

Social Responsibility in Business Performance

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

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

The founding of the SCOTT BADER Company and Group

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

The Commonwealth

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

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

This highly generous and imaginative act established a common trusteeship business. This means that we have no external Shareholders. All the shares are held in trust and this makes us totally independent. The intention of the Founders was to create a radical company, its well-being entrusted to those who work in it with democratic involvement.

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

Where does Scott Bader operate today?

When Scott Bader became a Common Trusteeship Company it operated only in the UK which made the founding principles, democratic process and way of working easier to understand and demonstrate.

Over the last 50 years the company has expanded geographically and today has manufacturing companies not only in United Kingdom, but also in France, South Africa, Dubai and Croatia. It also has distribution companies in the Czech Republic, France, Spain, USA, and Eire. It employs approximately 650 people worldwide.

What is expected of Scott Bader people?

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

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

The arrival of SCOTT BADER to Croatia

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

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

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

Even prior to having become the owner of the Croatian company, Scott Bader worked on improving the processes, products, organization and financial stability of the Company and provided access to all of its resources and expertise.

In spring 2007 the Company changed its name into SCOTT BADER d.o.o.

The activities and organization of the Company

SCOTT BADER d.o.o. is a producer of epoxy resins, namely:

- **polyester and vinilester resins** (Crystic, Cromoplast and Chromovinil), applied in the production of yachts, sailboats and boats, the production and repair of pipes, the production of decorative artificial marble stone (for bathrooms, window stools, kitchen cabinets etc.) and the production of sanitary equipment, primarily bath-tubs, which are sold in approximately 20 countries throughout Europe.

- **alkyds and acrylic resins** (Crestakyd, Crestacryl, formerly known as Chromosal, and Chromoacryl), applied in the production of alkyd- and acrylic-based paints, primarily paints for metal, wood, concrete and road marking, also sold throughout Central and Eastern Europe, in more than 10 countries, with its own, well-developed distribution network, brands and years of maintaining a strong market presence in Germany, Austria, Italy, Poland, Czech Republic, Slovakia, Slovenia, Bosnia-Herzegovina, Serbia, Macedonia, Romania, Bulgaria, Russia, Ukraine and others.

The company performs all of its activities at a single location, in Žitnjak, an industrial zone of Zagreb.

The Company has 61 employees, 17 of which are women and 44 men.

Employee education structure:

University degree	11
High-school degree	32
High skilled workers	1
Skilled workers	8
Unskilled workers	9

Supervisory Board and Business Management

Supervisory Board:

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

Business Management:

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

The Company is a major exporter and an important producer of a major part of its production range. Over 82 % of its sales revenue comes from the export of its products.

The market for our products ranges from Great Britain to Spain, from Italy to Russia, and from Poland to Greece. We are focusing on significant growth in Central and Eastern Europe.

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

MISSION

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

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

VISION

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

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

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

Current improvements to organization and work processes that are components of the introduction of ISO 9001:2000 standard, the complete integration into the Scott Bader Group, computer-guided manufacturing and continual improvements to work practices, and care for employees, the workplace and the environment, shall enable Scott Bader to retain and enhance its status as a major supplier of resins to its customers and bolster its reputation of a company in which all employees see their long-term prospects.

CODE OF ETHICS AND BUSINESS CONDUCT

1. INTRODUCTION

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

2. POSTULATES AND GUIDELINES

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

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

- 1) Adherence to all company by-laws and laws and legal regulations.
- 2) Maintenance of the highest standards of ethics and morality regardless of pressure exerted by individuals or groups inside or outside of the company. Each employee is entitled and duty-bound to refuse to comply with orders which include the violation of this Code with no legal nor moral consequences whatsoever for such refusal.
- 3) Adherence to technological and labour discipline and conscientious execution of all contracts and agreements. In this regard, verbal orders, agreements and pledges have the same ethical force as their written counterparts.
- 4) A continuous aspiration to a high level of individual achievement and professional, intellectual and mental betterment, and selfless assistance to others for this purpose.

5) Orientation of one's activity toward the preservation and enhancement of the company's intellectual and physical assets, and its reputation and status in society, with particular emphasis on protection of all employees during work processes and protection of the environment as a whole. Within the framework of this guideline, all of the innovations and technical and operational improvements accomplished by an employee during the regular performance of his/her duties shall be deemed the intellectual property of the company.

