

CORPORATE SOCIAL RESPONSIBILITY REPORT

May 2020



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- The Positive Effect of Continuous Action

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- We are ready to accept all the new challenges for the well-being of every member in our society

1. Introduction by the Chief Executive Officer





Dear partners and employees, ladies and gentlemen,

After the regular issues of the Annual Reports on the business of the Auto Hrvatska Business Group for this year, with the thematic literature published in MAN Magazine, we have decided to re-issue the Corporate Social Responsibility Report.

This second edition of the Corporate Social Responsibility Report fits the core option according to GRI standards.

In this Report, you will have the opportunity to become acquainted with the achieved positive financial results for 2018 and 2019, but also with the internal and external culture of the company, as well as our concern for protecting the environment.

The described CSR actions show the positive impact of continuous action since the company's foundation in 1992, but there is still much room for improvement. It is for this reason that I call on our management and all our employees to further improve their delivery of quality, with adequate labor productivity, and to develop belonging and motivation in their daily actions. I also invite representatives of suppliers and our partners, users of vehicles, spare parts, and services for open comments and suggestions for improving our way of conducting business.

We are ready to accept all the new challenges for the well-being of every member in our society. The management of the business group is committed, in accordance with the achieved business results, to maintain balance in the satisfaction and interests of our employees, business partners, the community, and shareholders.

Dear all, at the time of this report, we find ourselves in an unprecedented health and business challenge in our Company's seventy-year history, caused by the pandemic Covid -19.

This Report will be released, and the pandemic will still be present. Our activity is greatly diminished by these existing limitations, but we will not give up.

It is time to "hold our horses", set our priorities, and move towards their realization.

Our priorities are as clear as always, in any crisis. First, to preserve health, then to preserve our employees' jobs and liquidity for the due fulfillment of all our obligations.

I invite all of you to join us on this journey while expressing my gratitude for the positive actions you have taken so far.

With my deepest respect,

**Yours,
Bogdan Tihava**



- The business group consists of 12 affiliated companies

2. About the Auto Hrvatska Business Group



Auto Hrvatska d.d. is a parent company operating a system of 12 companies under the name **Auto Hrvatska Business Group**. Through its companies, it performs commercial and service activities in the economic and personal program for new and used vehicles with their associated parts, tires, service equipment, tools, and services. The Company is headquartered in Zagreb, Heinzelova 70.





2.1. Business group

The members of the business group in Croatia are:

■ **Auto Hrvatska d.d.**

Zagreb, Heinzelova 70

- management of the companies in the Business Group

■ **Auto Hrvatska PSC d.o.o.**

Hrvatski Leskovac, Zastavnice 25c

- ⚙️ - authorized network for the sale and service of commercial vehicles MAN, NEOPLAN and Otokar, sale and service of used commercial vehicles of other manufacturers, spare parts, tires, and equipment. Authorized partner for MAN, NEOPLAN and Otokar commercial vehicles. Service partner for Knorr-Bremse, Schmitz Cargobull, Wabco, BPW, Dautel, BÄR Cargolift and Palfinger Kran



Karlovac, Zagrebačka ulica 15a

Varaždin - Turčin, Poduzetnička zona Kneginec, Mavra Schlengera 13,

Osijek, Sv. Leopolda B. Mandića 31e

Pazin, Naselje Lovrin, Rogovići 82d

Rijeka, Bujanovo 8

Zadar, Franka Lisice 85

Split - Dugopolje, Dugopoljska 2

■ **Auto Hrvatska Automobili d.o.o.**

Zagreb, Radnička cesta 182

- ⚙️ - sale and service of passenger cars and light commercial vehicles at 6 locations



Zagreb, Radnička cesta 182: : sale and authorized service of Fiat vans and a Ford authorized service center
Zagreb, Heinzelova 70: sale and authorized service of Peugeot passenger and light commercial vehicles

Karlovac, Zagrebačka ulica 15f: sale of Volkswagen and ŠKODA vehicles, authorized service for VW, ŠKODA, Ford, and Fiat vehicles

Rijeka - Čavle, Bujanovo 6: sale and authorized service of Mazda vehicles

Zadar, Ulica Franka Lisice 85: sale of Volkswagen and Audi vehicles and authorized service for VW, Audi, and ŠKODA vehicles

Split - Kaštel Sućurac, Ulica Ivana Pavla II 1a: sale and authorized service of Renault and Dacia vehicles

■ **MAN Importer Hrvatska d.o.o.**

Hrvatski Leskovac, Zastavnice 25c



- General importer of commercial vehicles and original spare parts of the reputable manufacturer MAN Truck & Bus SE for the Croatian market

■ **KAM i BUS Importer d.o.o.**

Zagreb, Radnička cesta 182



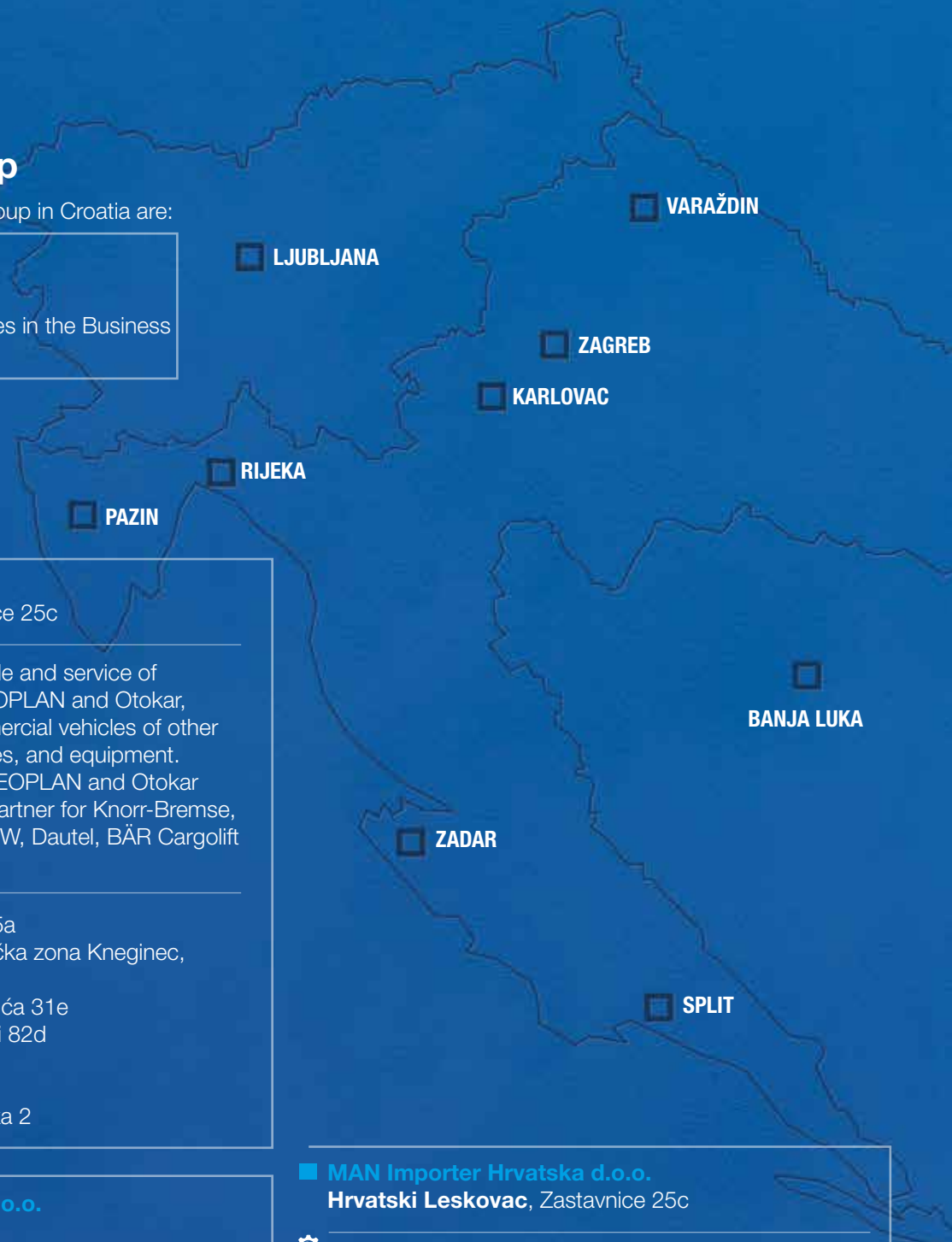
- authorized importer and authorized service partner for commercial vehicles and spare parts of Ford Trucks for the Republic of Croatia

