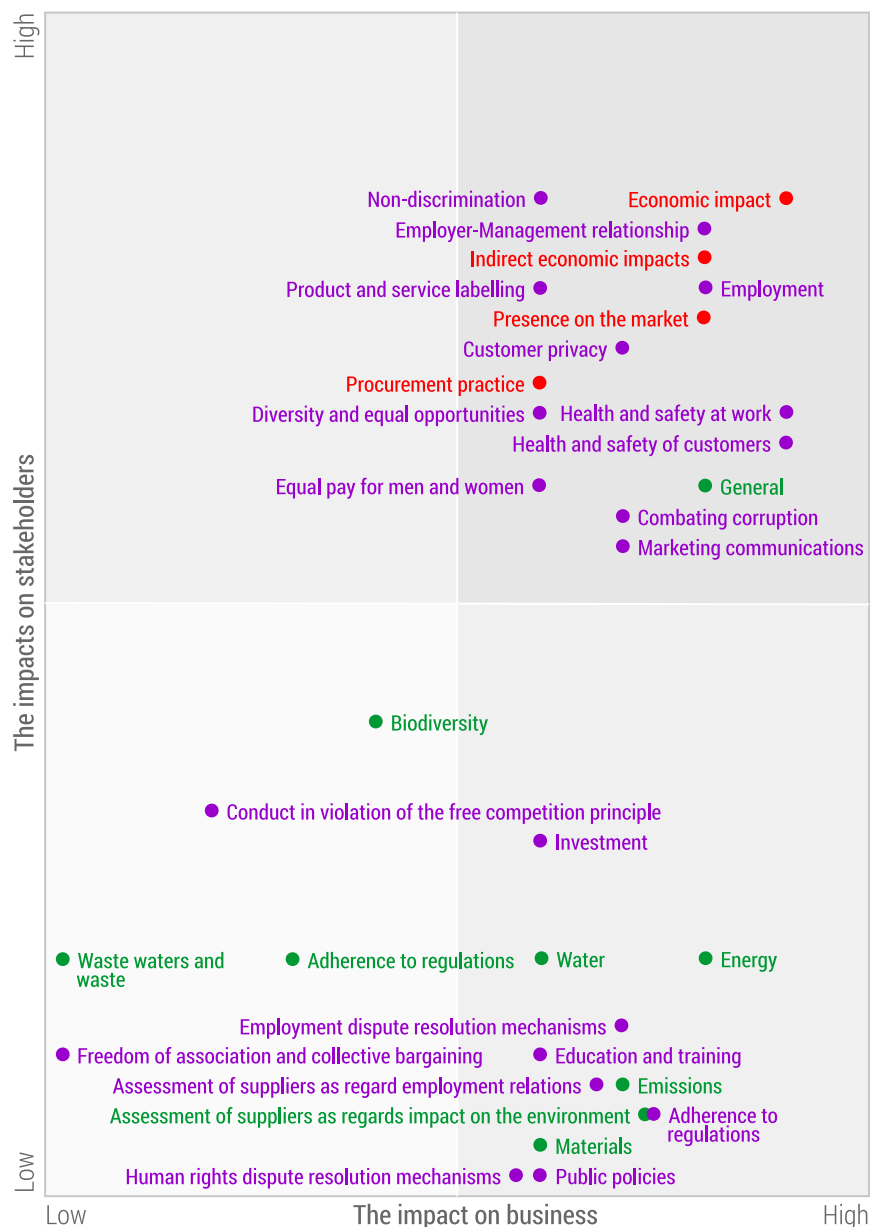


Identified material aspects and limits

In the reporting period, the AD Plastik Group consists of the following business entities, which are all included in the consolidated financial statements:

- AD Plastik d.d., Croatia
- ADP d.o.o., Serbia
- AD Plastik d.o.o., Slovenia
- AO AD Plastik, Russia
- ZAO AD Plastik Kaluga, Russia

More detailed business information for the past year can be found in the Annual Report 2016, which is available on the company's website. In the reporting period, a working group was set up to implement activities related to the socially responsible business of the AD Plastik Group, which consists of eight members. Working group members selected material aspects and limitations based on the estimated importance of individual aspects to identified stakeholders, taking into account the specifics of industry and business processes and the locations where the company operates. The working group meets once a month on consultations to improve sustainable business and reporting in order to achieve better and more transparent monitoring of the realization of objectives for specific aspects. The material aspects of the AD Plastik Group will adapt to changes in external and business impacts, in line with sustainability priorities.



List of identified material aspects

Economic aspects

- Economic impact
- Presence on the market
- Indirect economic impacts
- Procurement practice

Environmental aspects

- Materials
- Energy
- Water
- Biodiversity
- Emissions
- Waste waters and waste
- Adherence to regulations
- General
- Assessment of suppliers as regards impact on the environment

Social aspects

- Zapošljavanje
- Employment
- Employer-Management relationship
- Health and safety at work
- Education and training

- Diversity and equal opportunities
- Equal pay for men and women
- Assessment of suppliers as regard employment relations
- Employment dispute resolution mechanisms
- Investment
- Non-discrimination
- Freedom of association and collective bargaining
- Human rights dispute resolution mechanisms
- Combating corruption
- Public policies
- Conduct in violation of the free competition principle
- Adherence to regulations
- Health and safety of customers
- Product and service labelling
- Marketing communications
- Customer privacy

Report profile

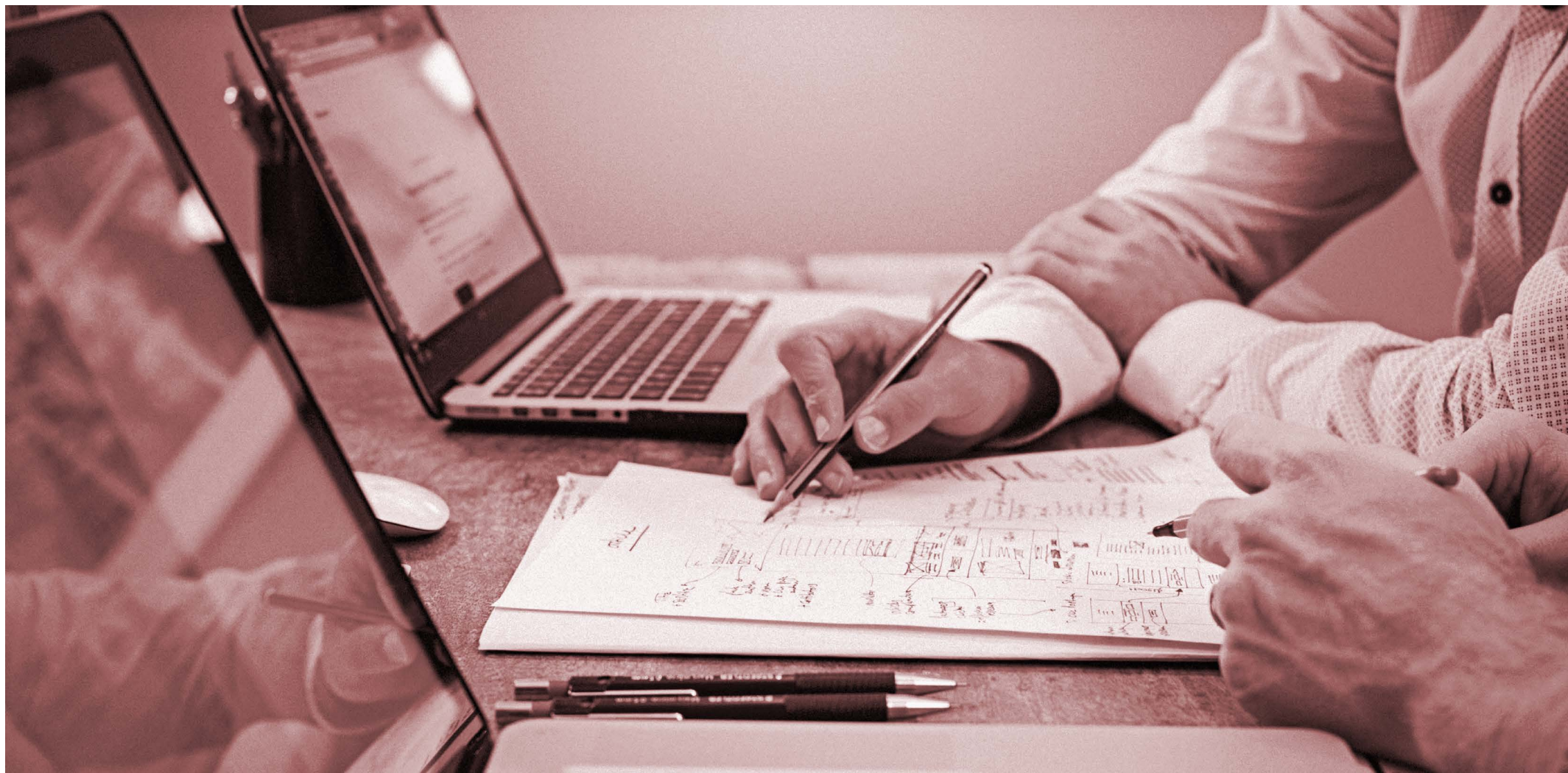
The AD Plastik Group has produced the fourth Sustainability Report covering 2016. The previous report covered the year 2015, and was published in December 2016. This report was produced in accordance with the requirements of the GRI G4 Guidelines, and the core option was selected, as in the previous report. The AD Plastik Group gathers data for the Sustainability Report in all countries and at all sites of its operation.

Business and calendar year in this case coincide, and AD Plastik Group reports in one-year cycles.

The Croatian Business Council for Sustainable Development (CBCSD) was elected for the verification of the Report, since it is independent and most competent institution for verifying such reports in the Republic of Croatia.

Contact person:

Zoja Crnečki
Working Group Leader
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informacije@adplastik.hr



Notable business results were achieved in the reporting period, thus continuing the trend of successful operations of the AD Plastik Group. Operating revenues amounted to HRK 935.8 million, which is 9% less than the revenues realized in 2015, but by increasing the efficiency of operations and the rationalization of costs, EBITDA amounted to HRK 135.9 million, representing a growth of 18.3% compared to the previous year.

Economy



Economy

Notable business results were achieved in the reporting period, thus continuing the trend of successful operations of the AD Plastik Group. Operating revenues amounted to HRK 935.8 million, which is 9% less than the revenues realized in 2015, but by increasing the efficiency of operations and the rationalization of costs, EBITDA amounted to HRK 135.9 million, representing a growth of 18.3% compared to the previous year. Net profit of the AD Plastik Group in 2016 increased by 7.5% compared to the previous year and amounted to HRK 49.7 million, while the net profit margin increased to 5.3% compared to 4.5% in 2015.

Sustained economic value in 2016 is 27% lower compared to 2015. The main reason for this is payment of dividends to shareholder in the amount of HRK 12 per stock, or a total of HRK 50 million. Despite the lower directly generated economic value, and due to the rationalization of operating costs, the retained economic value would have been as much as 29% higher had there been no dividend payment in 2016. Such distributed economic value in 2016 makes up to 93% of generated economic value.

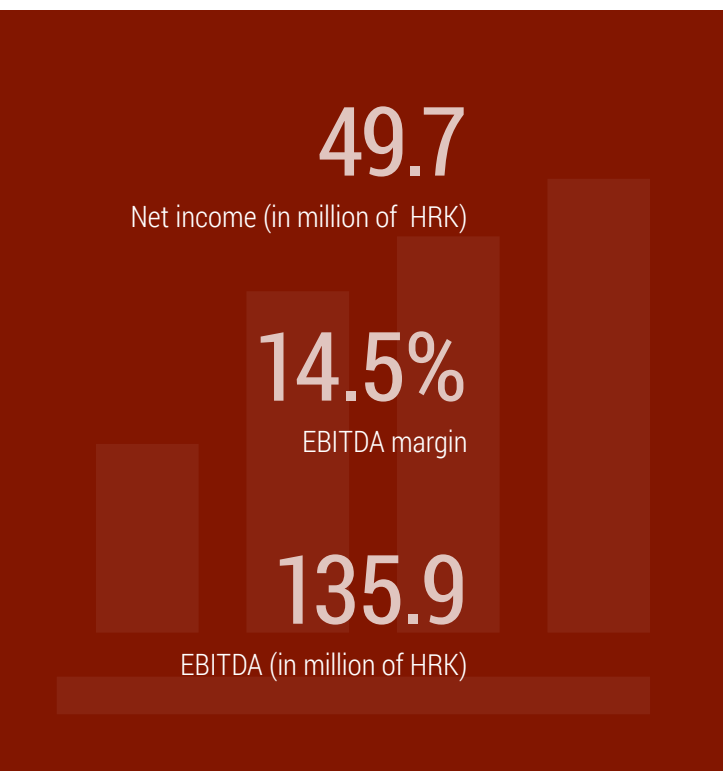
In the observed period, the trend of improving the financial position of AD Plastik that started in 2015 has continued. The

credit indebtedness decreased by HRK 38 million on 31 December 2016, compared to the same date of the previous year. Liabilities to suppliers were also reduced by HRK 42.4 million, while the indebtedness coefficient was reduced from 0.52 to 0.45. All indicators point to positive cash flows and good liquidity of the AD Plastik Group.

The results were stabilized throughout the year 2016 at higher levels, creating security for investors and trust in the Management Board and the value of the AD Plastik Group. The stock price of ADPL-R-A increased by 40.2% in the reporting period, so the stock price on 31 December 2016 amounted to HRK 138.00, while on the same day the previous year the price was HRK 98.46.

