



GLOBAL COMPACT REPORT



Zagreb, March 2010

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Global Compact Report

Joining the UN Global Compact initiative represents an additional step for SCOTT BADER in joining the promotion of the principles of corporate responsibility in the business and social community overall.

Chairman of the Board's Report on Supporting Global Compact

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

Although in the meantime – due to the global financial crisis, as well as the economic crisis and recession that followed, additionally burdened by unfavorable business conditions on the Eastern European markets due to the general liquidity being significantly reduced – a significant change for the worse occurred in business conditions, we still believe that business transactions, regardless of how profitable they may be, and regardless of how difficult they may be short term, are only successful if the profit made is accomplished by conducting socially responsible business activities.

Even under hard business conditions (a significant decrease in turnover 2009 vs 2008, yet in keeping with the company's profitability), our company adhered to its principles, and the principles of Global Compact, and we are still trying to fight for our position on the market and achieve the best results possible, while at the same time doing our part in improving the business environment, by conducting our business in such a manner as to respect human rights, protect our environment and respect all of the principles comprehensively summarized by Global Compact into the ten most important principles of responsible business conduct.

On behalf of SOTT BADER d.o.o. I hereby state that we give our full support to Global Compact and that continuous efforts towards promoting the concept of socially responsible business conduct and every single principle of Global Compact continues to be our goal.

March 2010

Chairman of the Board

Andrej Potežica



Profile 2 – Organizational profile

Social Responsibility in Business Performance

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

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

The founding of the SCOTT BADER Company and Group

Scott Bader Company Limited was established in 1923. Ernest Bader was a Swiss 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.

Business activities and company organization

2.1.

Name: SCOTT BADER d.o.o.

2.2.

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

2.3.

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

2.4.

The Company operates at a single location, in Zagreb's Žitnjak industrial zone. The Company's headquarters are located at Žitnjak bb, HR-10 000 Zagreb, Croatia.

2.5.

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

Since 2009 there are intensive activities for entering Chinese market, through a member of Scott Bader Group.

2.6.

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

2.7.

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



- **polyester and vinyl ester** (Crystic, Chromoplast, Chromovinil), with the application in the production of yachts, sailboats and boats; the production and repair of pipes and pipelines; the production of decorative "artificial marble"; and the production of sanitary equipment, primarily bathtubs, that sell in about 20 countries across Europe.

alkyd and acrylic resins

(Crestakyd, Crestacryl, formerly known as Chromosal and

Chromoacryl), with the application in the production of alkyd and acrylic-based paints, primarily paints for metal, wood, concrete and road marking.

2.8.

The Company has 56 employees, 15 of which are women and 41 men.

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

Employee structure by gender

Gender	2007	2008	2009
men	40	43	41
women	17	18	15
TOTAL	57	61	56

Employee structure by education

EMPLOYEE STRUCTURE BY EDUCATION	Number of Employees		
	2007	2008	2009
Unversity degree	11	11	9
High-school degree	26	28	28
High skilled workers	1	1	0
Skilled workers	10	12	10
Semi-skilled workers	1	1	1
Unskilled workers	8	8	8
TOTAL	57	61	56

Employee structure by age

EMPLOYEE STRUCTURE BY AGE			
	2007	2008	2009
under 18 years of age	0	0	0
18 - 20	0	0	0
21 - 30	4	7	6
31 - 40	7	8	8
41 - 50	14	15	15
51 - 55	15	11	11
over 55	17	20	16
TOTAL	57	61	56

2.9.