■ **Auto Tangenta d.o.o.**

Zagreb, Radnička cesta 182



- insurance agency



Members of the business group in Slovenia:

■ **KAM i BUS Importer d.o.o. Slovenija**

Ljubljana, Celoveška cesta 492



- authorized importer and authorized service partner for commercial vehicles and spare parts of Ford Trucks for Slovenia

Members of the business group in Bosnia and Herzegovina:

■ **MAN Importer BH d.o.o.**

Sarajevo - Ilidža, Ulica Vlakovo 10



- general importer of commercial vehicles manufactured by MAN Truck & Bus SE for the market of Bosnia and Herzegovina

■ **KAM i BUS d.o.o.**



- offers customers new and used commercial vehicles from MAN Truck & Bus SE, used vehicles of other brands, as well as maintenance and repair services for trucks, trailers, and buses of all manufacturers



Doboj jug, Matuzići, Ulica 203. brigade br. 88

Sarajevo - Ilidža, Ulica Vlakovo 10

Laktaši, Glamočani bb

Tuzla - Lukavac, Bistarac bb

■ **KAMION Importer d.o.o.**

Doboj jug, Matuzići, Ulica 203. brigade br. 88



- authorized importer and authorized service partner for commercial vehicles and spare parts of Ford Trucks for Bosnia and Herzegovina

Članice Poslovne grupe u Makedoniji:

■ **MAN Importer Makedonija d.o.o.e.l.**

Skopje - Ilinden, Ulica 2, br.84



- General importer of commercial vehicles and original spare parts of the manufacturer MAN Truck & Bus SE for the Macedonian market

■ **KAM i BUS d.o.o.e.l.**

Skopje - Ilinden, Ulica 2, br.84



- ovlašteni partner za prodaju vozila i rezervnih dijelova te pružanje servisnih usluga za marke MAN, NEOPLAN i Otokar



2.2. Basic Values of the Organization

Our vision

To be synonymous with competence and competitiveness in the market of products and services in the car profession.

Our mission

Provide users with long-term availability of all types of high-quality products and services in the car profession in the field of conducting business, with an appropriate relationship to social values and environmental protection.

The assumption of achieving the strategic goals defined in the development plan is the stable operation of all business units, each company, and each business group. Positive business is only possible through the achievement of the **FUNDAMENTAL GOALS**:

- **Increasing quality** in all processes of work and **competitiveness** of the prices of goods and services
- Achieving a higher level of **performance management with adequate motivation for employees** by continuing the standardization process and measuring the work done per employee
- **Positive business** of each business unit
- Significant orientation towards **business digitization** with the implementation of adequate IT tools in business
- Excellence in **managing all assets**

2.3. Ownership and Legal Form

The Joint Stock Company Dioničko društvo Auto Hrvatska, as the parent company of the Auto Hrvatska Business Group, **is the 100% owner of all the companies in the Auto Hrvatska Business Group, which are all limited liability companies.**

The shares of the Auto Hrvatska Joint Stock Company are listed on the regular market of the Zagreb Stock Exchange and **the company has more than 1,300 stakeholders**, both natural and legal persons.

The share capital of the company amounts to HRK 60,000,000.00 The share capital of the company is divided into **600,000 shares.**

The nominal value of each founding share is HRK 100.00.

All shares of the company are regular and issued in the form of dematerialized securities.

2.4. Management structure and bodies

The business group consists of 12 affiliated companies that oversee and strategically direct the parent company, Auto Hrvatska d.d., through supervisory boards and general assemblies of companies.

The General Assembly is the highest body of the company and consists of all the stakeholders with voting rights. At the General Assembly, stakeholders decide on their rights and obligations in the company.

The President of the Stakeholders Assembly has a term of office of four years.



Tomislav Plejić
- chairman of the
General Assembly

Auto Hrvatska d.d. operates through a monistic management system, so management and control tasks are accomplished through the Management Board, in which the post of chairman and deputy chairman of the board is characterized by a functional separation from the operational management of business.

The Management Board consists of three members appointed by the Stakeholders' Assembly for a period of two years with the possibility of reappointment:



Igor Brigljević
- Chairman of
the Management
Board



Zlatan Jabučar -
Deputy Chairman
of the Management
Board



Bogdan Tihava
- Member of the
Management
Board

The company has 6 CEOs who run the company's operation and represent the company. In conducting business, they are bound by the instructions and guidelines of the Management Board. The Executive Directors are appointed by the Management Board, to whom they answer regarding the management and conducting of business, for a maximum period of four years, with the possibility of reappointment.