Direct, generated and distributed economic value in thousands of HRK

	2016	2015	2014	2013
Directly generated economic value	935,750	1,025,395	897,477	835,771
Income from sales	913,383	1,002,363	869,553	817,591
Other income	22,367	23,032	27,924	18,180
Distributed economic value	869,253	934,820	896,847	822,856
Operating expenses	613,353	716,810	653,826	601,777
Employee wages and benefits	181,044	187,560	182,196	165,658
Payments to capital providers	74,018	29,653	59,106	53,561
Payments to the state	652	647	1,484	1,746
Investments into the community	186	150	235	114
Sustained economic value	66,497	90,575	630	12,915



Economy (continued)

In 2016, no financial aid from the Government was received in the form of tax relief or aid related to investment, capital or any other investment.

In accordance with the regulations of the Republic of Croatia, all employees are registered and included in the national pension fund. The rate of pension contributions in Croatia is 20% of the contribution basis, and the pension contributions are paid by employers on behalf of their employees and at their expense. In the Russian Federation, all employees are registered and included in the national pension fund. The rate of contributions is 22%, but no more than 796,000.00 roubles for 2016, after which up to 10% is paid in. In the Republic of Serbia, all employees are registered in the national Retirement and Disability Fund for which it is mandatory to pay 14% at the expense of the employees and 12% at the expense of employers from the gross wage. Employees have an allowance on years of service of 0.4% per full year of employment, counting from employment at the existing employer.

When we talk about the minimum initial salary within the AD Plastik Group, it is at all sites higher than the minimum local guaranteed salary. The minimum initial salary in Mladenovac was by 5.6% higher, in Solin and Zagreb by 8.4%, in Kaluga 66.6%, while in Vintai the minimum initial salary was higher by 100% compared to the minimum local salary. In Russia, each region can set its own minimum salary that has to be higher than the prescribed national minimum salary in accordance with the costs of living in particular re-

gions. Kaluga has a higher stipulated minimum salary than Samara Region or Vintai.

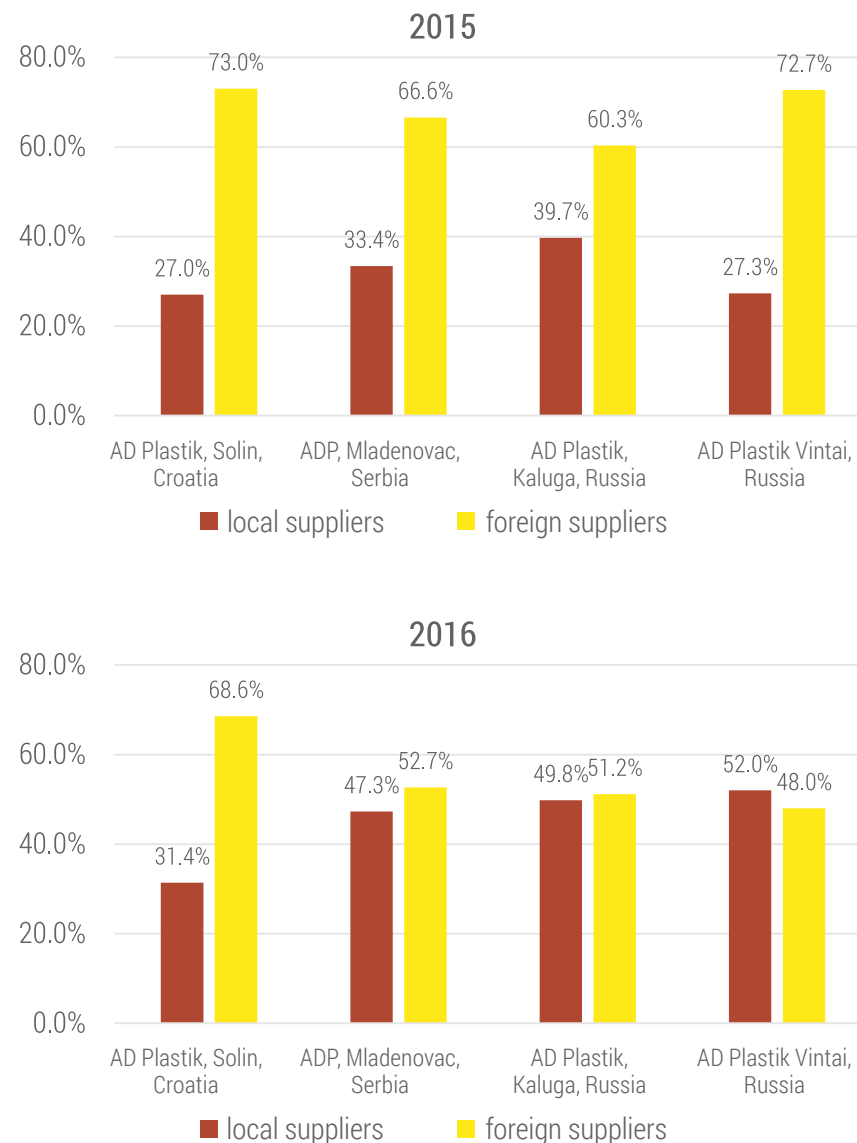
The basic salary of employees in the AD Plastik Group is determined according to the workplace based on the legal regulations and internal documents of the company that define other salaries, benefits and incentives. There is no gender pay gap or differences regarding other employee characteristics.

Senior management of the company consists of members of the Management Board, executive directors and directors, and 91% of senior management employees come from the local community. The local community is considered to be the area of the county or region in which individual members of the Group operate. The AD Plastik Group supports employment of local population, and the largest share of employees comes from the local population at all sites. Employees of the company have opportunities for international growth, mobility and promotion within the Group.

In the reporting period, there were no major indirect economic impacts on the business and stakeholders of the AD Plastik Group.

In Kaluga, apart from decrease in the number of foreign suppliers, a significant increase in the financial proportion of purchases from local suppliers was also recorded. Thus, the financial proportion of local suppliers in Kaluga and Mladenovac was almost equalized, while in Vintai it exceeded 50%.

Proportion of local suppliers in the total procurement value





The AD Plastik Group has permanent responsibility and developed awareness of the impact of its activities on the environment and human health. During 2016, implementation of best practices and development in the areas of sustainable energy management, health and safety protection continued. In accordance with positive legal regulations, expert services conducting environmental, occupational safety and fire protection activities regularly monitor and improve the protection status.

Environment



Environment

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Environmental orientation and environmental awareness of the company is evident from the business strategy of the Group, and the Environmental Policy, Occupational Health and Safety Policy, Energy Management Policy and Quality Policy, which are an integral part of environmental protection, have been updated and adopted in the reporting period. These policies are published on the company's Internet site and on the intranet.

The AD Plastik Group regularly carries out monitoring and analysis to determine the achievement of the set strategic objectives, and in the event of their failure, additional measures and activities are implemented. At the end of each year, the annual activity plan is defined and adopted by the Management Board.

By introducing an energy management system in 2016, the efficiency of energy use in the company is monitored through energy consumption indicators by kilogramme of spent material, and not by product unit, as in previous reports.



Materials

Polypropylene and polyethylene are the basic raw materials used in the Group's technological processes whose share of purchased recycled raw materials in 2016 amounted to 16.42%. Other raw materials used in the technological processes are paints, varnishes, solvents and textiles. Consumption of raw materials in 2016 was slightly lower compared to the previous periods due to smaller customer orders.



Materials used by weight or quantity

Material	Site	2014	2015	2016
PP/PE/PES (t)	Solin	3,045	3,379	3,048
	Zagreb	5,269	5,965	5,140
	Mladenovac	1,014	1,097	1,246
	Vintai	2,780	2,319	1,925
	Kaluga	1,850	1,239	1,403
	TOTAL	13,958	13,999	12,762
Paints, varnishes, solvents (t)	Zagreb	278	223	242
	Mladenovac	324	394	231
	Vintai	0	10	6.8
	Kaluga	0	1	0.2
	TOTAL	602	628	480

Recycled input materials (t)

Material	Site	2014	2015	2016
PP/PE/PES (t)	Solin	1,920	1,349	1,352
	Zagreb	0	896	317
	Mladenovac	219	28	110
	Vintai	241	240	219
	Kaluga	167	128	97
	TOTAL	2,547	2,641	2,095

Percentage of used material consisting of recycled input material (%)

Material	Site	2014	2015	2016
PP/PE/PES (t)	Solin	63	40	44.36
	Zagreb	0	15	6.17
	Mladenovac	22	3	8.83
	Vintai	9	4	11.38
	Kaluga	9	10	6.92
	TOTAL	18	15	16.42

Energy

Energy Consumption within the organisation refers to consumption from non-renewable energy sources and includes the consumption of electricity, natural gas, fuel oil and liquefied petroleum gas. Electricity is the main energy source in the company and its share in total consumption is 86%. Although the share of electricity consumption increased by 7% compared to the previous reporting period, the overall consumption decreased.

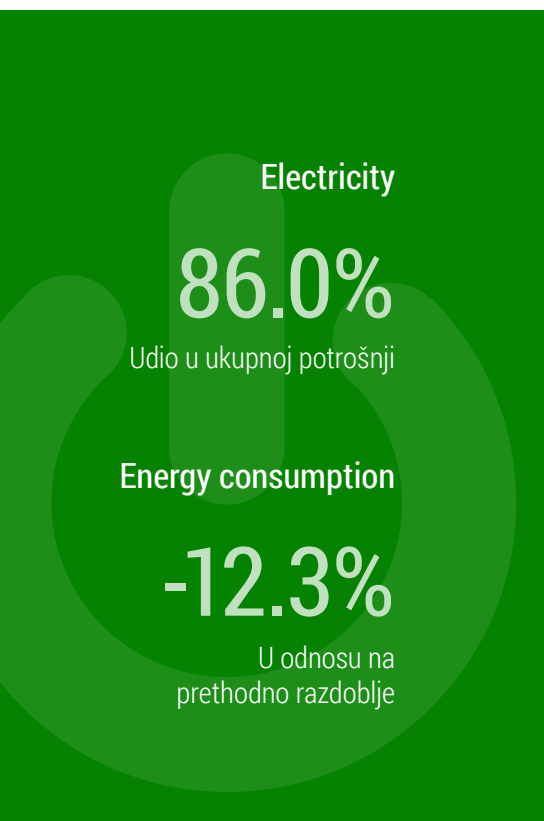
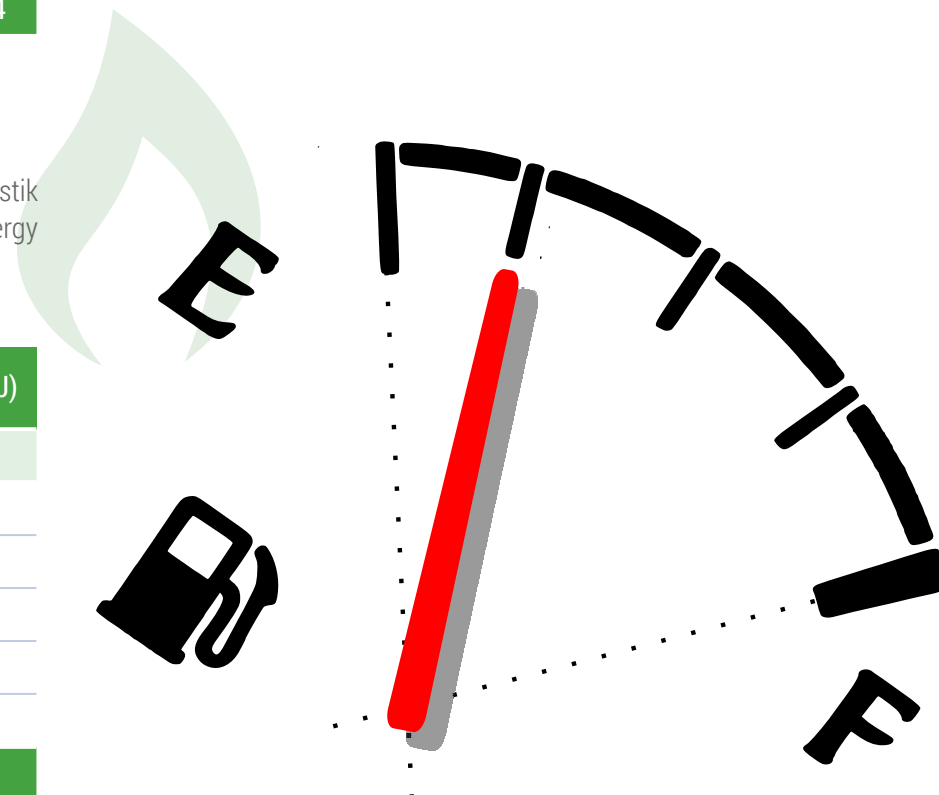
Total energy consumption within the organization (GJ)			
Site	2014	2015	2016
Solin	34,123	35,371	34,382
Zagreb	69,951	72,605	70,077
Mladenovac	12,416	14,952	15,388
Vintai	38,170	43,073	24,151
Kaluga	0	12,416	12,536
TOTAL	154,660	178,417	156,534

Energy consumption within the organization (GJ)			
	2014	2015	2016
Electricity (GJ)	117,911	141,586	123,712
Natural gas (GJ)	25,392	31,433	26,916
Liquefied natural gas (GJ)	10,553	5,152	5,805
Fuel oil (GJ)	804	246	101
TOTAL	154,660	178,417	156,534

Fuel

The fuel consumed by vehicles, owned by the AD Plastik Group, for business purposes represented the total energy consumption outside the organization.