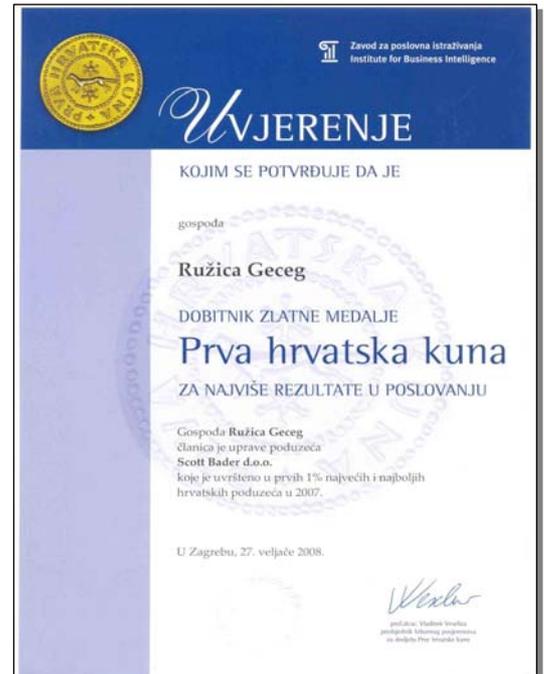
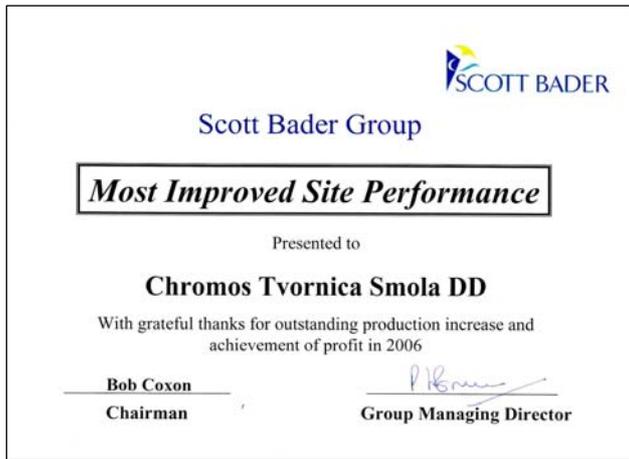
During the period that this report refers to, more precisely – in May 2007, the Company was transformed from being a stock company into a Limited liability company and changed its name from the former Chromos Tvornica Smola d.d. into SCOTT BADER d.o.o.

Late in the year 2008 alkyd resins were renamed as follows: Chromosal into Crestakyd and Chromoacryl into Crestakryl.

2.10

Significant awards that were awarded to SCOTT BADER d.o.o. during the reported period

- Nomination for the Zlatni Ključ (Golden Key) award for the best exporting medium-size company in 2007.
- Prva Hrvatska Kuna (First Croatian Kuna) – ranging among the top 1 % of Croatia's largest and best companies in the year 2007.
- Most Improved Site for the year 2007 –awarded within the SCOTT BADER Group.
- Nomination for the Zlatni ključ (Golden key) award for the best exporter in South Africa in 2008.



ISO 9001:2008

System of quality management in SCOTT BADER d.o.o. is established in accordance to standard ISO 9001:2008. Quality management is defined through documented system, through Quality Rules, defined Processes, Procedures, Working Instructions and Recordings.

Essential goal of our company is customer satisfaction, i.e. estimation of customer needs and appropriate answer to those.

In December 2009 there was the re-certification process performed by certification firm Lloyd's Register Quality Assurance, that has stated in it's report: „The system is effective in monitoring, analysing and achieving business goals, as well as in internal audit, corrective and preventive actions and high level of confirmed customer satisfaction.

The organisation feels effects of global crisis, but is not in bad position, actions were made for market enlargement. Business results in 2009 on Scott Bader Group level are very good, that give additional ensurement.“

There are preparations started in 2010 for application and acceptance of Standard ISO 14001, that would enable even better monitoring on all environmental aspects and action of environment protection, and at the same time additional economic benefits.



Profile 3. - The Report Parameters

3.1.

The Global Compact Report encompasses the period partly covered in already in previous Report, and continues to period from March 2009 to 31st December 2009., with reflection to previous period with the goal of achieving better understanding of certatin trends.

3.2.

This is the second SCOTT BADER d.o.o.'s COP.
The previous/the first one was submitted on 17th March 2009.

3.3.

Report submission is on annual basis.

3.4.

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

The Report was delivered by:

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

3.5

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

3.6

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

3.7

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

The complete COP Report shall be published on UN GlobalCompact web-site www.unglobalcompact.org, and SCOTT BADER web site www.scottbader.com.

3.10

Information and data from previous report are not changed.

3.11

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

3.12.

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

3.13

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

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

Certain parts of the Report refer to the functioning of the system according to the ISO 9001:2008 standard, for which regular audits confirm positive results. The Management confirms that all data contained in this Report are true.

Profile 4. – Management, obligations and participation

4.1.

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

4.14./4.15.

SCOTT BADER d.o.o. stakeholders

The report of stakeholders, communication and improvement

Customers

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

Suppliers

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

Owners

- The owners as stakeholders are continually involved and informed of the Company's business performance and other important events in both the

company and its environment through pre-defined reporting forms and through an on-going communication within the Group.