Bogdan Tihava
- Chief Executive
Officer



Mario Fabek
- Executive
Director for
the Economic
Program



Velimir Marović
- Executive
Director for the
representations
of the economic
program



**Alen Vuksan -
Ćusa**
- Executive
Director for the
Passenger Car
Program



**Robert
Srebrenović**
- Executive
Director for
Finance and
Accounting



Zvonko Merkaš
- Executive
Director for
business
development

2.5. Size of the organization

	2017	2018	2019
No. of employees as of 12/31	676	695	724
Total revenue (consolidated)	HRK 1.17 billion	HRK 1.22 billion	HRK 1.40 billion
Total expenditures (consolidated)	HRK 1.15 billion	HRK 1.18 billion	HRK 1.35 billion
Capital	HRK 400 million	HRK 422 million	HRK 441 million
Sources of assets	HRK 636 million	HRK 636 million	HRK 659 million
Capitalization	63.0 %	66.3 %	66.9 %



2.6. Membership in Associations

Prominent companies of which the Auto Hrvatska Business Group is a member:

- German-Croatian Chamber of Industry and Commerce
- Croatian Chamber of Commerce
- Croatian Chamber of Commerce - Zagreb Chamber
- Association of Motor Vehicles Traders at the Croatian Chamber of Commerce
- Heavy-Duty Commercial Vehicle Importers Group at the Croatian Chamber of Commerce
- Croatian Association of Corporate Treasurers
- Croatian association of drivers and car mechanics (HUVA)
- Internationaler Controller Verein Croatia
- Controlling Finance Management CLUB
- Croatian Association for the Development and Application of Hydrogen Fuel Cells
- Auto Hrvatska Sports and Recreation Association
- Croatian Academic Water Polo Club Mladost
- City Football Club Dinamo



2.7. Markets and Suppliers

The Auto Croatia business group is present in the markets of **Croatia, Slovenia, Bosnia and Herzegovina, and Macedonia**.

It operates in the B2B as well as in the B2C sector.

Supplier relations are of strategic importance for the business of the Business Group. The primary focus is on direct producers (foreign suppliers) and their authorized importers in the Republic of Croatia (domestic suppliers of goods).

The business of the members of the Business Group differs in relation to the program to which each member is oriented, and thus the suppliers can be divided into passenger and commercial program suppliers. These are suppliers of passenger and commercial vehicles, spare parts, tires, batteries, oil, service equipment, tools, and bearings.

Commercial vehicle brands are: MAN, NEOPLAN, Otokar, Kässbohrer, Benalu, Ford Trucks. Passenger vehicle brands are: Peugeot, VW, Škoda, Audi, Mazda, Renault, Dacia, Fiat Professional.



2.7.1. Share of Expenditures on Local Suppliers

The ratio of domestic and EU suppliers is approximately the same. In 2018, the share of domestic suppliers was 50.3% of procurement, and in 2019, 52.5%.

	2017	2018	2019
Domestic Suppliers	HRK 605,454,739	HRK 721,183,126	HRK 852,859,899
EU Suppliers	HRK 616,067,643	HRK 693,655,579	HRK 729,683,195
Third Countries	HRK 7,501,017	HRK 18,944,676	HRK 40,698,050
Domestic Suppliers	49.3 %	50.3 %	52.5 %
EU Suppliers	50.1 %	48.4 %	45.0 %
Third Countries	0.6 %	1.3 %	2.5 %



2.8. Significant Changes in the Organization and Supply Chain

In 2018, we have expanded our collaboration with the Ford Trucks brand. A new member was founded, **KAM and BUS Importer Slovenia**, and a new **Ford Trucks center** was opened in Ljubljana. The Company **Auto Hrvatska Autodijelovi d.o.o.** merged with the company **Auto Hrvatska Prodajno servisni centri d.o.o.** with the aim of strengthening the synergistic effect of entering the market together.

After successfully completing the mission, **the member of the Business group Auto Hrvatska Centar d.o.o. was merged with the company Auto Hrvatska d.d.**

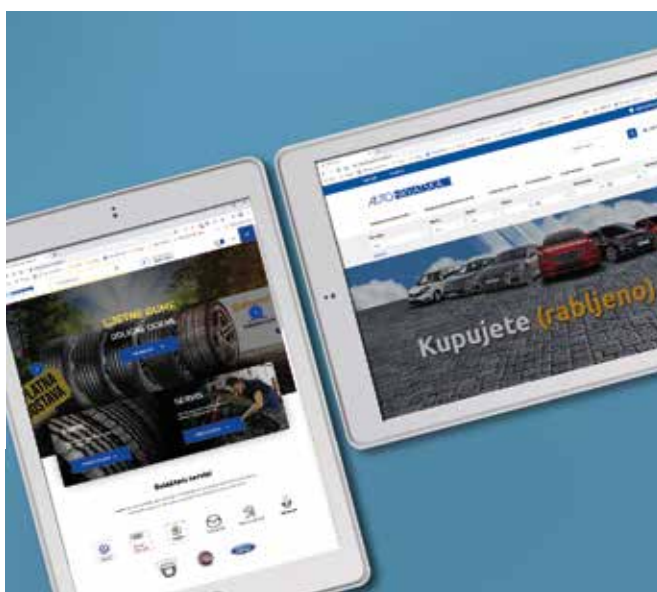
The member of the company Auto Hrvatska Automobili d.o.o. abandoned the sale of new Ford vehicles and continued to service authorized Ford vehicles at locations in Zagreb and Karlovac. **The range of Peugeot vehicles has been expanded. Within the Heinzlova Business Center, a new Peugeot sales and service center** was opened, equipped to the highest Peugeot standards of quality and functionality. The new Auto Hrvatska center deals with the sale of passenger cars and light commercial vehicles, accessories, Peugeot brand spare parts, repair services, and used vehicles.

At the beginning of 2019, the range of **Renault and Dacia** vehicles at the sale and service **center in Kaštel Sućurac** was expanded. The center, equipped to the highest standards of quality and functionality, with the offer of passenger cars and light commercial vehicles from Renault and Dacia, offers accessories, spare parts, authorized service, and used vehicle sale.

A new **commercial vehicle sale and service center** has been opened in **Osijek**. The center is equipped with state-of-the-art technology in the industry in accordance with technical, energy and environmental standards, with increased service capacity and faster vehicle maintenance and repair services.

A new **KAM and BUS center for the sale and service of commercial vehicles in Tuzla** has been built. The new commercial vehicle sale and service center expands the availability of commercial vehicle services in Bosnia and Herzegovina. As in other locations, sales of used trucks of all brands are rounded off by an offer of parts and accessories from renowned international manufacturers.

During this reporting period, the **Digital Business Transformation Program continues**. New digital tools enable customer relationship management through online platforms and are becoming a daily feature of our business. It is imperative to improve our business every day.



2.9. Ethics and Integrity

Towards a more open and efficient business, on September 12, 2005, the **Code of Business Ethics** was approved and endorsed by the **Croatian Chamber of Commerce**. The statement of acceptance of the Code of Business Ethics was signed by the companies Auto Hrvatska d.d., Auto Hrvatska Automobili, MAN Importer Hrvatska, and Auto Hrvatska Prodajno servisni centri, while the members of the Republic of Croatia established later adhere to the Code in their business operations.

In 2010, the text of the **MAN Code of Conduct**, the most important partner in terms of cooperation, MAN Truck & Bus, was adopted.

The Code of Good and Conscientious Conduct in Economic Business in the Auto Hrvatska Business Group was adopted on November 5, 2015 in order to systematically apply and strengthen the Code of Business Ethics. The Code reflects the core values of the Business Group and promotes best business standards to maintain its reputation in all areas of business. It gives employees instructions for achieving their core business goals.