Total energy consumption outside the organisation (GJ)			
Site	2014	2015	2016
Solin	2,476	2,354	2,159
Zagreb	493	535	600
Mladenovac	289	259	259
Vintai	5,082	4,981	4,291
Kaluga	0	285	126
TOTAL	8,340	8,414	7,435



Energy (continued)

The energy consumption ratio in kWh per kilogram of product (kWh/kg) is shown in the energy intensity diagram. An energy management system was introduced during the reporting period, and thus it changed the way of measuring according to

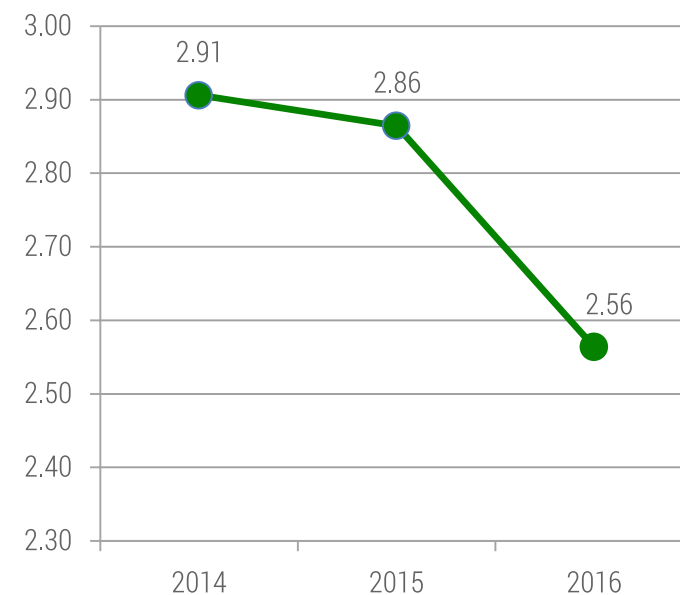
the EnPi energy efficiency indicator. In the previous reporting period, the energy intensity diagram showed the ratio of total energy consumption compared to the total number of produced products.



Energy consumed within the organisation

Energy intensity (kWh/kg product)			
Site	2014	2015	2016
Solin	3.40	2.82	2.69
Zagreb	3.86	3.32	3.14
Mladenovac	1.55	1.84	2.01
Vintai	2.24	3.21	2.27
Kaluga	0.00	1.97	1.64
TOTAL	2.91	2.86	2.56

Energy intensity in kJ/product



Water

Water supply is provided from the local water supply system and, to a lesser extent, from own well located at the AD Plastik Zagreb plant, where the quantity drawn in the reporting period amounted to 5.445 m³. The volume of water drawn from such sources is determined by the water meter. The manufacturing plants do not recycle their waste water. At the Solin plant, water consumption in 2016 increased by about 25% when compared to the previous period, due to losses caused by old installations that have been repaired. On the other hand, water consumption decreased by 25% at the Zagreb plant due to the closure of old paintshop.

Site	Water use by source (m ³)					
	Water consumpt. from the public water supply (m ³)			Water consumption from own well (m ³)		
	2014	2015	2016	2014	2015	2016
Solin	23,095	27,184	33,705	0	0	0
Zagreb	9,733	14,134	9,547	5,712	5,713	5,445
Mladenovac	8,671	11,975	11,584	0	0	0
Vintai	9,930	13,296	8,035	0	0	0
Kaluga	0	4,269	3,074	0	0	0
TOTAL	51,429	70,858	65,945	5,712	5,713	5,445

The AD Plastik Group's production plants have no negative impact on water and water ecosystem, and water supply is ensured through internal water supply systems.

Solin

The Solin plant is supplied with water from the river Jadro, whose upper stream is a designated protected area of nature in the category of special Ichthyological Reserve. The average annual spring discharge of the river Jadro is 9.0 m³/s.

Zagreb

Water supply facilities at Zagreb plant were solved by connecting to the internal water supply system of the City of Zagreb with a capacity of 4.5 m³/s.

Mladenovac

The supply of water to the Mladenovac plant is ensured by connection to the municipal water supply system of the public utility company Mladenovac, which receives water from art tubing wells with a capacity of 2-5 l/s per one source. There are 55 wells which are designated as protected areas of nature, and their depth ranges from 5 to 200m.

Vintai

The Vintai plant gets water from a well with the capacity of 1.5 m³/s, which is about 8km away from the river Volga. The depth of well ranges from 270 to 275 m.

Kaluga

At the Kaluga plant, water supply is ensured by connecting to

the internal water supply system of the city of Kaluga, which is supplied with water from underground and surface sources with a capacity of 180 m³/h.

AD Plastik Group

The AD Plastik Group does not own, rent or administrate any land in protected areas or in their immediate vicinity, nor in high-value areas with regard to the biodiversity outside the protected areas, and thus its business activities do not produce any impact on the protected areas. Furthermore, the plants have neither direct nor indirect impact on the biodiversity in the protected areas or high-value areas with regard to the biodiversity outside the protected areas; there are no examples related to protected and renewed habitats, endangered species according to the IUCN's red list and national list.

Emissions

Direct greenhouse gas emissions are the consequence of the combustion of energy sources used to fire furnaces. This involves the combustion of fuel oil and natural gas. Indirect emissions come from the consumption of electric energy used to run machinery and equipment in the manufacturing plants, as well as the operation of the equipment designed to heat and cool the work premises.

Total direct and indirect emissions of greenhouse gases by weight (t CO ₂ *)			
	2014	2015	2016
Direct emissions of greenhouse gases by weight	2,486	2,722	2,429
Indirect emiss. of greenhouse gases by weight	9,064	10,964	9,511
TOTAL	11,550	13,686	11,940

Site	Total direct and indirect greenhouse gas emissions by weight (t CO ₂ *)					
	2014		2015		2016	
	Direct greenhouse gas emissions by weight	Indirect greenhouse gas emissions by weight	Direct greenhouse gas emissions by weight	Indirect greenhouse gas emissions by weight	Direct greenhouse gas emissions by weight	Indirect greenhouse gas emissions by weight
Solin	327	2,456	276	2,594	243	2,542
Zagreb	1,120	3,548	1,425	3,796	1,445	3,505
Mladenovac	287	591	250	833	219	916
Vintai	752	2,469	750	2,787	512	1,584
Kaluga	0	0	21	954	10	964
TOTAL	2,486	9,064	2,722	10,964	2,429	9,511

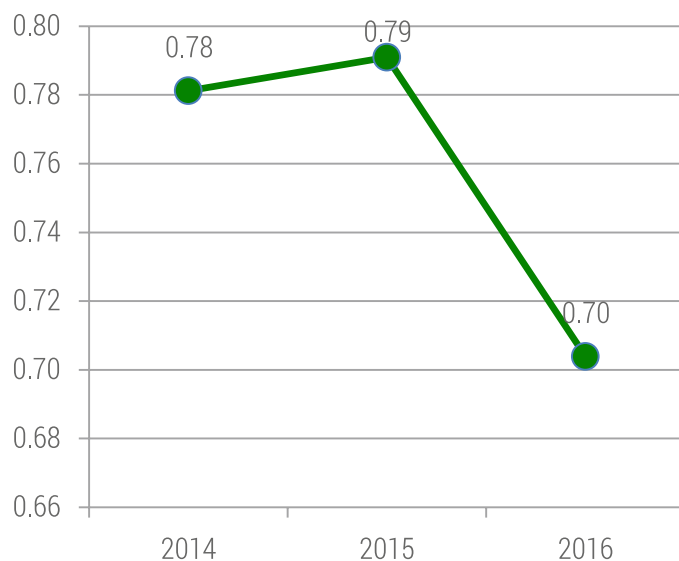
* t CO₂ - Data on the emission amounts obtained using calculations according to the national standard



Emissions (continued)

The greenhouse gas emission intensity diagram shows the proportion of total direct and indirect greenhouse gas emissions per kilogram of product (kg CO₂/kg).

Greenhouse gas emission intensity (kg CO ₂ /product)			
Site	2014	2015	2016
Solin	1.00	0.82	0.78
Zagreb	0.93	0.86	0.80
Mladenovac	0.39	0.48	0.53
Vintai	0.68	0.95	0.71
Kaluga	0.00	0.56	0.46
TOTAL	0.78	0.79	0.70



The consumption of direct and indirect energy is variable because it is directly related to the production volume. The AD Plastik Group is regularly undertaking activities and initiatives aimed at more efficient and rational use of energy, all in order to reduce its consumption.

In the reporting period, the following initiatives have been taken to reduce the energy consumption, i.e. reduce the greenhouse gas emissions:

- Replacement of old PCB batteries and installation of a new reactive power compensation system
- Installation of electricity consumption monitoring system to reduce peak power
- Reconstruction of heating substations
- Installation of the system for automatic room temperature control
- Procurement of new, more energy-efficient mills with crushers
- Procurement of thermovision camera
- Installation of high speed doors with automatic opening/closing system
- Modification of the cooling plant
- Replacement of old lighting fixtures with new LED lighting



Emissions (continued)

The AD Plastik Group did not emit ozone depleting substances from its production processes in the reporting period. The manufacturing processes employed by the AD Plastik Group do not emit any substances that damage the ozone layer. For the purpose of maintaining the necessary climate in its manufacturing and other working rooms, the company uses cooling and air conditioning devices that operate using substances that affect the ozone layer. The maintenance of those devices and systems in operation is entrusted to authorised contractual partners whose duty, among other things, is to dispose of replaced working substances in an environmentally friendly manner. During the observed period, there were no cases of uncontrolled leakage of ozone depleting substances.

NO_x, SO_x, CO are generated due to the consumption of energy sources used to heat the working rooms (fuel oil and natural gas) and due to the use of energy sources in manufacturing processes. VOC (volatile organic compound) is emitted from the paintshop in Zagreb. VOC emissions were significantly reduced compared to the previous period, because the construction and commissioning of a new and modern paintshop in Zagreb ceased the need for production in the old manufacturing paintshop which was closed at the beginning of 2016.

	Refrigerant contained in the equipment (kg)											
	2014				2015				2016			
	R22	R407C	R134A	227ea	R22	R407C	R134A	227ea	R22	R407C	R134A	227ea
Solin	240	32	133	40	240	32	133	40	128	23	127	40
Zagreb	120	863	0	0	120	863	0	0	120	853	0	0
Mladenovac	8	70	0	164	8	70	0	164	8	77	0	164
Vintai	0	1316	0	0	0	40	0	0	0	40	0	0
Kaluga	0	980	0	0	0	120	0	0	0	180	0	0
TOTAL	368	3261	133	204	368	1125	133	204	256	1173	127	204

	NO _x , SO _x and other significant emissions into the air by type and weight (t)											
	2014				2015				2016			
	NO2	SO2	CO	VOC	NO2	SO2	CO	VOC	NO2	SO2	CO	VOC
Solin	0.073	0.800	0.002	0.000	0.095	1.000	0.080	0.000	0.005	0.015	0.000	0.000
Zagreb	1.335	0.000	0.134	55.740	1.255	0.000	0.950	17.060	1.004	0.000	0.000	5.200
Mladenovac	0.176	0.000	0.008	0.000	0.050	0.000	0.030	0.000	0.825	0.000	0.614	0.000
Vintai	5.650	0.024	12.071	0.000	4.523	0.024	0.427	0.000	4.523	0.024	0.427	0.000
Kaluga	0.000	0.000	0.000	0.000	0.018	0.009	5.191	0.000	0.001	0.000	0.266	0.000
TOTAL	7.234	0.824	12.215	55.740	5.941	1.033	6.678	17.060	6.358	0.039	1.307	5.200

* The data on the emission amounts have been obtained using calculations according to the national standard.

Waste waters and waste

At all sites of the AD Plastik Group drainage systems are carried out separately. Sanitary, technological and atmospheric waste water is discharged into a public drainage system. Technological waste water is pre-cleaned through the precipitator and the separator of fat and oil. Collected soils are regularly removed and waste water is regularly controlled. All waste waters comply with the maximum permitted concentration (MPC) for release into the public drainage system.

Site	Quantity of water released (m³)		
	2014	2015	2016
Solin	18,645	27,184	33,705
Zagreb	4,050	5,336	4,346
Mladenovac	8,671	11,975	11,584
Vintai	9,930	13,296	8,035
Kaluga	0	4,269	3,074
TOTAL	41,296	62,060	60,744

Waste is collected separately, disposed according to the regulations, and delivered to authorised waste collectors for further disposal. Records of the generated waste delivered for disposal are kept according to the documentation required by law, while the data on the weight of the waste delivered for disposal are obtained by weighing prior to its delivery to authorised collectors. They are used in reports to the competent national authorities. Reduction in the amount of waste in 2016 in relation to the previous periods is the consequence of its more proper labelling and timely disposal.

Site	Total waste weight by type (t)					
	2014		2015		2016	
	non-hazardous	hazardous	non-hazardous	hazardous	non-hazardous	hazardous
Solin	126.13	25.58	219	20	172.89	29.38
Zagreb	213.56	301.01	301	237	300.90	268.80
Mladenovac	159.28	6.66	180	5	188.49	13.04
Vintai	1,055.69	8.60	1,099.00	334.00	337.50	2.20
Kaluga	450.00	0.50	62.00	7.00	249.60	6.40
TOTAL	2,004.66	342.35	1,861.00	603.00	1,249.38	319.82

Packaging waste (cardboard, plastic foil), wood packaging, waste plastics, waste metal and waste of recycled textile fibres are disposed in the non-hazardous waste, and waste paint and lacquers, stain from paints and varnishes, waste solvents, waste hydraulic oil, oily water, waste electrical and electronic equipment, waste packaging contaminated with hazardous substances, filters, grease and absorbents are disposed in the hazardous waste. The total weight of waste is determined by weighing.