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

3. RESPONSIBILITY

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

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

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

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

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

QUALITY POLICY

The fundamental commitment of SCOTT BADER d.o.o. is customer satisfaction and the fulfilment and anticipation of customer needs.

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

- To deliver resins which comply with commissioned quality standards while ensuring a proper level of service.
- To continually seek out and introduce improvements in all areas of activity with the goal of achieving the satisfaction of customers and other business partners, which will encourage full cooperation.
- To systematically educate and train employees to promote awareness of quality with emphasis on activities directly influencing quality.
- To manage quality in compliance with ISO 9001:2000 standard under the constant supervision of the company's top quality control officer, who shall have the full support and cooperation of the Management, and to introduce in the near future environmental protection standards, namely the ISO 14001:2004 standard.
- To continually observe and implement improvements to the Quality Management System.
- To implement measures aimed at ongoing improvements to workplace safety and environmental protection.
- All employees of SCOTT BADER d.o.o. shall demonstrate their attitude to the job and their co-workers by adhering to the Code of Ethics and Business Conduct.

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

Each verification of the Quality Objectives shall simultaneously constitute a verification of fulfilment of the basic postulates of this Policy.

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

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

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

CODE OF PRACTICE FOR COMMONWEALTH MEMBERS

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

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

Report According to Global Compact

Joining the UN Global Compact initiative represents an additional step made by Scott Bader towards participating in promoting the principle of the responsible conduct of a company in a business and general social environment.

The statement of the President of the Board regarding support to Global Compact

Scott Bader d.o.o. (named Chromos Tvornica Smola d.d. at the time) joined Global Compact in 2007, recognising the value of this initiative on the broad international level as well as its value for the Company itself, through the possibility of evaluating and improving its business performance on a daily basis. At the same time, it is also a chance for the Company's presence and example on the market, alongside with other companies who consider their true profit being made only when it is made with socially responsible business performance, participate in improving the business climate, business performance incorporating human rights, respecting the environment and respecting all the principles which Global Compact has categorized into the ten most important principles of corporate social responsibility.

On behalf of Scott Bader d.o.o., our first report on Global Compact pages includes my statement by which we give our full support to Global Compact and that our goal shall be to work continuously on promoting the concept of corporate social responsibility and every individual principle of Global Compact.

March 2009

Andrej Potežica
President of the Management Board

The founding principles of Global Compact

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

Human Rights

Principle 1:

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

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

Principle 2:

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

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

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

Labour Standards

Principle 3:

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

Every employee of Scott Bader d.o.o. has the opportunity to exercise their right to freedom of association. 64 % of employees are members of the Trade Union of Chemical Industry Workers and 80 % are members of the Commonwealth, a union of employees within the Group, through which they exercise their right to participate in reaching decisions regarding the most important issues related to the Company's business and other issues related to the Statute of the Company.

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

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

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

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

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

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

The principle is clearly stated in our internal acts.

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

Our Company does everything in its power, by respecting the founding provisions of legislation, by enacting the Company's internal acts and by acting in a

fair and non-discriminating manner with respect to employment and in relations with its employed co-workers, to ensure that there is no discrimination in any segment of our activities.

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

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

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

Environment

Principle 7:

Businesses should support a precautionary approach to environmental challenges

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

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

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

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

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

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

Here are some of the large-scale interventions and investments made during the course of the past two years:

- technological improvement of the production process by introducing Molten PA charging system reconstruction and implementation, by which the production process was made shorter, safety was improved, working conditions were made significantly easier and safety in the protection of the ecological system was improved.
- improvement in the sewage system of the entire site. This large-scale intervention is carried out over a three-year period and its completion is planned for the end of the year 2009. It includes a complete reconstruction of the technological water sewage system and the reconstruction of the catchments, precipitation and waste water system, all in compliance with a project approved by Hrvatske vode (Croatian Waters).
- reconstruction of the flooring in production plants started last year and is still in progress. Its aim is to match the latest environmental and production standards.
- Continuous care and improvements in waste management (use / separation / disposal). Among others, a press for pressing paper and plastic waste was purchased.
- an improvement in the power efficiency of storing warm resins into tanks – a closed system of heating tanks using steam was constructed and installed

Principle 8:

Businesses should undertake initiatives to promote greater environmental responsibility

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

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

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

Principle 9:

Businesses should encourage the development and diffusion of environmentally friendly technologies

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

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

Anti-Corruption

Principle 10:

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

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

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

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