The principles and guidelines of the Code of Corporate Governance of the Zagreb Stock Exchange and the Croatian Financial Services Supervisory Agency are used in business practice and the Annual Questionnaire is completed and submitted in order to ensure transparent business operations.





2.10. Stakeholder Involvement

Identifying persons and organizations directly or indirectly related to the operations of the Business Group is of great importance for our overall business.

Stakeholder group	Communication Channels
Employees Employees are our strength. Constant two-way communication seeks to maintain positive relationships, motivation in work, involvement in formal and informal groups and a sense of belonging to the community. The Auto Hrvatska Business Group insists on the daily development of business etiquette to improve communication.	• ListAH, Intranet site • E-mail • Daily oral communication • Annual employee satisfaction surveys • Possibility of a personal interview with the Director of Human Resources and Legal Affairs • Opening day of the Management Board of the Company • Annual interview with your direct superior • Annual meetings of all employees of the Business Group • Annual employee meetings in the companies-members of the Business Group • Employee education
Unions Our cooperation is based on occasional contacts with high praise from the unions regarding our relationship with our employees.	• Active participation of the Union Commissioner • Union Newsletter • E-mail at the level of the Business Group • Regular meetings of union members
Suppliers The careful selection of reputable suppliers and their high-quality products has a positive effect on the success and image of the company	• Regular meetings with the Company's Management Board and employees • Joint projects • Website • Regular and timely fulfillment of obligations towards suppliers • Anniversary tribute to loyal partners in a five-year cycle
Associations	• Collaboration on projects • Donations and sponsorships
Educational institutions Creating a timely relationship with potential future employees seeks to create motivated staff with a sense of belonging to the community in which they work.	• Performing student and student internships in the Business Group • Requests for recommendations and employment opportunities for students • High School and University Student Scholarships
Stakeholders Auto Hrvatska communicates with its owners in a transparent manner and the information is timely and easily accessible.	• Regular and extraordinary assemblies • The official website • Social media • Annual Report • Trade shows and exhibitions

Stakeholder group	Communication Channels
Buyers, after-sale clients Considering the scope of business, both natural and legal persons are our customers. Regular and continuous communication is maintained with them, with the aim of satisfying the customer with both the purchased product and the after-sales service. We carefully listen to suggestions and requirements for improving the overall conditions as well as bringing the quality of services to a higher level.	• Direct communication (visits, meetings) • Website • Phone contact, e-mail • Customer satisfaction survey after a purchase or service has been completed • Trade shows and exhibitions • Annual Business Report • Open days in sales and service centers • Anniversary tribute to loyal partners in a five-year cycle
Media Our good relationship with the media allow accurate information to be published in a timely manner. The most common topics published are announcements related to business and business expansion, new projects and products in the Business Group's assortment, fleet deliveries of vehicles, and the like.	• Press releases • Collaboration on joint projects • Reports, interviews, publications • The official website • Advertisements
Local and wider community Throughout its 68 years of existence, Auto Hrvatska has contributed to the economic development of the community in which it operates by creating new values.	• Website • Social media
Financial Institutions Leasing companies and commercial banks with which the company has a long-standing relationship are crucial for the smooth running of business. Shares of the company Auto Hrvatska d.d. are listed on the Zagreb Stock Exchange.	• Regular meetings • Regular financial and non-financial statements • Stock price transparency on the Zagreb Stock Exchange • Website

724
employees

on Dec 12, 2019

2.866
sold cars

In 2019

237.000
hours of service
personnel

In 2019

26
locations

944
sold trucks

In 2019

81.000
sold tires

In 2019

157
sold buses

In 2019



2.11. Reporting Practice

The entities included in the consolidated financial statements are all 12 members of the Auto Hrvatska Business Group operating in the markets of Croatia, Macedonia, Bosnia and Herzegovina, and Slovenia.

2.11.1. Selection of Material Topics

The material topics of the Report reflect the economic, environmental, and social impacts of the Auto Hrvatska Business Group, as well as the impact on the stakeholders' assessments and decisions. They are recognized as important in the medium to long term development plans, vision and mission.

Economic topics:

- Economic effect
- Presence in the market
- Indirect economic effect

Environmental topics:

- Energy
- Water and wastewater
- Waste treatment

Social topics:

- Employees
- Workplace Health & Safety
- Training and education
- Local Communities







- Competence and competitiveness in the market of products and services

3. Topic-Specific Standards - Economic topics

Competence and competitiveness in the market of products and services of the auto profession are the main goals of the Auto Hrvatska Business Group.

Employee productivity, quality of products and services, and the standardization of business processes are prerequisites for achieving a positive business result in each organizational unit. The strategic planning process in all business segments defines the target consumer groups and their needs, the product range, target markets and main competitors. After analyzing the current situation, the process is focused on capitalizing on existing revenue and efficiency in the use of resources, on defining key problems and priorities, as well as ways of creating developmental benefits and organizational adaptation.

Other developmental goals at the level of the Auto Hrvatska Business Group in the medium-term include further work on **the standardization of operations, increasing the competence of employees in all segments, increasing competitiveness, further construction of sale and service centers, technical and technological modernization of the business process, entering regional markets, creating a balanced development of all business segments and redefining the corporate identity.**

The management also took on the task of improving internal communication, coordination, and systematic monitoring of defined goals, as well as the education and professional specialization of employees.

The project of employee shareholding and reward acquisition of shares for the retention of shares acquired on the basis of contributions by the results achieved in previous periods has continued. One of the more significant goals is the restructuring of existing assets that are not in operation to enable the preparation of new investments in the core business.



3.1. Directly created and distributed economic value in HRK

	2017	2018	2019
Generated Economic Value (Revenue)	1,180,348,831	1,224,933,730	1,405,692,712
Distributed Economic Value (Operating Expenses)	1,043,647,607	1,074,564,396	1,234,441,365
Distributed Economic Value (Personnel costs)	104,955,192	104,309,751	119,162,426
Distributed Economic Value (Expenditure for Capital Providers)	14,342,739	15,196,153	14,610,108
Retained economic value	17,403,293	30,863,430	37,478,813

3.2. Financial applications and other climate change risks and opportunities

Climate change necessitates changing our habits and applying new technologies. An increasing share of electric and hybrid cars is emerging on the market. Risk is also an opportunity to adapt to the market.

The method of managing this risk:

- environmental protection in procurement, sales and after-sales,
- increasing energy efficiency,
- new vehicles follow standards in the field of exhaust gas control and fuel consumption in accordance with the Euro 6 standard,
- proper waste management.



3.3. Assisted investment in infrastructure

Appropriations through the grant agreement with the Ministry of Environment and Energy and the Environmental and Energy Efficiency Fund for investing in infrastructure can be followed in the tables.

The funds in the member **Auto Hrvatska Prodajno servisni centri** are used for measures to **increase energy efficiency**, i.e. to install a more efficient indoor lighting system, to install energy monitoring and management systems, and to **promote energy from renewable energy sources** by setting up a new solar energy and electricity generation system, and the installation of a new efficient heating and cooling system by heat pumps.