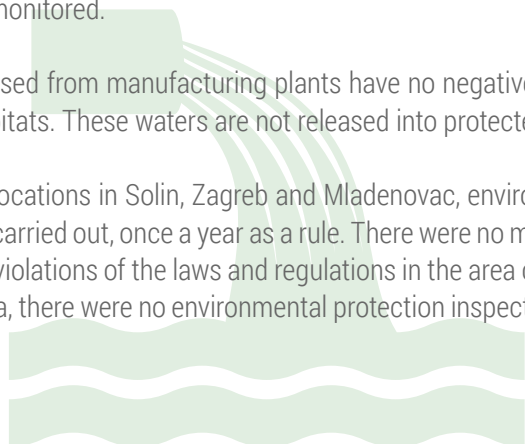


Waste waters and waste (continued)

There were no significant spillages of hazardous substances that could have significant negative impact on the environment with possible harmful consequences for the soil, water, air, biodiversity and human health. Systematic efforts to avoid major spillages of hazardous materials are directly connected with internal regulations and working instructions, while their implementation is routinely monitored.

Waste waters released from manufacturing plants have no negative impact on the biodiversity and connected habitats. These waters are not released into protected areas.

At manufacturing locations in Solin, Zagreb and Mladenovac, environmental protection inspections are routinely carried out, once a year as a rule. There were no major pecuniary or non-pecuniary penalties for violations of the laws and regulations in the area of environmental protection. In Vintai and Kaluga, there were no environmental protection inspections in the reporting period.



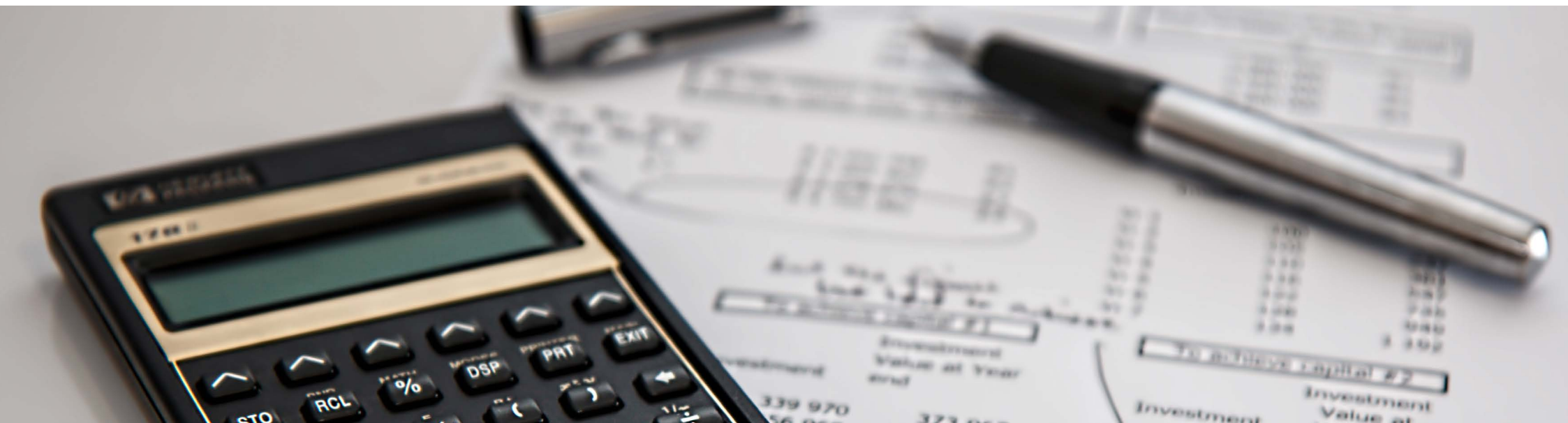
Disposal methods	Waste weight (t)		
	2014	2015	2016
Recycling	809.08	862.58	565.33
Waste warehousing prior to the application of any disposal process	298.42	275.31	271.73
Use of waste mostly as fuel or other energy source	12.55	27.68	0.00
Physical and chemical processing of waste	18.27	27.08	12.59
Waste incineration on land	35.83	55.66	130.25
Waste disposal on landfills	1,172.86	1,215.69	589.30
TOTAL	2,347.01	2,464.00	1,569.20

Weigh of transported, imported, exported or processed waste considered hazardous according to the Basel Convention, Annexes I, II, III and VIII, and percentage of waste transported abroad									
Site	2014			2015			2016		
	Hazardous waste weight (t)	Weight of hazardous waste transported abroad (t)	Percentage of hazardous waste transported abroad (%)	Hazardous waste weight (t)	Weight of hazardous waste transported abroad (t)	Percentage of hazardous waste transported abroad (%)	Hazardous waste weight (t)	Weight of hazardous waste transported abroad (t)	Percentage of hazardous waste transported abroad (%)
Solin	25.58	3.279	13	20	20	100	29.38	12.33	42
Zagreb	301.01	287.55	96	237	220	93	268.80	216.27	80
Mladenovac	6.66	5.5	83	5	0	0	13.04	0	0
Vintai	8.6	0	0	334	0	0	2.20	0	0
Kaluga	0.5	0.2	40	7	0	0	6.40	0	0
TOTAL	342.35	296.529	87	603	240	40	319.82	228.6	71

Expenditures and investments into environmental protection

Expenditures for environmental protection for 2016 include the costs of hazardous and non-hazardous waste disposal, costs of emission testing, and costs of discharging and cleaning. The investments in 2016 include the purchase of energy-efficient equipment, technological water purification filters, adaptation of the roof structure of the building in the part of fire damper and light fixture, decoration of the production space for reconstruction of the old painting line and expansion of the central supply of materials.

Site	Total expenditures and investments into environmental protection (EUR)					
	2014		2015		2016	
	Expenditures	Investments	Expenditures	Investments	Expenditures	Investments
Solin	38,200	13,300	29,200	10,360	38,567	113,000
Zagreb	112,000	86,200	106,800	240,640	120,000	275,580
Mladenovac	31,840	2,000	27,100	1,600	25,580	1,250
Vintai	90,448	5,727	60,102	3,218	53,691	2,726
Kaluga	28,000	0	22,000	0	14,416	0
TOTAL	300,488	107,227	245,202	255,818	252,254	392,556
	407,715		501,020		644,810	



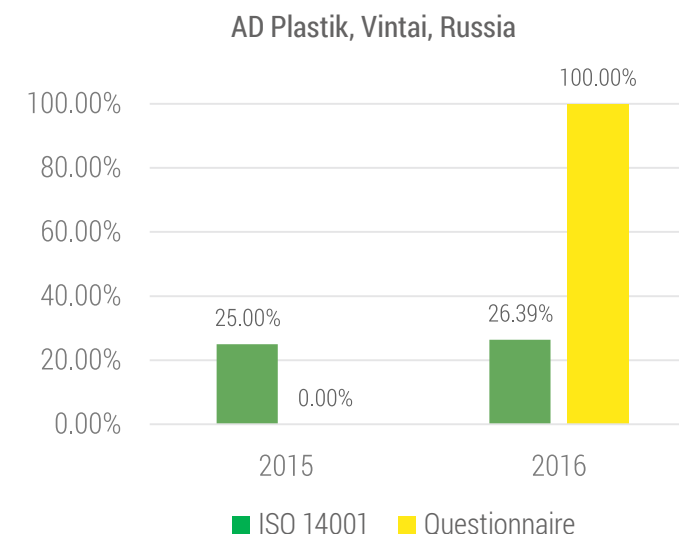
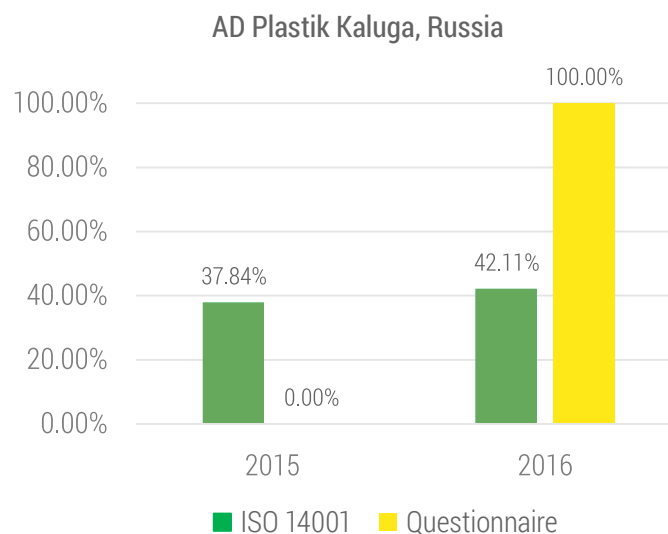
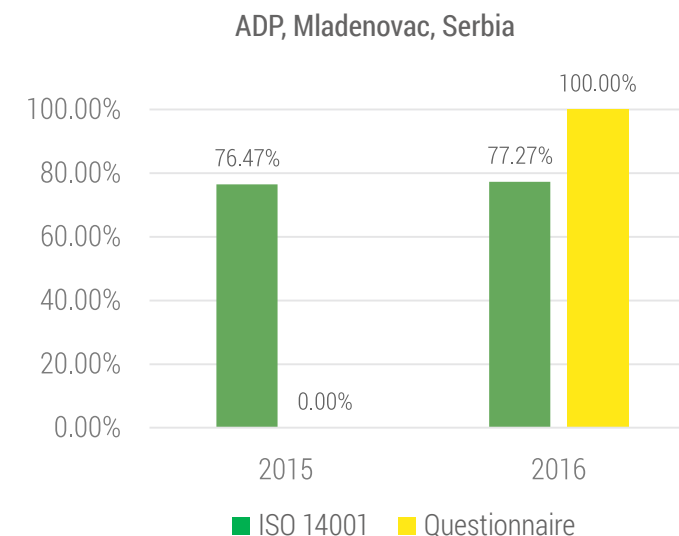
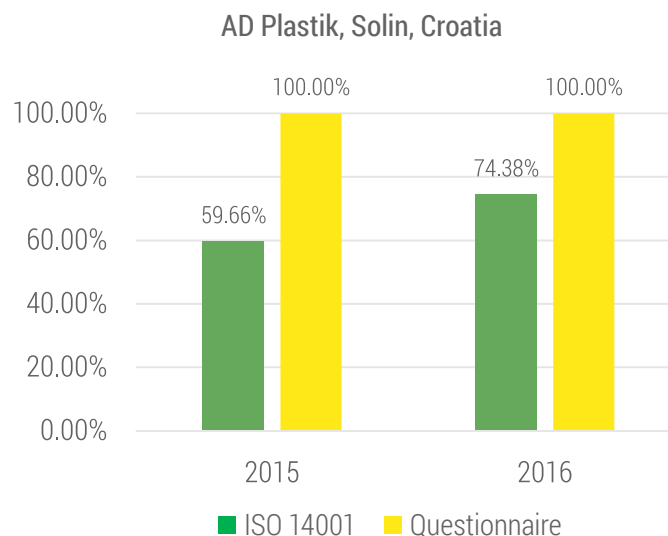
Supplier assessment with regard to their impact on the environment

Assessment of suppliers in connection with the environmental impact are carried out by means of the Questionnaire on the Compliance with the Quality Management System ISO 9001 or ISO TS 16949, Environmental Management System ISO 14001 and Corporate Social Responsibility Guidelines. In 2016, all new suppliers and all existing suppliers at the AD Plastik Group level were assessed. The results show a growing trend in the number of suppliers who have the ISO14001 certificate at the Solin plant, so that more than 74% of the total assessed suppliers comply with ISO 14001.

The results of the assessment of suppliers at other sites also show a growth, but further improvement is still needed, especially at the sites in Russia.



Proportion of suppliers checked according to the environmental impact criteria and those who possess an ISO 14001 certificate





The trend of the number of employees of the AD Plastik Group is the indicator of keeping a stable number of employees over the last two years. The number of new employees in the company, their age, gender, and region indicate the ability to attract employees of different qualifications, but also demonstrate the optimised use of available workforce and talent in different regions.