Employees

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

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

Trade Union and Commonwealth Members

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

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

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

Local and wider community

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

Business and other associations

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

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



MAIN ACTS OF COMPANY POLITICS



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	<p>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</p>
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>



THE FOUNDING PRINCIPLES OF GLOBAL COMPACT



The founding principles of Global Compact

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

Human Rights

Principle 1:

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

Scott Bader d.o.o. operates on 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.

Years	Administration			Operations		
	2007	2008	2009	2007	2008	2009
Below 18 years	0	0	0	0	0	0
18-20	0	0	0	0	0	0
21-30	1	2	2	3	5	4
31-40	0	1	1	7	7	7
41-50	5	5	5	9	10	9
51-55	3	2	2	13	9	9
above 55 years	1	3	3	16	17	14
Total	10	13	13	48	48	43

**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

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

**Principle 8:
Businesses should undertake initiatives to promote greater environmental responsibility**

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

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

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

STATEMENT REGARDING REACH

Scott Bader d.o.o., as a responsible company, and in an effort to prevent any surprises regarding the REACH Regulation 1906/2007, since Croatia is yet to accede to the EU, has named Scott Bader Co. Ltd. as its sole representative in the EU, and has pre-registered all substances and all substances used in preparations acquired from the EU market and from non-EU markets. Although confirmations have been received from almost all suppliers that they started the pre-registration process, this alone still provides no guarantee regarding the completion of the registration process. Scott Bader d.o.o. has therefore adopted the so-called "safety net" approach, in accordance with the recommendations given by the European Chemicals Agency (ECHA), and pre-registered all identified substances which are used as monomers or additives.

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

In the following period, we plan to communicate with our suppliers and buyers to include the mention of all applications of a certain substance included in our products in the registration dossiers (either our own or those of our suppliers).

**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.



ECONOMIC DIMENSION



EC1

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

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

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

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

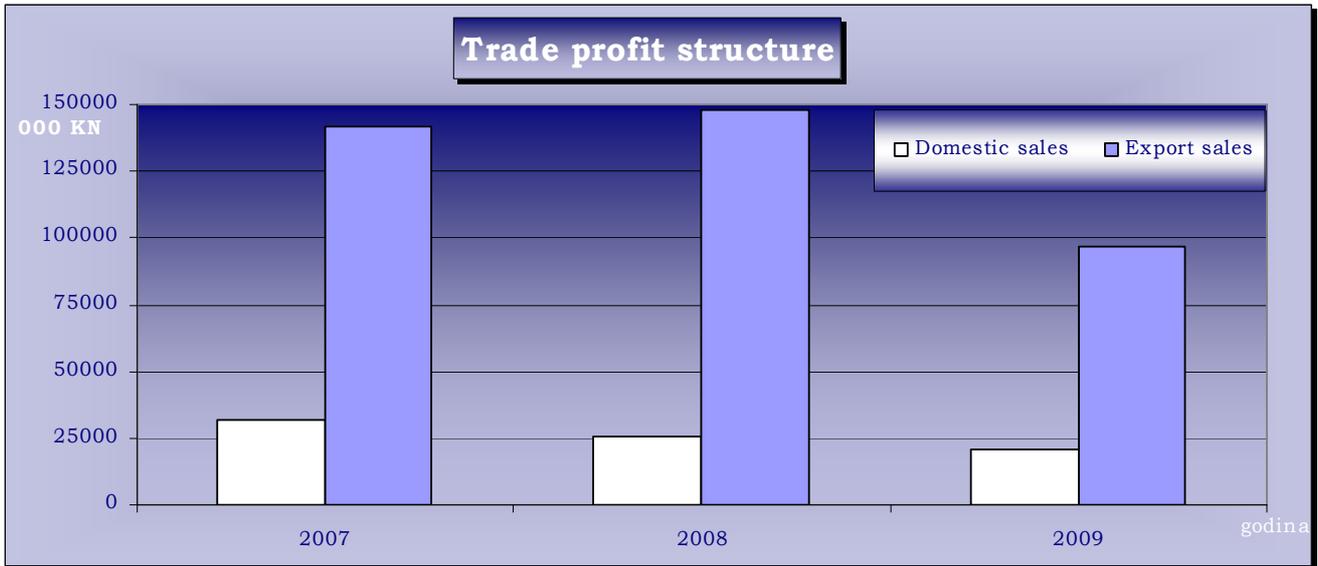
The Company therefore tries and succeeds in utilising its capacities to a maximum level through continual improvements in its organization, technology, quality and cost management.