AUTO HRVATSKA PRODAJNO SERVISNI CENTRI d.o.o. za usluge i trgovinu KK.04.1.2.01.0092 project element/activity	total project value (HRK)	ineligible costs (HRK)	ineligible items from the bill of quantities	total eligible costs (HRK)	Aid intensity (%)	grants from the ERDF for (III) (HRK)	User funds for (III) (HRK)	User funds for (I) (HRK)
	(I)=(II)+(III)	(II)		(III)	(IV)	(V)=(III)×(IV)	(VI)=(III)-(V)	(VII)=(II)+(VI)
Energy efficiency measures:								
1. Installation of a more efficient indoor lighting system	680.000	0		680.000				
2. Installation of energy meters and control systems	135.000	0		135.000				
3.		0		0				
TOTAL	815.000	0		815.000	45%	366.750	448.250	448.250
Promotion of energy from renewable energy sources:								
1. Renewable energy: setting up a new system for generating electricity from solar energy	2.640.000	2.500		2.637.500				
2. Renewable energy sources: Installation of a new system for the production of thermal energy by an air/water source heat pump	1.200.000	0		1.200.000				
TOTAL	3.840.000	2.500		3.837.500	60%	2.302.500	1.535.000	1.537.500
Preparation of the project proposal doc. and other project and technical doc.								
1. Preparing project documentation	46.000	0		46.000				
2.		0		0				
3.	0	0		0				
TOTAL	46.000	0		46.000	85%	39.100	6.900	6.900
Publicity and Visibility:								
1.	30.000	0		30.000				
2.		0		0				
3.	0	0		0				
TOTAL	30.000	0		30.000	85%	25.500	4.500	4.500
Project management and administration:								
1. Construction supervision	250.000	0		250.000				
2. Project activity management	280.000	0		280.000				
3.		0		0				
TOTAL	530.000	0		530.000	85%	450.500	79.500	79.500
TOTAL VALUE OF THE PROJECT	5.261.000	2.500		5.258.500		3.184.350	2.074.150	2.076.650

* all amounts are without VAT as it is considered an ineligible cost according to item 2.8.2 Ineligible costs, Call KK.04.1.2.01



In the company **Auto Hrvatska d.d.**, the funds are used for measures **to increase energy efficiency**, i.e. to install a more efficient indoor lighting system, to install energy monitoring and management systems, to **promote energy from renewable energy sources** by setting up a new solar energy and electricity generation system, and the installation of a new efficient heating and cooling system by heat pumps, as well as the **energy efficiency renovation** of the envelope of the existing facility.

AUTO HRVATSKA dioničko društvo KK.04.1.2.01.0089 project element/ activity	total project value (HRK)	ineligible costs (HRK)	ineligible items from the bill of quantities	total eligible costs (HRK)	Aid intensity (%)	grants from the ERDF for (III) (HRK)	User funds for (III) (HRK)	User funds for (I) (HRK)
	(I)=(II)+(III)	(II)		(III)	(IV)	(V)=(III)x(IV)	(VI)=(III)-(V)	(VII)=(II)+(VI)
Energy efficiency measures:								
1. Envelope	5.101.280	0		5.101.280				
2. Lighting	350.000	0		350.000				
3. Meters	275.000	0		275.000				
TOTAL	5.726.280	0		5.726.280	45%	2.576.826	3.149.454	3.149.454
Promotion of energy from renewable energy sources:								
1. Photovoltaics	2.618.000	0		2.618.000				
2. Heat pumps	775.000	0		775.000				
TOTAL	3.393.000	0		3.393.000	60%	2.035.800	1.357.200	1.357.200
Preparation of the project proposal doc. and other project and technical doc.								
1. Preparation of documentation	75.000	0		75.000				
2.	0	0		0				
3.	0	0		0				
TOTAL	75.000	0		75.000	85%	63.750	11.250	11.250
Publicity and Visibility:								
1. Informing the public	30.000	0		30.000				
2.	0	0		0				
3.	0	0		0				
TOTAL	30.000	000		30.000	85%	25.500	4.500	4.500
Project management and administration:								
1. Supervision	450.000	0		450.000				
2. Project activity management	400.000	0		400.000				
3.	0	0		0				
TOTAL	850.000	0		850.000	85%	722.500	127.500	127.500
TOTAL VALUE OF THE PROJECT	10.074.280	0		10.074.280		5.424.376	4.649.904	4.649.904

* all amounts are without VAT as it is considered an ineligible cost according to item 2.8.2 Ineligible costs, Call KK.04.1.2.01

3.4. Important indirect economic effects

The trend of emigration of young people from Croatia is what followed, which made significant negative changes in the labor market.

On the other hand, economic developments and tax reliefs have a positive effect on market growth.

3.5. Anticorruption

The member companies of the Auto Hrvatska Business Group and their employees apply the rules, principles, and measures for the prevention of bribery and/or corruption established by the adopted **internal acts and codes**.

All members of the governing bodies of the companies in the Auto Hrvatska Business Group and its employees are familiar with and apply the rules, principles, and measures for preventing bribery and/or corruption established by the adopted internal acts and codes, and, according to the knowledge of the members of the Auto Hrvatska Business Group, business partners also apply these rules.

No risks of bribery and/or corruption were observed during the reporting period.

During the reporting period, no proceedings were initiated or completed regarding anti-competitive behavior and violation of anti-trust and monopoly regulations in relation to the members of the Auto Hrvatska Business Group.



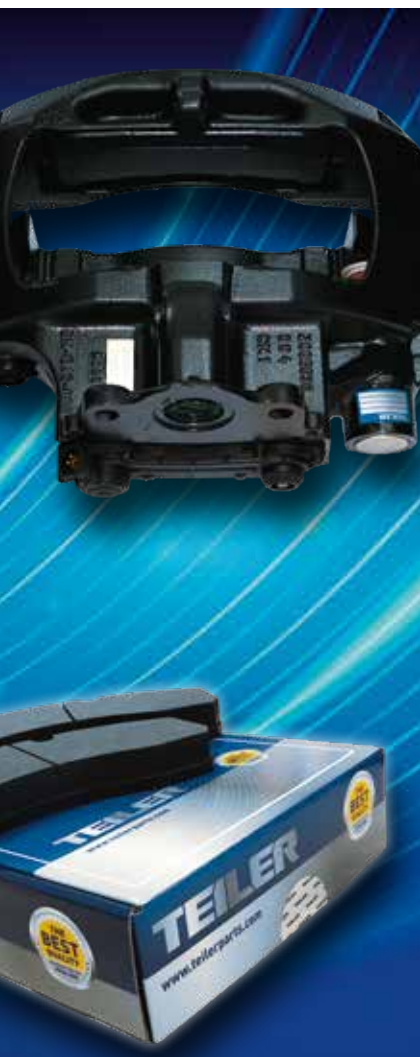


- The renewal process reduces the generation of carbon dioxide emissions by 70%

4. Topic-Specific Standards - Environment

Auto Hrvatska Business Group acts in accordance with the Law on Environmental Protection. The possible risks to the environment are minimized by applying the precautionary principle.