Society



Employment

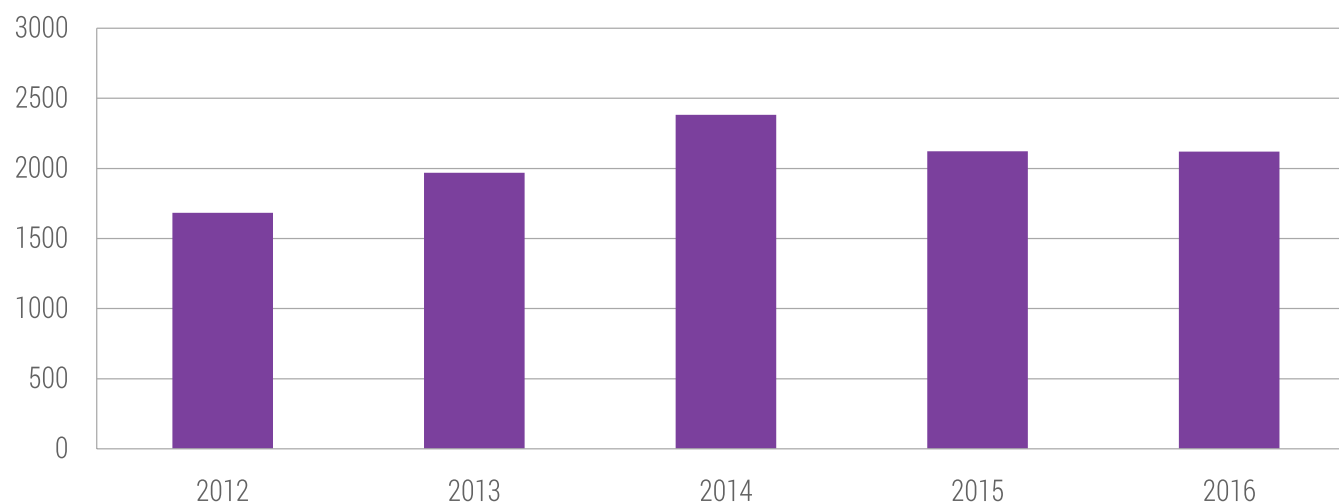
The trend of the number of employees of the AD Plastik Group is the indicator of keeping a stable number of employees over the last two years. The number of new employees in the company, their age, gender, and region indicate the ability to attract employees of different qualifications, but also demonstrate the optimised use of available workforce and talent in different regions.

The highest monthly fluctuation rate at Group level was 2.06% in the reporting period, a significant decrease compared to 4.7% in the previous period. This indicates the company's stability, as well as positive changes in the organisational climate. Fluctuation is lower for women than for men, and with respect to regions, the largest fluctuation in the reporting period was in Russia. According to the type of contract, the fluctuation is higher for employees with contracts for an indefinite period of time.

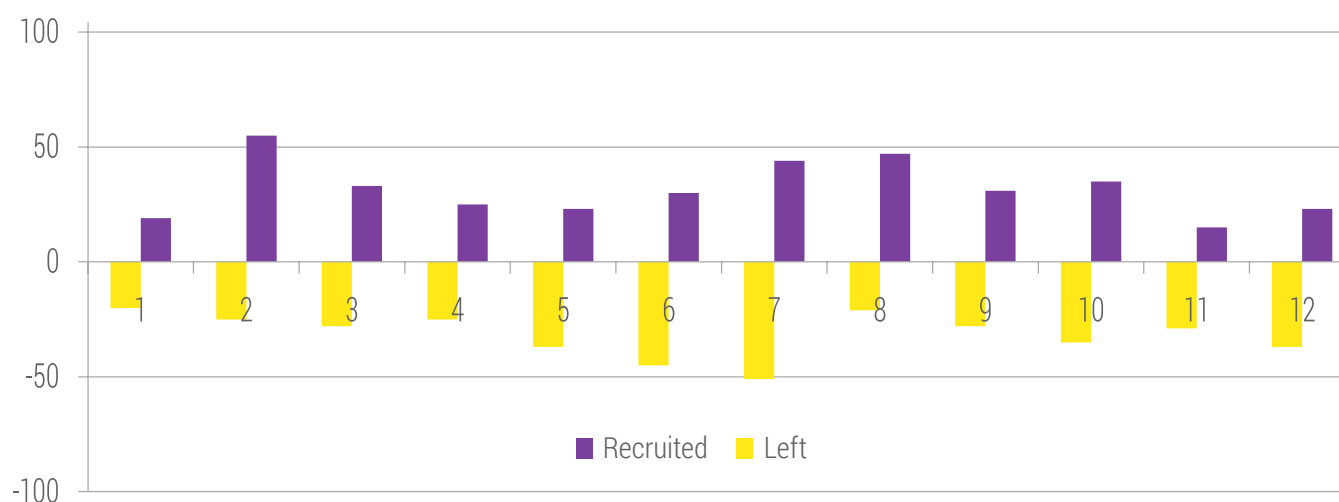
In the observed period, the largest share of new employment was recorded in the Russian Federation. Although the percentage of newly-employed men is higher than that of women, it is important to note that the share of newly-employed women compared to the previous period increased by 5%. The share of employed women in the AD Plastik Group is still far above the European average of women employed in the automotive industry. The rates of arrival and departure of employees in the Group are influenced by the natural outflow of the workforce, planned and continuous employment of persons of all profiles, qualifications and age, depending on the introduction of new technologies and products, business activities, reorganisations, investments as well as optimization and improvement of individual segments of business and business processes.

Full-time, part-time and fixed-term employees of the AD Plastik Group have the same privileges and rights.

Trend in the number of employees over the past five years

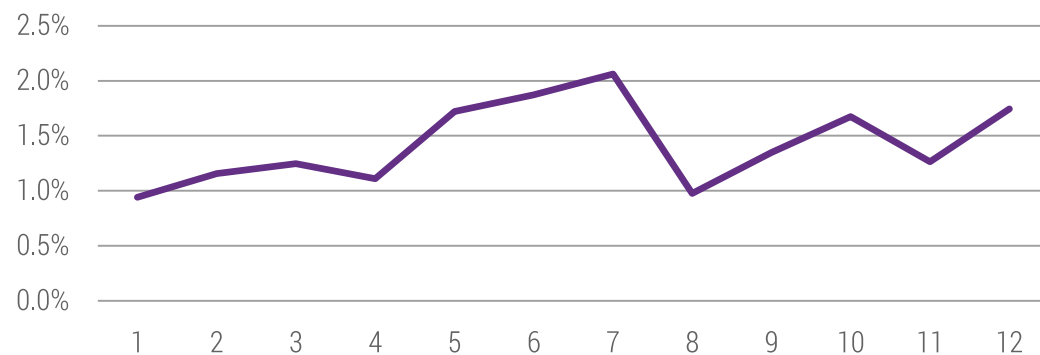


Number of employees recruited and those who left the Group for 2016 by months

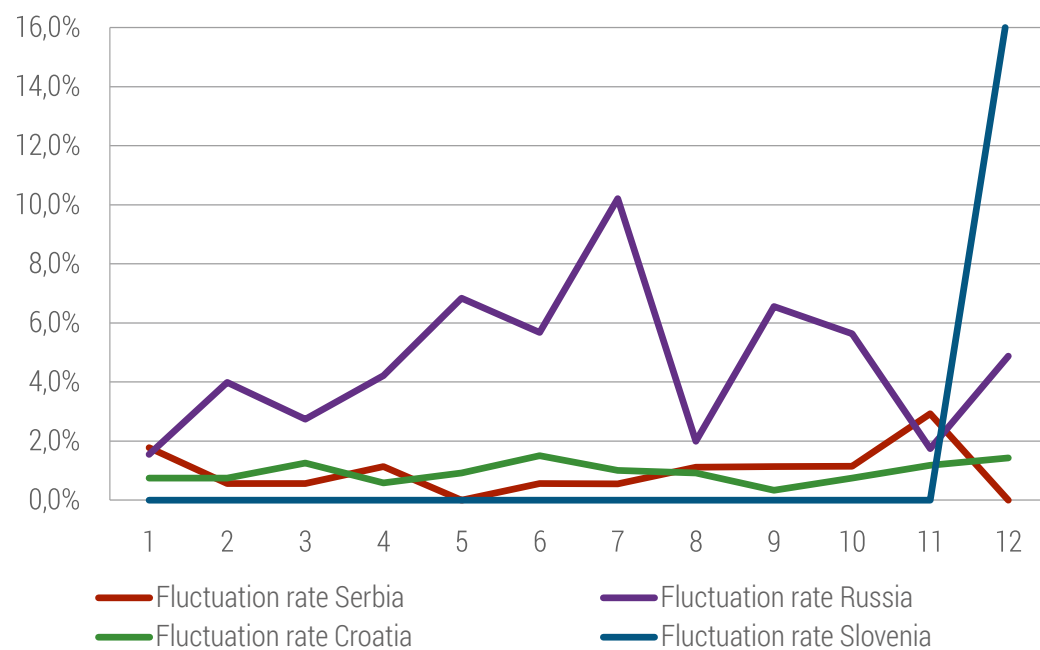


Employment (continued)

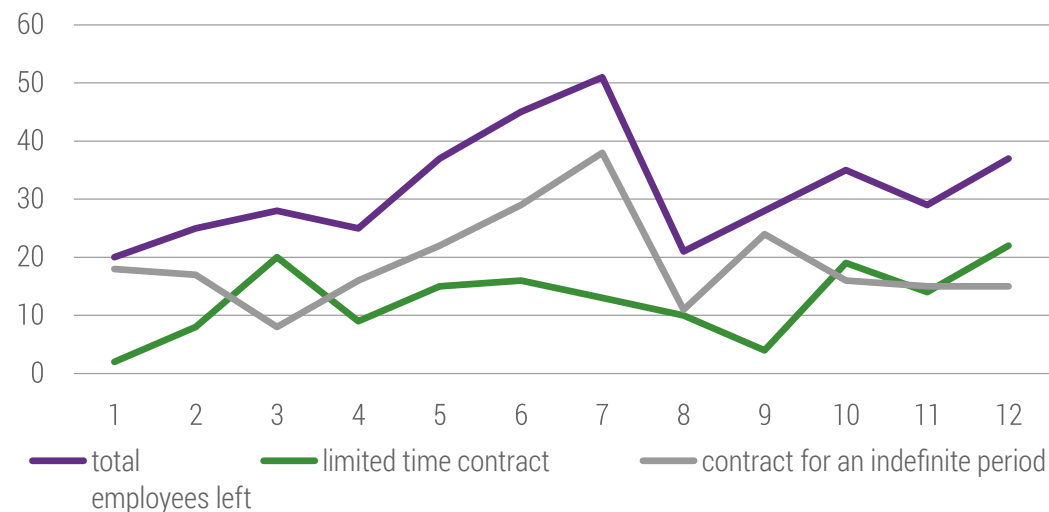
Total rate of employee fluctuation for 2016 by months



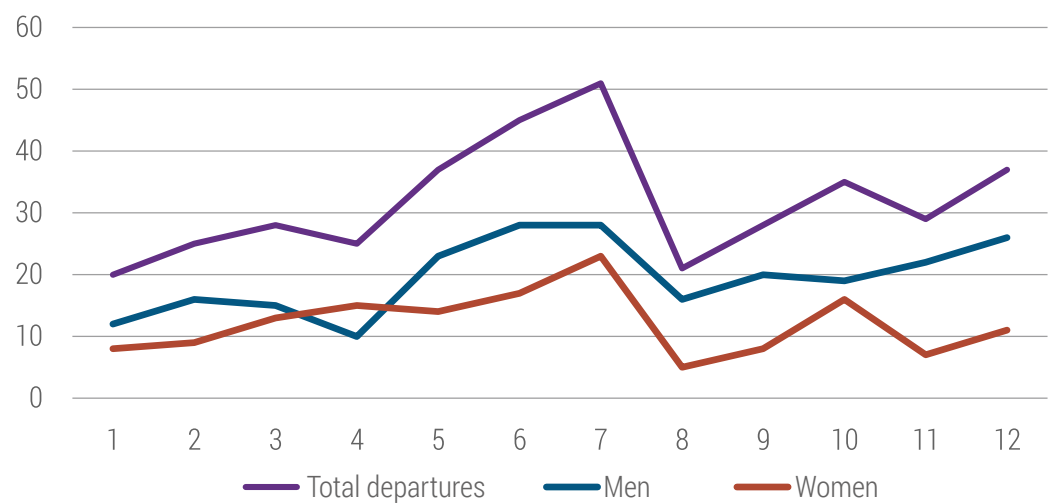
Fluctuation rate in 2016 by region



Departures of employees in 2016 by type of contract

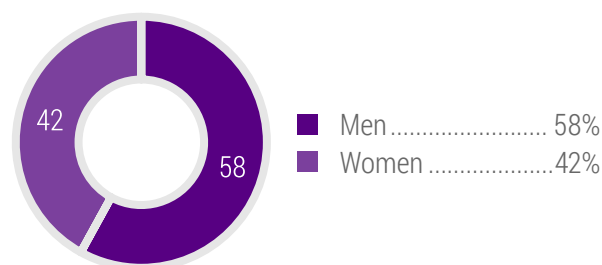


Departures of employees in 2016 by gender

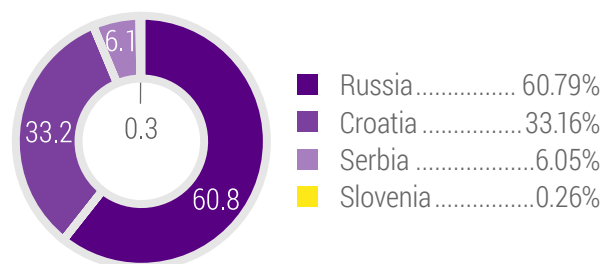


Employment (continued)

Total recruitment of employees in 2016 by gender



Total recruitment of employees in 2016 by region



All employees of the AD Plastik Group have the right to maternity and parental leave in accordance with the regulations of the country in which they are employed. In the reporting period, 108 female employees and 3 male employees used the right to maternity or parental leave. From the maternity or parental leave 31 female employees and one male employee returned to work in the same period. During the observed period, two male employees and 21 female employees remained employed for the period of twelve months after returning from maternity or parental leave. This indicator was introduced in 2015. The AD Plastik Group enables its employees, upon re-

turning from a maternity or parental leave, to return to the same or comparable workplace and encourages employees to use such leave without jeopardizing their careers. The number of fathers who use a paid parental leave is still increasing. The AD Plastik Group values the occupational health and safety of all its employees, particularly pregnant and breastfeeding

women, which is laid down by the Collective Agreement in a separate provision. The Group's internal documents, activities, encouragement of a positive climate and culture promotes the equality of sexes and particularly the employees' right to use of parental leave.