SCOTT BADER is an important exporter, and with a large share of its product range it is an important regional producer. In the last several years export presents 80 to 85% of total sales.

In 2009, faced to global crises, business was something decreased, i.e. income from selae is lower than in previous year, but production for export still was over 82% of total sales.

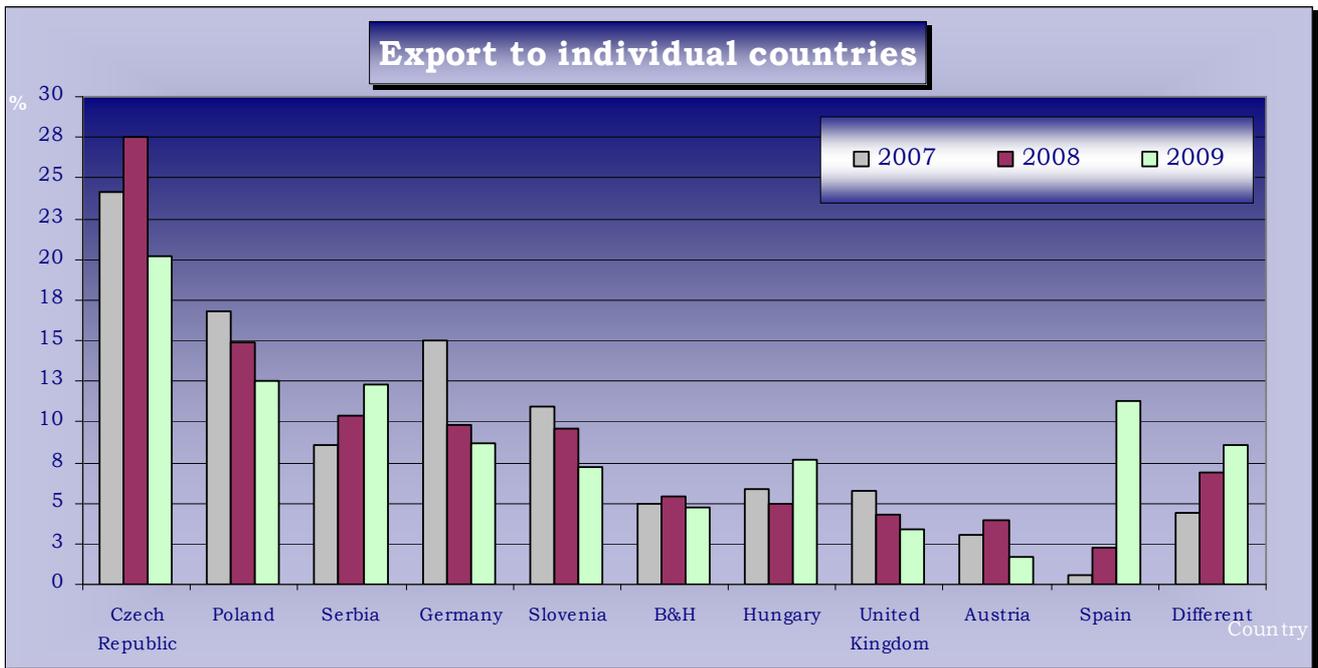
Trade profit structure

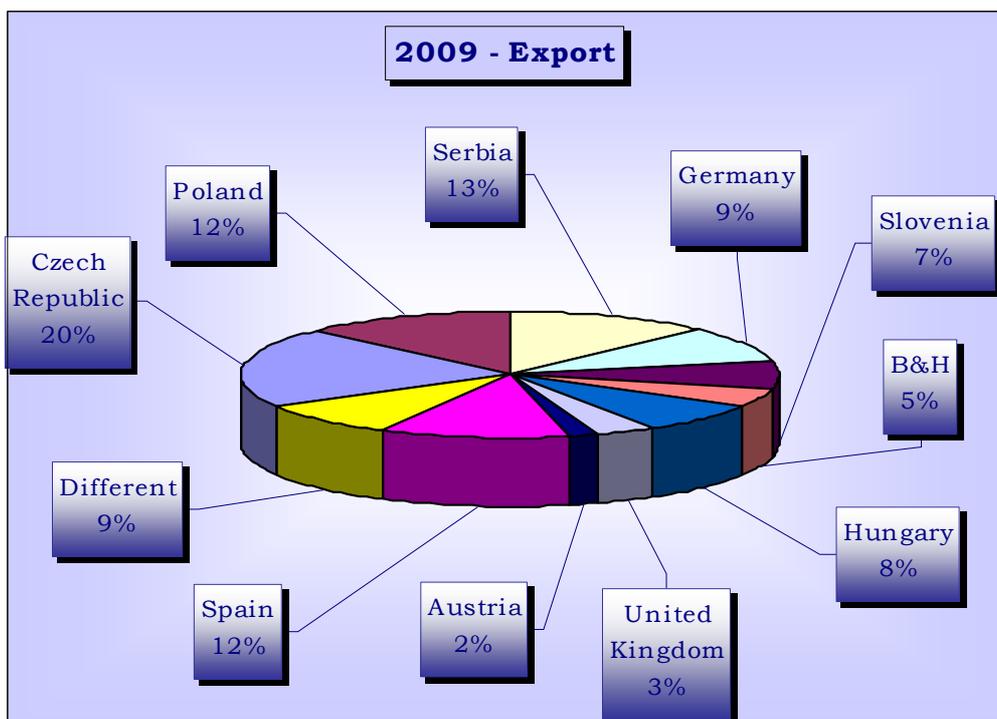
Trade profit structure HKN 000	2007	%	2008	%	2009	%
Domestic sales	31.532	18,17	25.899	14,91	20.925	17,8
Export sales	141.996	81,83	147.801	85,09	96.636	82,2
TOTAL	173.528		173.690		117.561	



We place our products on a wide market ranging from the UK to Spain, from Italy to Russia and from Poland to Greece. We still concentrate on a significant growth in Central and Eastern Europe.

Export to individual countries within the past three years (participation)





Direct, achieved and distributed economic value

Direct, achieved and distributed economic value			
	2007.	2008.	2009.
Direct economic value			
a) Income	173.553	173.855	112.405
Distributed economic value			
b) Business expenditures	156.235	159.617	85.493
c) Employee's salaries and benefits	8.692	9.178	9.421
d) Payments to capital providers	868	634	387
e) Payments to the State	1.117	1.198	1.275
f) Investments into Community*			

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

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

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