Subject to the positive regulations of the Republic of Croatia in the field of environmental protection, **an integrated quality, environmental and energy efficiency management system was implemented** in all members of the Business Group on October 18, 2017, in order to meet the requirements of ISO 9001: 2015, ISO 14001: 2015 and ISO 50001: 2011 and to improve their performance, engage with all stakeholders in sustainable development, and reduce the negative impact on environment and consumption of natural resources



4.1. Materials

A member of the Auto Hrvatska PSC Business Group, under its brand Teiler, produces, **repairs/restores brake calipers**. A worn-out brake caliper is completely disassembled, and all parts are cleaned in a rotary washer to remove all dirt and grease of the parts and housing, after which the housing is sandblasted. Each refurbished product undergoes the same controls as well as a new factory product: pressure testing by simulating driving brakes, controlling and calibrating the brake pad wear sensors.

The contribution to environmental protection is manifested in much lower consumption of raw materials compared to the production of new ones, and, in the process of renewal, the emission of carbon dioxide CO₂ is reduced by as much as 70% compared to the production of a new product.

4.2. Energy

In 2017, the management of the Auto Hrvatska joint-stock company's Business Group implemented an integrated quality, environmental, and energy management system in accordance with the objectives of **ISO 9001: 2015, ISO 14001: 2015 and ISO 50001: 2011**, in order to improve their performance, participate with all interested parties in sustainable development and reduce the negative impact on the environment and consumption of natural resources.

The model implemented in the group is based on the so-called HLS - an integrated system where the manual, procedures, and patterns of quality, environmental, and energy efficiency systems are common to all companies within the Auto Hrvatska group.

The contract on the supply of electricity obtained exclusively from renewable sources, the so-called **"green energy"**, was signed.



4.2.1. Reducing energy consumption

The introduction of an energy management system in accordance with the ISO 50001: 2011 norm resulted in **savings in energy use. Monitoring energy consumption** through the business system was introduced in order to better control costs.

Potrošnja energenata po lokacijama:

ELECTRICITY CONSUMPTION [GJ]

Location:	2015	2016	2017	2018	2019
Zagreb, Hrvatska	10.976	10.987	10.612	10.598	10.098
Zadar, Hrvatska	1.070	1.119	1.226	1.311	1.305
Pazin, Hrvatska	156	180	175	188	230
Split, Hrvatska	248	238	301	385	635
Karlovac, Hrvatska	628	612	624	696	672
Varaždin, Hrvatska	313	283	273	272	207
Rijeka, Hrvatska	489	498	514	664	544
Osijek, Hrvatska	0	0	0	0	157
Sarajevo, BIH	0	0	182	188	215
Doboj, BIH	126	126	143	140	144
Banja Luka, BIH	271	311	326	280	157
Skopje, Makedonija	195	240	156	155	159
TOTAL	14.471	14.591	14.533	14.876	14.522



GAS CONSUMPTION [GJ]					
Location	2015	2016	2017	2018	2019
Zagreb, Hrvatska	12.968	13.126	11.754	11.967	11.903
Split, Hrvatska	227	140	313	339	255
Zadar, Hrvatska	131	131	151	150	135
Pazin, Hrvatska	126	140	70	151	139
Karlovac, Hrvatska	617	676	584	1.170	1.254
Varaždin, Hrvatska	317	333	475	509	670
Rijeka, Hrvatska	362	458	461	478	483
Osijek, Hrvatska	0	0	0	0	386
TOTAL	14.748	15.004	13.809	14.764	15.224

Total consumption by energy-generating product in GJ

ENERGY-GENERATING PRODUCT	2015	2016	2017	2018	2019
Electricity	14.471	14.591	14.533	14.876	14.522
Natural gas	14.492	14.733	13.588	14.464	14.950
LPG	257	271	221	301	274

Additional investment in reducing energy consumption will be implemented through the following actions:

- implementing a software solution for controlling energy consumption at each location owned by the Business Group
- energy renovation of buildings in such a way that the replacement of lighting fixtures with newer technologically more efficient LED lighting, replacement of existing water coolers with energy efficient appliances, renovation of facades and woodwork
- educating employees about energy savings

Vehicle fuel consumption:

FUEL CONSUMPTION	2018	2019
Company	liters	litara
KAM i BUS Importer d.o.o.	6.909	13.238
KAM i BUS Importer d.o.o., Slovenija	1.081	2.345
*Auto Hrvatska Automobili d.o.o.	5.481	23.779
KAM i BUS d.o.o.	26.779	31.706
MAN Importer BH d.o.o.	11.820	8.927
Auto Hrvatska PSC d.o.o.	104.344	150.669
Auto Hrvatska Autodijelovi d.o.o.	54.655	-
MAN Importer Hrvatska d.o.o.	29.928	35.109
Auto Hrvatska d.d.	18.852	20.250
MAN Importer Makedonija d.o.o.e.l.	13.016	15.852

* records are kept as of September 2018

The implementation of a new system for the automatic monitoring of the consumption of all energy-generating products in business centers is underway to monitor and optimize consumption in real-time with a view of further improving corporate social responsibility.



4.2.2. Reducing the energy needs of products and services

Vehicle manufacturers are committed to continuously improving the efficiency of their products. After all, in most cases, buyers base their purchase decision on the total cost of owning a vehicle.

4.2.2.1. Economic program

Effective and environmentally friendly products

In the freight sector, fuel costs make up about one-third of the total cost, which is why the pursuit of **greater efficiency** and low emissions is a key driver of technology development. Technological leadership is an important element of vehicle development, and in addition to developing new products and upgrading existing ones, emphasis is also placed **on reducing fuel consumption and emissions, alternative drive concepts and alternative fuels.**

Efficient diesel engines

On the example of MAN commercial vehicle manufacturers, it is possible to see the **advance of technology.**

Ever since Rudolf Diesel developed the diesel engine in the late 19th century, MAN has been constantly working to improve the efficiency and performance of internal combustion engines. The effort has paid off, so cost-effective and efficient MAN solutions are in use around the world today.

Examples include trucks from the highly efficient TGX line, now in its third generation, incorporating a range of technologies aimed at further reducing fuel consumption, CO₂ emissions, and the total cost of ownership. A TÜV inspection report confirms that the third generation of trucks consumes 6.35% less fuel than its predecessor.

With its aerodynamically optimized design, the NEOPLAN Skyliner Floor Bus has a fuel consumption of less than 30 l/100 km - a savings of about 5% in highway driving at a constant speed of 100 km/h. The environment also benefits from the CO₂ emissions of only 12g/passenger kilometer when operating at full passenger capacity.