Maternity and paternal leave in 2016		Total number of employees by gender	Total number of employees who exercised the right to maternity and parental leave by gender	Total number of employees which returned to work after the end of maternity leave by gender	Total number of employees who returned to work after the end of maternity leave, who remained employed for the period of twelve months after returning to work, by gender
AD Plastik, Croatia	men	694	2	0	1
	women	499	18	12	4
ADP, Mladenovac	men	137	0	0	0
	women	35	1	0	1
AD Plastik Kaluga	men	89	1	1	1
	women	140	41	5	3
AD Plastik, Vintai	men	192	0	0	0
	women	329	48	14	13
ADP Novo Mesto	men	4	0	0	0
	women	2	0	0	0
AD Plastik Group	men	1116	3	1	2
	women	1005	108	31	21
	total	2121	111	32	23

Employment (continued)

Good relations and social dialogue with the employees continued uninterrupted in the observed period. Employees are regularly and timely informed on all important business changes and are included in the timely manner. The deadlines for providing information to employees are defined in the provisions of the laws on labour and employment relationships, as well as in the provisions related to consultations and negotiations.

They are not defined separately in the Collective Agreement. Depending on the laws of the country in which the company operates, the deadlines range from eight days to three months.

Communication with employees and their elected representatives on all matters related to changes in the business is more frequent than what the law prescribes.

Collective agreements as formal agreements with unions cover topics in the area of health and safety, in accordance with the laws and regulations and customary good business practice. Employees have a representative in the Supervisory Board of the AD Plastik Group, who is informed of any major changes in the business that may have a significant impact on employees prior to making the final decision.



Occupational health and safety

Rate of injuries, professional diseases, lost days or absences, and number of deaths connected with accidents at work

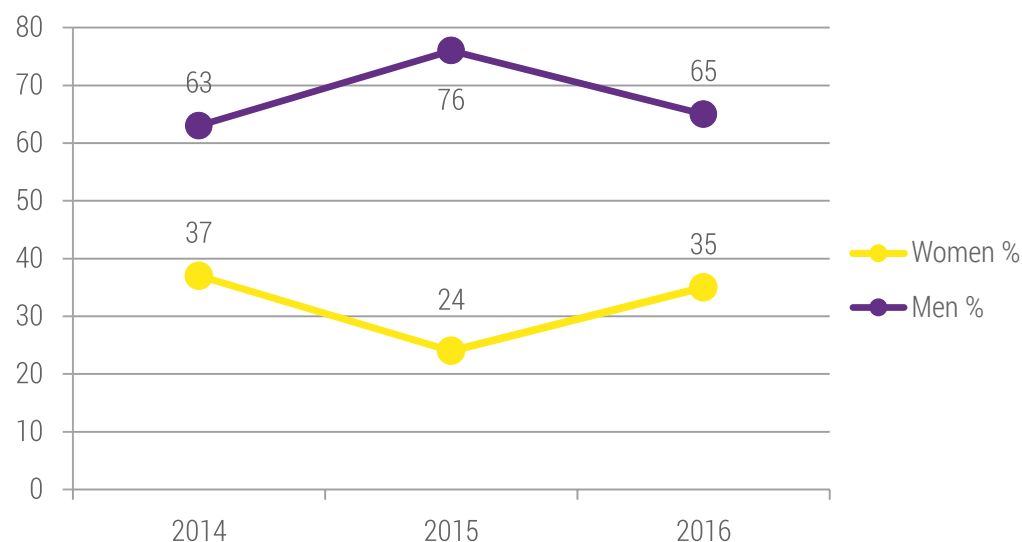
Site	2014				2015				2016			
	Number of injuries	Number of professional diseases	Number of lost days	Number of deaths	Number of injuries	Number of professional diseases	Number of lost days	Number of deaths	Number of injuries	Number of professional diseases	Number of lost days	Number of deaths
Solin	7	0	303	0	6	0	278	0	6	0	329	0
Zagreb	7	0	245	0	6	0	159	0	7	0	29	0
Mladenovac	3	0	45	0	6	0	225	0	9	0	210	0
Vintai	1	0	49	0	0	0	0	0	0	0	0	0
Kaluga	1	0	11	0	3	0	19	0	1	0	35	0
TOTAL	19	0	653	0	21	0	681	0	23	0	603	0

Parameter	2014	2015	2016
IR (injury rate)	0.87	0.99	1.09
ODR (occupational disease rate)	0.00	0.00	0.00
LDR (lost day rate)	0.11	0.12	0.11
AR (absentee rate)	0.00	0.00	0.00

In 2016, 23 injuries at work were reported, of which three were severe, but with no lasting consequences for employees' health. Severe injuries occurred when workers fell on the same level and by collision with the moving tool. Of the total number of injuries, five refer to injuries that occurred during the workers arrival to and departure from their work

place. There were no occupational illnesses and deaths related to work injuries. After the occurrence of each individual injury, analyses were carried out and corrective actions were taken to avoid repeating.

Injury rate by gender (%)



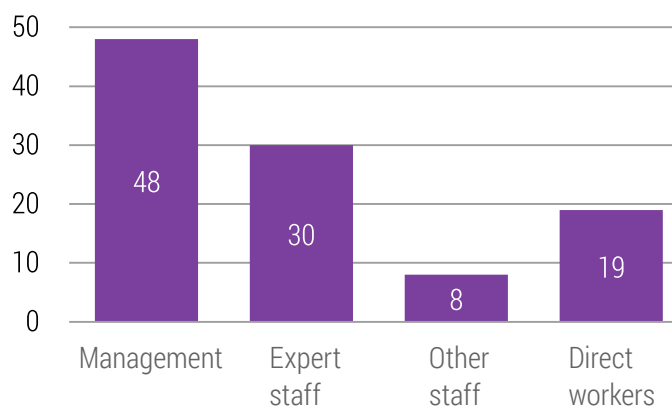
Education and training

In the reporting period, the average duration of training per employee was 21 hours. Last year's trend in increased investment in managerial skills development programs, specific customer requirements and technology deployment has continued. Raising awareness of safety and security at work as well as environmental protection and energy conservation is always the focus of our employee development programs.

Average number of training hours per employee category in 2016

Average number of training hours per employee		
	women	men
Management (senior and middle)	39	53
Engineers and highly educated staff	25	35
Other operators and staff	13	5
Production workers	20	18

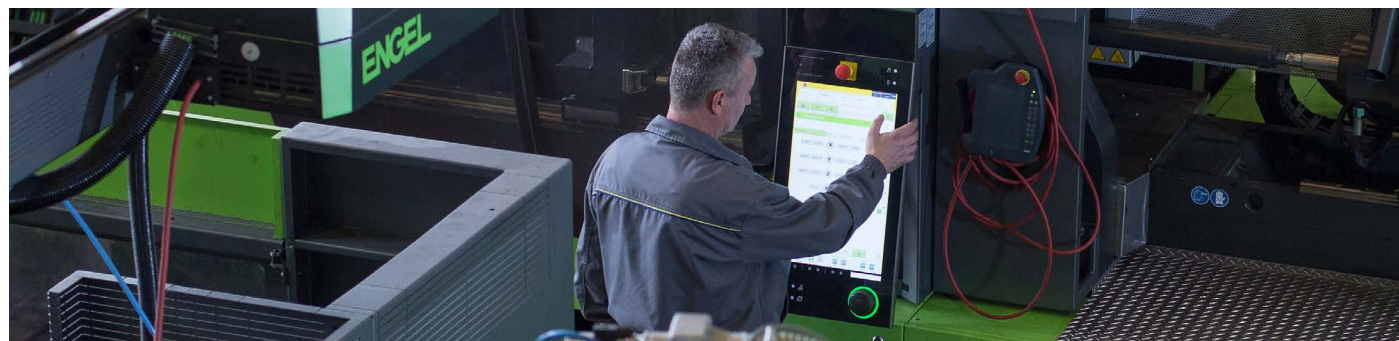
Proportion of employees in training in 2015 by category



In line with global trends, the automotive industry continuously raises the product and process quality scale both in the development and in the serial delivery phase of the product. Therefore, the key areas of employee education in AD Plastik Group are divided into the development of products and processes, and technical and technological knowledge related to installed equipment, all in order to ensure their competence and expertise.

Significant education during 2016:

- APQP/PPAP - Advanced Product Quality Planning & Control Plan
- DOE - Design of experiments
- Ford Robustness Workshop - Statistical tool for development
- Moldflow expert level
- Engel robotics control
- Internal process auditors by VDA 6.3. method
- FESTO maintenance of motors and electromotor drives



Education and training (continued)

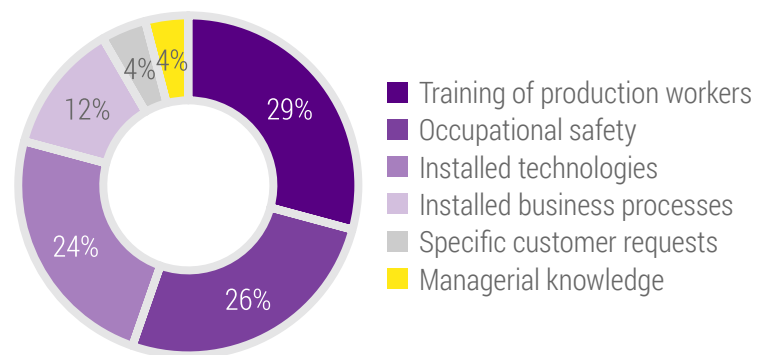
Upgrading knowledge and skills of employees is ensured through regular cooperation with consulting companies of customers and suppliers of equipment or authorized companies.

In the reporting period, the Management Academy of the AD Plastik Group was organised within eight modules through interactive workshops for all company managers.

All Group employees have the ability to learn and improve their foreign languages for easier communication with their business partners.

At the end of 2016, the effectiveness of educational programs implemented in the observed period was tested and the good influence of education on business results, organisational climate, motivation, employee engagement, quality of work and the application of new knowledge in the work was noted.

Proportion of different programmes in 2016



On-line training programs are regularly organised in the company's internal training catalogue published on the intranet. The catalogue is produced and published annually. Depending on the competences and specific knowledge, internal trainers and mentors are engaged from different sites of the Group.

Internal trainers and mentors are the leaders in the process of employee development that ensures competitiveness in the market. As part of the mentoring programme, the retired workers of the company are frequently engaged by transferring the acquired knowledge and experience to their

younger colleagues to provide additional contribution to the development of the employees.

Within the company, counselling and assistance is offered regularly regarding termination of working life.

Introduction of new employees at work and the training of employees at workplaces during lateral transfers or rotations of the workplace are regularly monitored.

During 2016, 148 programmes of introduction of new employees to work were launched, and 117 were concluded.

Rewarding

AD5 model - excellence award

As part of the “AD 5” reward model launched in 2015, through which the recognition and rewarding of outstanding employees is being carried out, 261 rewards were awarded at the plants in Solin and Zagreb during the reporting period. According to the criteria of quality and quantity of work, initiatives, proactivity, adaptability, cooperation, communication, task orientation, knowledge, skills and teamwork, the managers have selected award-winning employees within their business areas. A large number of employees was rewarded, and it is necessary to point out the employees who received the awards many times, thus proving their continued excellence. Rewards were awarded to members of the Management Board on occasional gatherings, and this reward is currently being carried out only at the plants in Croatia.



Work performance monitoring - Management through objectives

At the AD Plastik Group’s plants in Kaluga and Vintai, employee rewarding is implemented through a continuous process of management by objectives.

By cascading the organisational objectives to the objectives of employees, their greater engagement is achieved, resulting in increased process efficiency and thus by awarding through bonuses.

During the reporting period, there were no significant changes in the proportion of employees receiving regular feedback on work performance and individual development.

ZAO AD Plastik Kaluga	82%	28%
AO AD Plastik	54%	
AD Plastik d.d.	9%	
ADP d.o.o.	4%	

Idea for Improvement rewarding

In October 2016, at Zagreb and Solin plants, a reward model was translated from Russian companies and launched as an example of good practice. It is the Idea for Improvement rewarding model that aims to stimulate the creativity of all employees who create added value to the company and ensure market progress.

The idea for improvement is any useful novelty that, with its application, raises the quality of conditions and ways of work at a higher level, and can refer to all business segments (product, process, material, energy, layout, work organisation, safety at work ...).

Significant employee engagement was noted, and three workers were awarded three months after the commencement of the project.

GRI: G4 • LA11



Diversity and equal opportunities

In accordance with the Code of Business Conduct, the AD Plastik Group has committed to conduct its business operations with no discrimination in employment on any ground. The company undertakes to recruit and promote employees on the basis of their abilities and competences, and treats each individual with dignity and respect regardless of ethnic, religious, linguistic, sexual, age or cultural affiliation. No reports of cases of discrimination were received during the reporting period.

The AD Plastik Group has been employing almost the same number of women and men for a number of years, and so on 31 December 2016, there were 47.38% female employees and 52.62% male employees in the Group. The basic wage of employees on the Group level is determined exclusively according to the job. There are no differences between basic wages and remunerations between men and women. With regard to the management structure, women occupy a total of 33.04% of

managerial positions, with the majority of women employed in line management, followed by the middle management, and the lowest number of women employed in top management. Although the ratio of men and women in the total employment relationship is almost the same, there is somewhat lower representation of women in the management structures. There is a positive shift in the previous reporting period, and the proportion of women in the gender structure of the Management is 50% in 2016. In the next reporting periods, we will strive to achieve a similar proportion of women in overall management structures.