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

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

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

* Investments into the Community: this segment shows the specific characteristics of the organization and functioning of the basic principles in the Scott Bader Group and the existence of Commonwealth. The Group is expressively turned towards its local and wider community, and its financial participation is performed through donations, voted on by all members of the Commonwealth and paid from a joint fund at the Group level. Therefore the amount of donations is not shown in the table above, as there was no expense at the level of local company, although the donations were made to Croatian charities, following the proposal of Zagreb's SCOTT BADER d.o.o. employees and from the fund provided for by the Zagreb-based company.

Donations

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

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

In 2009 SCOTT BADER d.o.o. has got from Scott Bader Commonwealth Limited amounts of 6700 GBP to be donated.

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

Charity / year	2007	2008	2009
SNAGA	2.000	1.500	1.700
KOSSP „Zagreb“	-	-	-
SOS village, Lekenik	-	1.000	1.000
Krijesnica	2.000	1.600	1.500
Croatian Association of the Blind	1.000	1.000	1.500
Put u život	1.000	1.100	1.000
Total	6.000	6.200	6.700

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

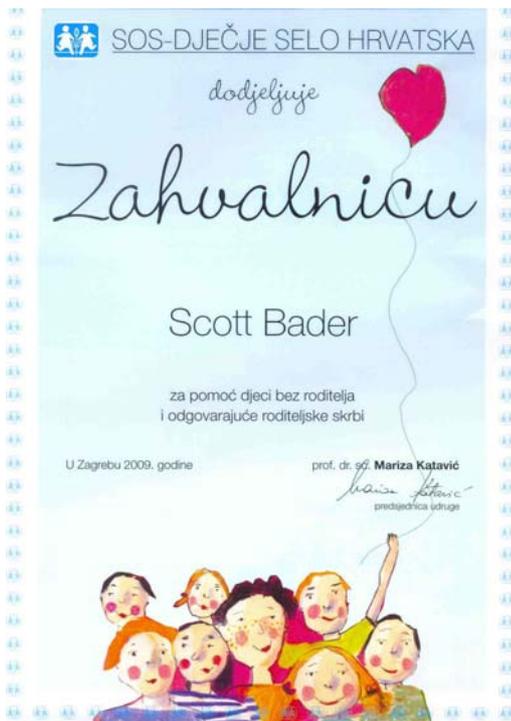
The SNAGA (STRENGTH) Association of persons with cerebral palsy