The new MAN Lion's City sets the standards for an economical and environmentally friendly city bus. The optional MAN EfficientHybrid in the new MAN Lion's City helps reduce fuel consumption. The system recovers and stores brake energy to, among other things, control the vehicle's electrical system. The start-stop function results in a complete shutdown of the engine when idle, ensuring that no harmful gas emissions are emitted at bus stops.

Natural gas engines

Compressed natural gas (CNG) engines are an important element in MAN Truck & Bus's range of vehicles.

CNG city buses play an important role as we move toward achieving lower emissions in cities, because they generate almost no particulate matter or nitrous oxide and allow almost zero CO₂ emissions through the use of biogas or synthetic natural gas. MAN Truck & Bus is Europe's leading gas bus manufacturer with a market share of 30%.

Electricity - the driving technology of the future

Without emissions of harmful matters generated by fuel combustion and low noise levels, electricity is the driving technology of the future - at least in the city and on short trips.

4.2.2.2. Passenger Cars

CO₂ emissions have a major impact on environmental pollution, with the transport sector accounting for approximately 30% of CO₂ emissions in the European Union.

Car manufacturers **aim to reduce current CO₂ emissions by 2030 to an average of 60 g/km.** By 2050, complete carbon neutrality is planned and a complete transition to **sources of electrical power** that would be used to power cars.

Over the past few years, we have seen a steady growth of new electric car models, and we expect a significant increase in their production and expansion of the game model in the near future. Croatia wants to follow environmental trends, and, with government subsidies, the number of electric cars sold has increased.

With current development and stepping up to EU car standards, manufacturers are constantly working to **reduce their current diesel and gasoline engine emissions.** Most manufacturers have also discontinued the production of environmentally friendly engines, such as variants with 4-wheel drive and sports variants of certain models.

Auto Hrvatska, as an agent of several brands, is actively involved in the sale of electric and plug-in hybrid cars at retail locations and is making **infrastructure changes** to enable the charging and maintenance of electric vehicles at their own locations. Preserving the environment is not only a necessity but also an obligation for all of us for future generations.

As the need for mobility in our time is pronounced and in constant growth, cars will continue to be a significant factor in this segment, but with CO₂-neutral emissions in the near future.

In accordance with the requirements of the manufacturer, the service capacities of the company Auto Hrvatska Automobili are adapting to new opportunities in the development of the car industry. All service centers in the company Auto Hrvatska Automobili's passenger program are able to service electric vehicles. The service personnel have all the expertise in electric vehicle service and the repair shops are fully equipped with tools and equipment for servicing electric vehicles.

In the second half of 2020, all Auto Hrvatska Automobili sales and service centers will be able to charge electric vehicles via e-chargers. Through continuous training of service personnel and adjustment of service capacities, sales and service centers for passenger cars and light commercial vehicles are successfully adapting to new trends in the car industry.





4.3. Water and Wastewater

In accordance with ISO 140001 guidelines, saving water consumption and educating employees towards socially responsible behavior is implemented.

All Auto Hrvatska business centers are equipped with separators - oil and grease separators in accordance with Croatian and Euro standards **HRN EN 858** and devices for aerobic biological treatment of waste sanitary - fecal or industrial wastewater in accordance with Croatian and Euro standards **HRN EN 12255**.

The scope of the separator is in the part of the external traffic surfaces of the business circle, as well as the internal surfaces of the repair shops.

In accordance with legal guidelines, water sampling at the outlet of the separator is carried out and the purity of the output results is closely monitored.
There was no spill.

Business centers for hazardous and non-hazardous waste have eco-halls set up that are monitored and controlled by employees to prevent environmental incidents.

4.3.1. Water Consumption

In 2018, water consumption was 17,347 m3.
In 2019, water consumption was 17,969 m3.

4.4. Biodiversity

Business and Service Locations of the Business groups are not located in or near areas of high biodiversity.

The products of the Business Group meet the highest standards of safety while taking care of the environmental impact in accordance with the requirements of ISO 14001: 2015.

The Auto Hrvatska business group operates in an urban area where there are no protected or restored habitats or protected species of plants and animals.

4.5. Emissions

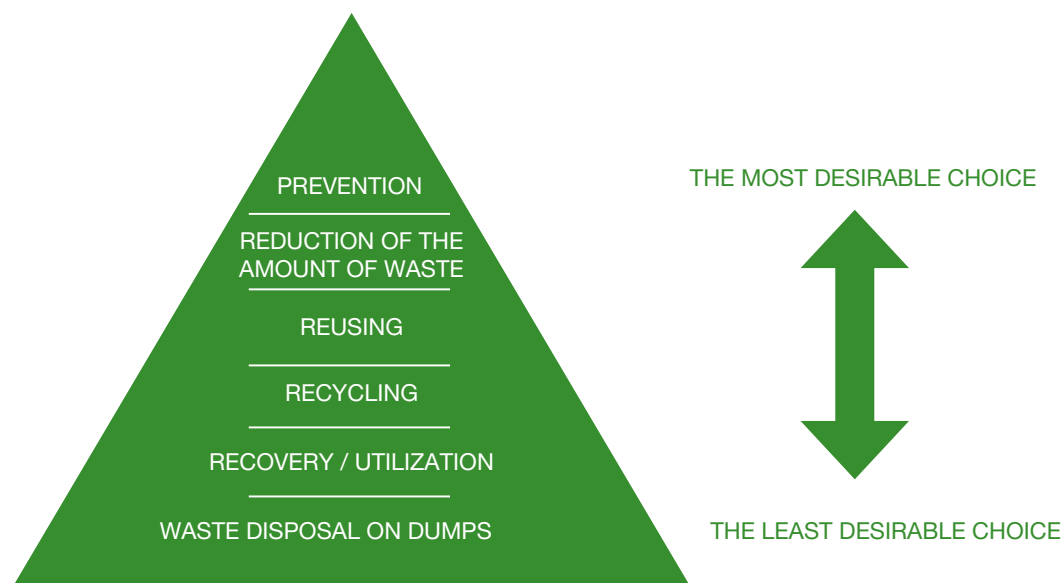
In January 2019, measurements of emissions of pollutants into the air from stationary sources were carried out in order to determine whether the stationary sources - combustion plants comply with the Ordinance on monitoring pollutant emissions from stationary sources into the air from Stationary Sources of the Environmental Protection Act. According to the said Law, measurement is carried out periodically, at least once every two years.

Combustion plants at locations in Hrvatski Leskovac, at the Heinzlova Business Center and Radnička cesta in Zagreb, and in Karlovac were tested.

Comparing the results of measuring the emission values with the prescribed limit values, it was concluded that the **tested stationary sources meet the provisions** of the Ordinance on monitoring pollutant emissions from stationary sources into the air from Stationary Sources (OG 87/2017).

4.6. Waste

Waste represents a potentially **huge waste of resources** in the form of materials and energy, and inadequate waste management can have serious consequences for man and nature. The primary duty is to try to prevent in advance, i.e. to avoid waste generation. If this is not possible, the waste must be managed in an environmentally friendly manner.