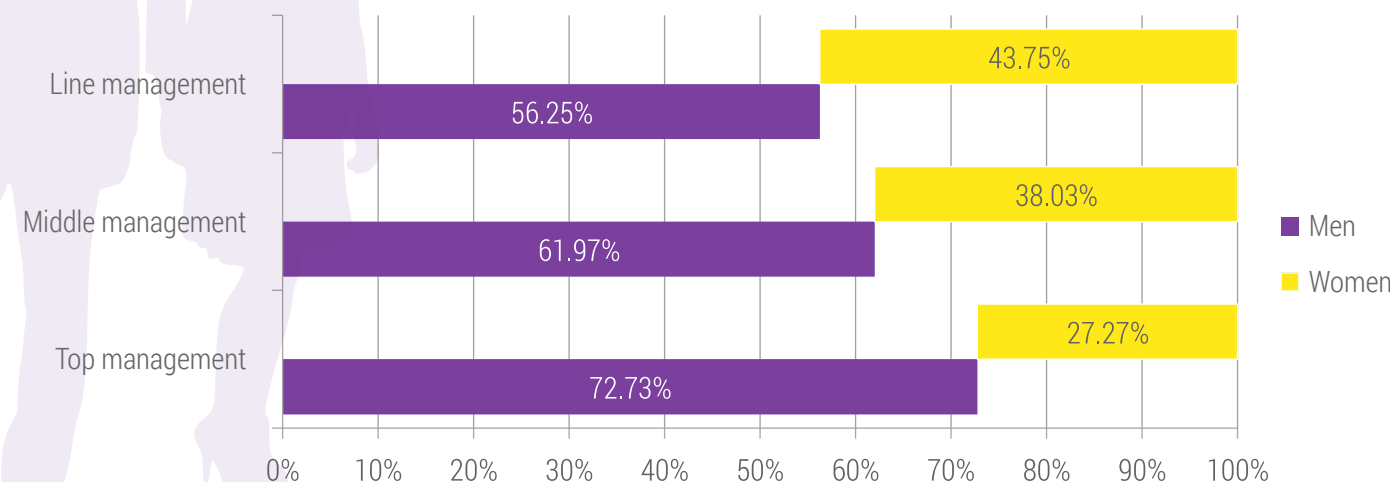
In the observed period, employees in the category of 30 to 50 years of age are prevalent in the structure of managing and steering positions, their proportion by age is 69.48%. In the top management, most of the employees are aged 45 to 60, while in middle and line management employees aged 30 to 45 are also prevalent. The proportion of employees over 50

years of age in management positions is also significant, which is 20.66%.

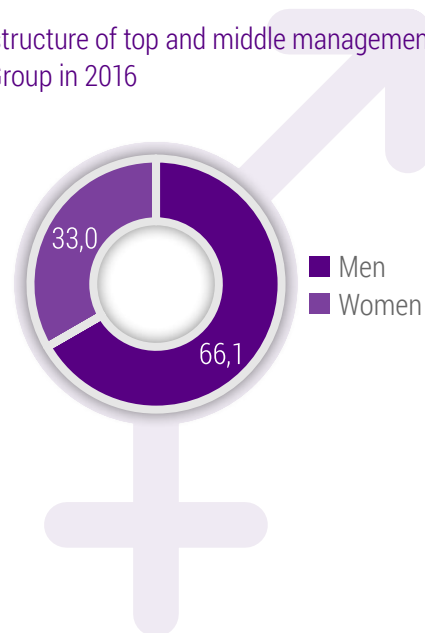
During the reporting period, a total of two disputes on the Group level have been initiated regarding labour relations that have been processed and solved during this period. The two disputes initiated earlier in Solin and Vintai were solved during the reporting period. The cycle of educating employees in the field of employment relations at the plants in Croatia was initiated.

In the reporting period, all suppliers of the AD Plastik Group were checked according to the employment relationship criterion by means of the Questionnaire on the Compliance with the Quality Management System ISO 9001 or ISO TS 16949, Environmental Management System ISO 14001 and Corporate Social Responsibility Guidelines. All tested suppliers comply with the above-mentioned criteria.

Employee age structure in 2016 depending on the management line

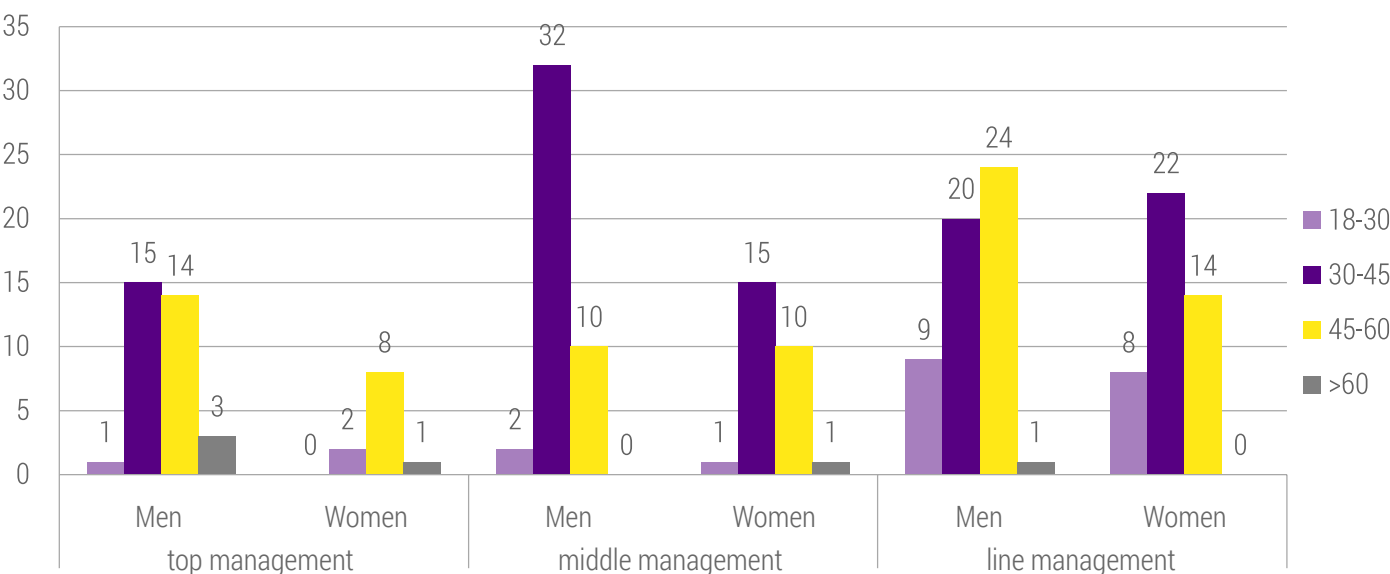


Gender structure of top and middle management of ADP Group in 2016



Diversity and equal opportunities (continued)

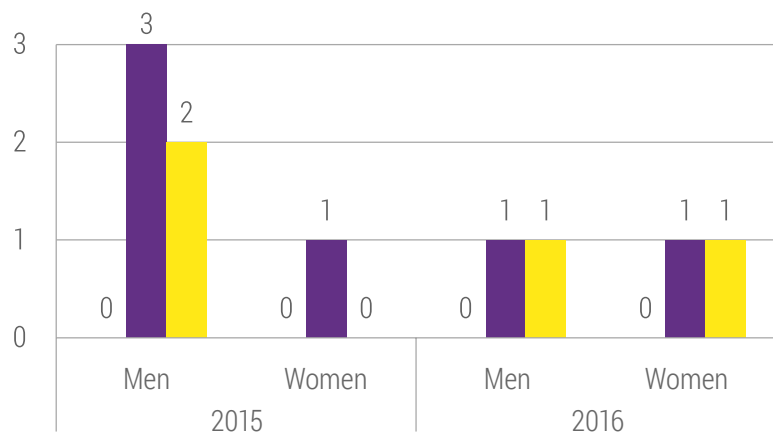
Age structure of steering/management positions in 2016



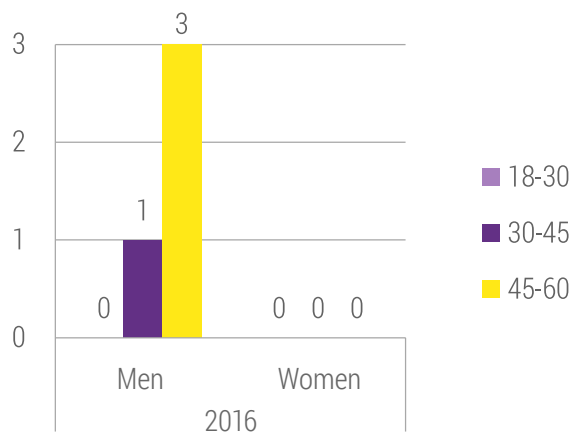
The AD Plastik Group is a component manufacturer for the automotive industry, therefore the largest number of employees are direct workers, which also affects the educational structure of employees. The AD Plastik Group employs primarily high school graduates who meet the requirements of positions in direct production.

Direct workers are directly involved in the production process while indirect workers participate in the production process support and their number is proportional to the volume of production and production organisation.

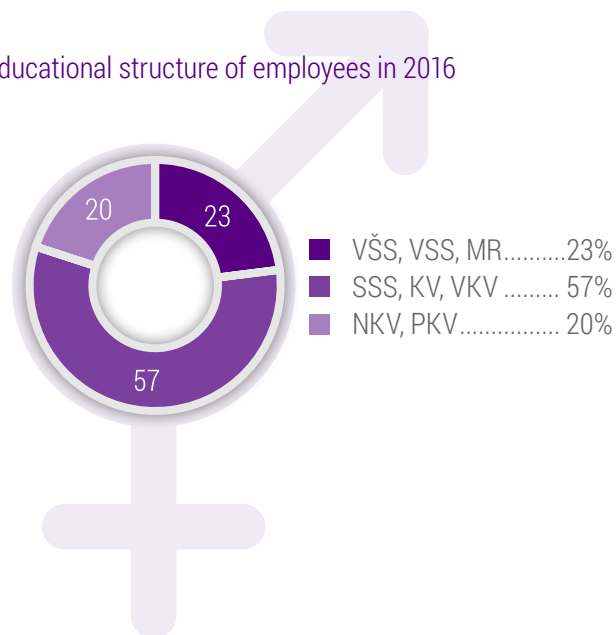
Management Board gender and age structure in 2016



Audit Committee gender and age structure in 2016



Educational structure of employees in 2016



Human rights

Every employee of the AD Plastik Group enjoys the same right to respect and dignity regardless of race, religion, gender, age, national origin, political beliefs, sexual orientation, marital status, disability or any other personal property.

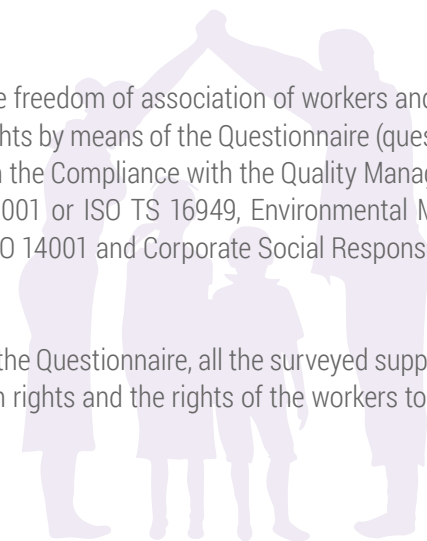
The AD Plastik Group does not employ persons under the age of 15 nor persons under the age of 18, so that no contract of employment with persons under the age of 15 has been concluded in the reporting period or in previous periods. Special attention is paid to the age of candidates during the selection process.

Employee trainings on policies and aspects of human rights were carried out at the plants in Kaluga, Solin and Zagreb. In 2016 no discrimination complaints were received, nor have there been any disputes in connection with human rights. In case of received complaint, a procedure is initiated to investigate the circumstances of the reported occurrence, establish the justification of the complaint, and appropriate measures are taken against the reported employee.

In the reporting period, all suppliers of the AD Plastik Group, including 21 new suppliers, were checked according to the cri-

teria of the freedom of association of workers and respect for human rights by means of the Questionnaire (questions nos. 9 and 14) on the Compliance with the Quality Management System ISO 9001 or ISO TS 16949, Environmental Management System ISO 14001 and Corporate Social Responsibility Guidelines.

Based on the Questionnaire, all the surveyed suppliers respect the human rights and the rights of the workers to free association.



Society

Anti-corruption

In accordance with the Code of Business Conduct of the AD Plastik Group, no employee may engage in corruption of any kind. Each employee who has been asked for or offered a bribe is obliged to report the situation to Legal Affairs Department.

In the reporting period, the Anti-Corruption Policy of the AD Plastik Group was drafted and adopted as a separate document, and is available on the company's website. The Anti-Corruption Policy was delivered to all members of the Management Board and is available on the Intranet to all Group employees.

In 2016, there were no reports of workers in AD Plastik Group that would imply bribery and/or corruption. In Solin, a cycle of workshops and education in the field of anti-corruption was held, entitled "Business without Corruption and Bribery", to familiarize the management with corruption, corruption prevention, and the manner and importance of reporting any irregularities. In the reporting period 23 persons, mostly managers, attended this anti-corruption training. A total of 12% of managers of the AD Plastik Group attended the anti-corruption training in the observed period.