The SNAGA (STRENGTH) Association of persons with cerebral palsy uses the donation for their "Integral neuro-rehabilitation of children and youth with cerebral palsy" project that can not be financed by the Croatian Institute for Health Insurance. This program is realizing in clinical center Dr maja Roje Novak in Zageb The SCOTT BADER's donations help each year to at least one child to improve their motor control and decrease their handicaps so as to better fit into the society.

In 2009 there was nine children included in this program.

SOS Children Village

Organisation SOS Children Village is taking care about 240 children without parents or without appropriate parental care, giving them security, love and education, necessary for happy childhood. This care is taken by SOS-moms. As children, who are living in SOS villages, after traumatic experiances some of them previously had, often have difficulties in studing, speach of reading, they need special lessons from experts. The donated money we gave in 2009 was used for such external experts' help in SOS village Ladimirevci.

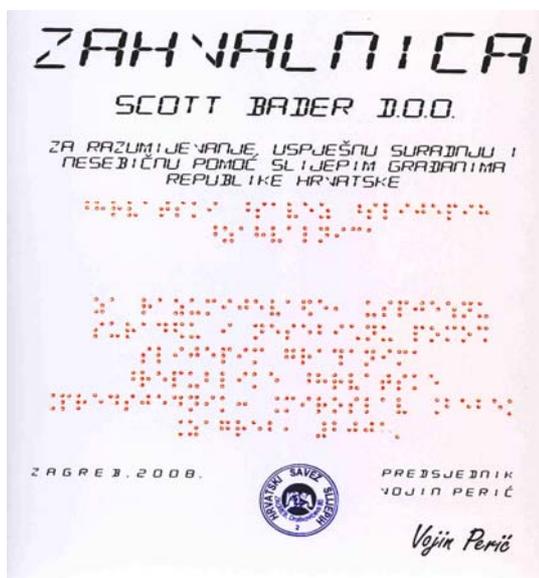


Udruga Krijesnica (Firefly)

Udruga Krijesnica (Firefly) is an association for assistance to children and families faced with malignant diseases. The donated amount was used for purchasing medicines and antitumor drugs that are not included in the list of medicines covered by the State,

purchasing medicinal equipment for the oncology unit, and providing psychological assistance to both children and their parents.

Significant amount is used for psychological help to parents or brother and sisters of ill children.



Croatian Association of the Blind. The project Touch the Earth is continued in 2009. "Touch the Earth" project that includes the creation of the first tactile geographic atlas for the blind and visually impaired primary school pupils. The project has finished and enabled the blind and visually impaired pupils as well as their peers to study geography at a higher quality level, by which the barrier that they were facing until now regarding the perception of Planet Earth, its continents, seas, states etc. was removed. This contributed to a significant decrease in the quality differences in education between children that are visually impaired and healthy children. Donated money in 2009 was of great help in publishing the bigger numbers of tactile atlases.

PUŽ (SNAIL) - Put u Život (A Way into Life) – Association of parents of children with special needs was founded to improve the quality of life, medical and social protection of children with special developmental needs and their families through education, various therapeutic treatments etc. The money donated in year 2009 the Organisation used for computer workshop, where help to children with special developmental needs was organised, so they could develop their computer skills.





SOCIAL DIMENSION



SOCIAL DIMENSION

Aspect: Community

SO1.

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

1. Importance

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

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

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

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

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

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

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

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

2. Compiling data

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

3. Definitions

Individual activities, internal acts and indicators are presented in other sections of this Report (pages 14-20)

4. Documentation

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

ENVIRONMENTAL DIMENSION



Environmental dimension

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

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

SCOTT BADER is requested to prepare report of Integrated Pollution Prevention Control (IPPC). There is in a process work on evaluation of existing situation, that would confirm if the company is using all the best and available technics in this area (BAT). According to the first results of evaluation, there is no differences to European BAT/BREF documents.

Surveillances made by different inspections (sanitarian, water, inspection on Worker's protection vessel under pressure showed that in our company there is a high compliance with law regulations, that secures minimal effects on environment and people's health, as well as enable to prevent and avoid any accidents with risk for people and environment.