Public policies

AD Plastik Group does not condone any material or financial support to political parties or political contributions. We promote a transparent and public advocacy of different public policies through business organisations and advocacy groups, public appearances, expert discussions or direct suggestions and comments submitted to the competent authority.

No legal proceedings have been instituted due to conduct violating the principle of competition on the market, anti-trust and anti-monopoly practices and there were no significant pecuniary or non-pecuniary penalties due to breach of laws and regulations on the level of the AD Plastik Group in the reporting period.



Society (continued)

Customer health and safety

The AD Plastik Group develops its products in accordance with the regulations and requirements of customers, the legal provisions and the directives of the automotive industry. By adhering to customer regulations and requirements, from the design planning phase and product development through verification and validation, up to disposal of the product and after termination of its use period, continuous efforts are made to improve the final product and its impact on the health and safety of the customer. During all development phases of certain products of the Group, consideration is given to the impact

of products and services on customer health and safety, and a regular assessment is carried out to improve the impact of all products so as not to pose a risk to the health or safety of end users.

During the reporting period, no cases of non-compliance with regulations and voluntary codes were recorded relating to the impact of the product on health and safety, and all products were confirmed in compliance with this parameter by the buyer and meet the specific tests of vehicle manufacturers that are being carried out for complete product safety for the end customer.

Labelling of products and services

The quality and characteristics of all AD Plastik Group products are certified by the customers as safe and acceptable for further use in terms of health. Continuous care is taken of appropriate and useful labels, ensured disposal following the expiry of its working life in accordance with the legal provisions, regulations and standards of automotive industry. For all products, the sources of components of the product and their content in respect of the substances that can affect the environment or society are mentioned through the IMDS system.

No cases of non-compliance with the regulations and voluntary codes regarding product and service data and labelling, according to the type of outcomes, were recorded in the observed period.



Society (continued)

Customers

Supplier rating is a basic prerequisite for contracting new deals, and quality is one of the most important parameters that are monitored in the business process with the customer. The quality of products and processes is extremely important for the preservation and enhancement of the competitive position on the market and is regularly monitored by the customers on special IT portals.

The quality system and corporate standards are updated on a daily basis through the application of best practices, in line with high customer expectations and specific requirements of the automotive industry. Customer criteria and requirements apply to suppliers as well, and in cooperation with them we define and implement activities that provide end users with satisfaction and fulfilment of their expectations.

In 2016, the emphasis was on the activities of strengthening the organisational structure of quality and standardization of working methods of all production locations of the Group. The objectives and expectations of customers are more pronounced and communicated through internal objectives and processes. Planned questionnaires for customer satisfaction surveys were not introduced during the reporting period, but preparations and consultations were performed.

In the reporting period, there were no complaints in connection with customer privacy, violations of regulations and voluntary codes with regard to products and services. There were also no fines for violation of laws and regulations with regard to the offer and use of products and services.

Marketing communications

The AD Plastik Group adheres to the Croatian Advertising Code, and has its own Advertising Code, which is applicable to all forms of marketing communications. In the reporting period, there were no violations of regulations and voluntary codes in connection with marketing communications.

The company refrains from selling illegal or disputed products on all markets, and such products are not the subject of queries by stakeholders or public debates.





Annexes



Comparative table of GRI and Global Compact indicators

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Global Sustainable Development Goals

The AD Plastik Group in its work follows the Sustainable Development Goals 2030. This is the United Nations programme, within which seventeen global goals of sustainable development have been defined. The company is currently working on the evaluation of the company's contribution to meeting the global goals of sustainable development.

Through its business, the AD Plastik Group contributes to the industrialisation of the country, its technological advancement and innovativeness. As a global company operating in five countries, the group provides equal opportunities for employees and builds its unique corporate culture. Through continuous growth and sustainable development, the AD Plastik Group wants to keep the existing and open new work positions, taking care of gender and social equality at all sites. The Group cares about the safety and health protection of all its employees, promotes gender equality and the employees' rights, and focuses on the promotion of knowledge and the professional and per-

sonal development of each individual. Special attention is paid to environmental protection, which protects biodiversity, avoids adverse impacts on water, soil and air and climate changes. Activities are carried out with the aim of saving drinking water and energy efficiency, with particular attention being paid to waste management. Resources are used responsibly in the production process, and the Group takes care about social responsibility in the supply chain. The company maintains positive and affirmative relationships with the local community, state institutions, business sector and civil society.



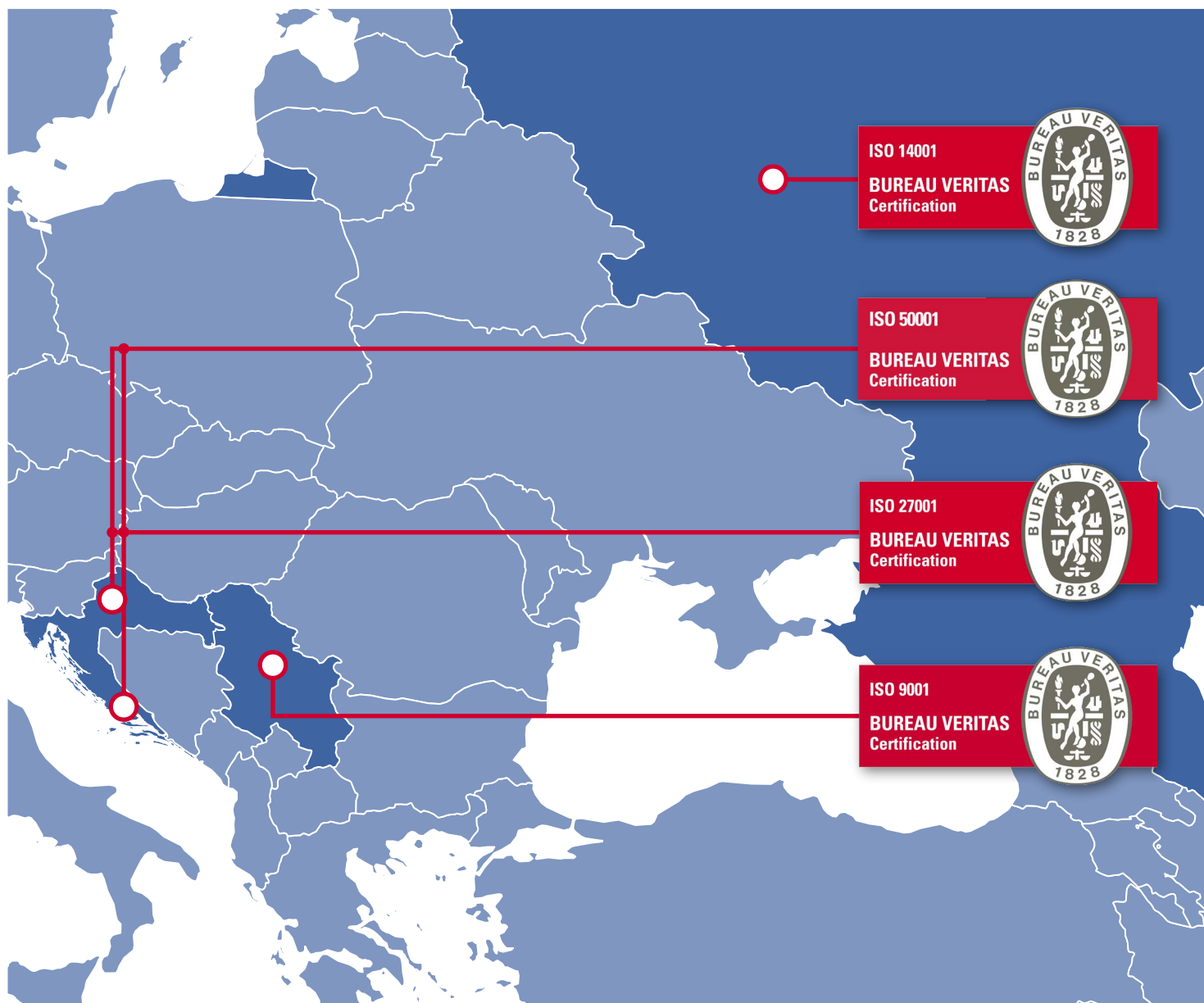
Tasks for 2016 accomplished

- ISO 14001 standard was implemented at AD Plastik Kaluga
- ISO 50001 standard (Energy Management System) for Solin and Zagreb plants was implemented
- Preparations of the implementation of ISO 50001 standard for the Mladenovac plant commenced
- ISO 9001 at the ADP Mladenovac plant was implemented
- Implementation of ISO 27001 standard (Information Security System) for Solin and Zagreb plant commenced
- Preparations of the implementation of OHSAS 18001 for AD Plastik Kaluga commenced
- Development of activities aimed at increasing employee motivation - ADP Day (22 April), organisation of regular annual team building, open-door days of the Management Board - Chatroom, launched "Ideas and Innovations" project, participation in B2B Run, Christmas and New Year's Eve at all plants, ceremonial awards for employees, conducted research on motivation and employee satisfaction by foreign agency...
- Continuous work on better informing methods and engagement of other stakeholders
- The following policies have been drafted and adopted: Anti-corruption policy, anti-monopoly policy, quality policy, policy of sustainable supplier management, energy management policy, human rights policy, environmental policy, occupational health and safety policy, and diversity policy.
- Code of Business Conduct of the AD Plastik Group was updated and amended
- Training on anti-corruption issues was held
- Assessments of suppliers for the sites in Russia and Serbia according to the Compliance Questionnaire were carried out



Tasks for 2017

- Implementation of the ISO 50001 standard at the Mladenovac plant
- Implementation of ISO 27001 standard (Information Security System) for Solin and Zagreb plants
- Beginning of the implementation of ISO 207001 standard at the Mladenovac plant
- Implementation of OHSAS 18001 standard at AD Plastik Kaluga
- Printing and distribution of the "Code of Business Conduct and Policy of the AD Plastik Group" brochure to all employees in three languages and at all sites
- Implementation of the Idea for Improvement rewarding system at Mladenovac plant
- Preparation, production and distribution of the Guide for Internal Communication for all plants in three languages
- Preparation, production and distribution of Language Reference Book for the sites in Croatia
- Internal campaign to raise awareness of the importance of sustainable business
- Join the Section of Community for Environmental Protection in the Croatian economy
- On-line survey on the Company's internet sites related to the Sustainability Report for all stakeholders



Opinion of the HRPSOR commission

An independent commission from the Governing Council of the HR BCSD examined the new 2016 sustainability report of AD Plastik Group. This is the fourth report on sustainability of AD Plastik Group which brings together all the most important business data as well as all the most important non-financial impacts presented using the GRI G4 Sustainability Reporting Guidelines. We hereby confirm that the report presented to us complies with the Core option reporting requirements. The report represents a comprehensive and exhaustive source of information about key impacts through its contents, quantity of information and treatment of topics significant for achieving of company's objectives and management of its impacts.

This year's report surprised us once again in terms of progress found in AD Plastik Group. Structure of the report closely follows GRI guidelines – making the report well presented and easy to read. In addition, its information is intelligible and format accessible – making reading and obtaining information about company's activities simple.

In addition to the report's format, we are also monitoring progress in AD Plastik Group's business as well as in its sustainability policy. We would like to especially point out investments in research and development as one of the fundamental prerequisites of sustainable development. Without ongoing efforts invested in product improvements and consumption of energy and materials, the company will not be capable of contributing adequately to sustainable development. We have recognised true commitment to sustainability precisely in the

efforts invested by the Group in research and development. Very specific indicators reflecting progress arising from these efforts should also be added at this point. AD Plastik has recorded a drop of energy use in relation to consumption of materials, as well as a decline of greenhouse gas emissions per kilogram of its products. Also, a significant reduction of air emissions of pollutants was observed, especially NO₂, SO₂, CO, VOC and others, and a decrease in generation of hazardous and non-hazardous waste.

In addition to the efforts aimed at continuous technological advancement and sustainability, the company is also investing in progress related to its social impacts. The report indicates a good practice in proportion of local suppliers and foreign ones – which is constantly growing in all the countries and across all production sites encompassed by this report. Responsible management and recognition of potentials present at all the sites is also apparent in adoption and replication of good initiatives which do not necessarily come from the central unit. In the last year, good practice introducing rewarding of good ideas of AD Plastik Group employees was adopted in this manner from Russia.

The good practice and efforts invested by AD Plastik in improvement of its impact as well as excellent business results were recognised by the wider professional and social community – which is attested by numerous awards received by the company in the reporting period.

We support AD Plastik's efforts at continued development of stakeholder relations and creation of a partner relationship and two-way communication which can only be a result of long-term and committed efforts. AD Plastik exhibits progress in this area, but additional room for improvement of these relations is also apparent.

We would like to suggest to you to present further data and information providing a more detailed review of protection of human rights and the policy of diversity in relation to the information on management. We are proposing you to present policies and models actively providing mechanisms protecting human rights and fostering diversity and equal opportunities in the AD Plastik Group, especially being aware that there are specific features of protection of minority groups considering diversity of the sites where the company operates.

We would like to commend the content of the report presented to us because it demonstrates progress in the reporting content and its format, but even more importantly, it shows AD Plastik Group's progress in management of non-financial impacts of the company. We hope this trend of progress will be present in the years ahead of us.

Your needs. Our drive.

Solin, July 2017

www.adplastik.hr