EN3

Direct power consumption

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

Direct power consumption

	Gas, m ³ (GJ)	Gas, m ³ / t of products (GJ/t of products)
2007	495.348 (19.323)	29,303 (1,143)
2008	457.607 (17.851)	29,029 (1,132)
2009	396.813 (13.492)	31,253 (1,063)

1 m³ gas = 0,034 GJ

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

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

EN4

Indirect power consumption

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

Indirect power consumption

	Steam t (GJ)	Steam, t/t of products (GJ)	electric power, kWh (GJ)	El. energy, kWh/t product (GJ/t product)
2007	7.256 (15.092)	0,429 (0,892)	1.458.978 (5.252)	86,3 (0,310)
2008	8.216 (17.089)	0,521 (1,083)	1.141.962 (4.111)	72,44 (0,260)
2009	6.244 (12.987)	0,492 (1,023)	1.058.542 (3.811)	83,34 (0,300)

1t of steam = 2,08 GJ

1 kWh = 0,0036 GJ

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

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

EN8

Water

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

A separate cooling water system with two cooling towers has been in use since 1972, and only the amount lost through evaporation on cooling towers is replaced. To prevent the accumulation of sediments on cooling planes, the water is chemically treated, thus ensuring maximum cooling effect at minimum power consumption

There is a new vacuum pumps system implemented, with closed ::::: water, that additional decreased water consumption. Previously system used ::::: water only in one direction, not in circulation.

Through continuous every day monitoring of movements on measure equipment, it is also possible to recognize as fast as possible any breakage on water pipes and work on needed sanitation before any significant loss accure.

Annual water consumption per ton of products

	m³ / t of product	m³/year
2007	1,434	24.242
2008	1,396	22.005
2009	0.974	12.370

EN16

Greenhouse gas emission

Burning gas in hot oil boiler for heating the plants results in CO₂ which is the most often mentioned greenhouse gas.

	CO2 emission t/year	CO2 kg/t product
2007	921	54
2008	851	54
2009	738	58

The total production of CO₂, despite the increase in production, is decreasing, and the amount of CO₂ per ton of product is reduced to 54 kg.

In 2009 we started with vinyl esters production with new low temperature catalyst which result in lower energy consumption for heating end cooling.

EN20

NO_x and other significant emissions

By using earth gas for fuel, the SO₂ emissions are reduced to a minimum.

Nitrogen oxides and greenhouse gasses calculated from the amount of gas used amount to about 800 kg per year.

	NO_x kg/year
2007	806
2008	827
2009	716

EN21

Total water disposal

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

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

	Production t/year	Waste water release m ³	Waste water release m ³ /t of products
2007	16.904	16.252	1,04
2008	15.764	14.288	0,906
2009	12.697	7.752	0,611

EN22

Total waste

All waste that is not dangerous (paper, plastic, metal) is collected and recycled by authorised companies.

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

Dangerous waste, because of its specifics, may currently only be disposed by thermal processing. Only waste oils, that amount to not over 1 t per year, are disposed in Croatia, while all other dangerous waste is exported by authorised companies to waste incinerators. The recycling of metal barrels with residues of dangerous substances has begun in the year 2008, when 15 t (about 750 barrels) were recycled.

Total waste

	Not dangerous waste, kg	Dangerous waste, kg
2007	34.000	120.000
2008	15.000	99.000
2009	21.669	46.256

Waste per ton of products

	Not dangerous waste, kg/t	Dangerous waste, kg/t
2007	2,01	7,10
2008	0,95	6,26
2009	1,71	3,64

EN26

Initiatives for reducing the impact on environment

According to positive legal regulations, a producer is obliged, at his expense and at the request of customers, dispose of dangerous substances packaging. A very efficient system has been introduced 3 years ago in SCOTT BADER, by which the packaging from our customers is disposed of in Croatia. The amount of packaging collected and disposed of is related to the sales on the domestic market, so in the year 2007, in the light of record sales on the domestic market, the quantity of disposed packaging was the highest ever. All regular requests made by the customers for the return of packaging were met.

	Collected packaging / pcs
2007	1.135
2008	810
2009	662

EN30

Total ecological investments, cost & services

	2007	2008	2009
Investments	1.673.617	1.210.389	761.559
Costs	1.084.670	619.380	308.694
Services	253.617	226.686	109.754
Total	3.011.904	2.056.455	1.182.016