The same approach should be implemented in Croatia, where the waste management system is organized as an integrated unit of all stakeholders in the system at the national, regional, and local level based on: **waste prevention, reuse, material recovery, energy recovery or other treatment, and the final disposal of residual waste.**

Waste management must ensure that waste left over and disposed after treatment is not a danger to future generations.

A major problem in landfills is soil pollution as toxic substances, such as metals, enter groundwater. Landfill decomposition is also responsible for greenhouse gas (mainly methane) emissions, which are the main cause of global warming. In addition, incineration produces inappropriate amounts of gases (carbon dioxide and carbon monoxide).

Auto Hrvatska ecologically disposed of 237,000 kilograms of hazardous waste annually. The handling of chemicals, oils and fuels is under constant control. Wastewater from workshops is discharged into oil separators, which are regularly cleaned. All hazardous waste is stored in designated areas until disposal. Information regarding disposal is always available for verification at relevant institutions.

Waste is handled in accordance with the **Act on Sustainable Waste Management, the Ordinance on Waste Management** and the relevant **regulations** for specific categories of waste, which means that **comprehensive and systematic care is taken of all types of waste generated at the site and all prescribed documentation is kept regarding waste generation and stream.**



Waste generated in the Auto Hrvatska Business Group between 2017 and 2019

Auto Hrvatska d.d.

TOTAL TURNOVER OVERVIEW for the period from 01/01/2017 to 12/31/2019	2017 Output quantity (kg)	2018 Output quantity (kg)	2019 Output quantity (kg)	Difference 2019 - 2017	Difference in %	Difference 2019 - 2018.	Difference in %
WASTE PRINTING TONERS CONTAINING HAZARDOUS SUBSTANCES	0	11	0	0		- 11	
PAPER AND CARDBOARD	17.470	23.850	21.800	4.330	25%	- 2.050	- 9%
FOIL	1,290	950.00	601.00	- 689.00	- 53%	- 349.00	- 37%
WASTE PLASTIC	1.050	1.970	1.360	310.00	30%	- 610.00	- 31%
DISCARDED ELECTRICAL AND IT EQUIPMENT	1.050	180.00	1.520	470.00	45%	1.340	744%
FLUORESCENT PIPES	0	0	83	83		83	
BULK WASTE	0	0	5.150	5.150		5.150	
OIL WATER FROM THE SEPARATOR	0	0	7.000	7.000		7.000	

Auto Hrvatska Automobili d.o.o.

TOTAL TURNOVER OVERVIEW for the period from 01/01/2017 to 12/31/2019	2017 Output quantity (kg)	2018 Output quantity (kg)	2019 Output quantity (kg)	Difference 2019 - 2017	Difference in %	Differen- ce 2019 - 2018.	Difference in %
MOTOR OIL	22.840	37.531	56.825				
PAPER AND CARDBOARD	2.220	5.260	2.940	720	32 %	- 2.320	- 44 %
OILED PACKAGING	1.314	1.503	1.409	95	7 %	- 94	- 6 %
WASTE TIRES	25.810	46.761	57.770	31.960	124 %	11.009	24 %
WASTE PLASTIC	350	2.932	2.900	2.550	729 %	- 32	- 1 %
LEAD BATTERIES	1.664	5.037	4.130	2.466	148 %	- 907	- 18 %

Auto Hrvatska PSC d.o.o.

TOTAL TURNOVER OVERVIEW for the period from 01/01/2017 to 12/31/2019	2017	2018	2019	Difference 2019 - 2017	Difference in %	Difference 2019 - 2018	Difference in %
	Output quantity (kg)	Output quantity (kg)	Output quantity (kg)				
MOTOR OIL	91.766	103.958	90.213	- 1.553	- 2 %	- 13.744	- 13 %
PAPER AND CARDBOARD	39.630	42.450	39.085	- 545	- 1 %	- 3.365	- 8 %
FOIL	660	770	802	142	22 %	32	4 %
OILED PACKAGING	1.368	1.321	1.660	292	21 %	339	26 %
WASTE TIRES	45.840	56.450	46.450	610	1 %	- 10.000	- 18 %
WASTE FERROUS METALS	86.168	72.844	87.220	1.052	1 %	14.376	20 %
WASTE PLASTIC	17.020	7.916	8.350	- 8.670	- 51 %	434	5 %
LEAD BATTERIES	19.804	21.264	24.805	5.001	25 %	3.541	17 %
WASTE IRON	19.515	34.790	22.304	2.789	14 %	- 12.486	- 36 %
PRESSURE TANKS	000	668	1.364	1.364		696	104 %
OILED FILTERS	000	8.263	8.923	8.923		660	8 %
ALUMINIUM	000	1.248	9.887	9.887		8.639	692 %
GLASS		3.555	6.730	6.730		3.175	89 %

The transport of hazardous waste is carried out by the partners involved in waste disposal and transport.

4.7. Respecting the Environment

All processes covered by the integrated quality, environmental and energy efficiency management system according to the requirements of ISO 9001: 2015, ISO 14001: 2015, and ISO 50001: 2011 standards are carried out according to the prescribed procedures and no non-compliance with environmental regulations was observed.



- All employees have the same benefits according to the time they spend at work

5. Topic-Specific Standards

- Social Standards





5.1. Employment

Auto Hrvatska had **695 employees** on December 31, **2018** and **724 employees** on December 31, **2019**. In 2018, **129 new employees were hired**, and 110 employees left. In 2019, a total of **120 new employees** were hired, and 88 employees left. A total of 198 employees left during the reporting period.

Of the total number of employees, **273 are university graduates** and **404 are secondary school graduates**. By profession, our organization has the most **mechanics and economists** with all kinds of high qualifications.

The average age of the total of our employees during the reporting period is 37. The youngest new employee was 17 years old.

The plan for the total number of employees in 2020 is 742.

Although difficulties in finding and retaining good employees have been noted in the labor market in Croatia, Auto Hrvatska manages to secure and retain the required number of good employees through its investment processes.

In the structure of Auto Hrvatska's employees, the majority are male (82%). As for the type of employment, **we predominately have part-time employees (83%), working full-time, 40 hours per week.**

Auto Hrvatska provides **additional benefits** to its employees:

- The **closed voluntary pension fund** provides an opportunity for all Group employees to join. The possibility of additional savings is an example that care is really taken of the safe retirement of its employees. Auto Hrvatska allocates monthly savings to the fund in the amount paid by the employee independently, which means that the amount paid by the employee is essentially doubled, all with the aim of achieving a safer pension.
- All employees are **insured against accidents and regularly carry out physical examinations**.
- Employees have a **co-financed hot meal**.
- **Awards and gifts** are, in kind, defined for all employees of the Business Group.
- **Lending on preferential terms** is possible.
- The newborn children of employees, born in 2018 and earlier, became **the youngest stakeholders** because each child **was given a package of 5 shares of Auto Hrvatska d.d.** A total of 353 children were given a package of shares. Starting in 2019, a **fee of HRK 7,000.00** was paid for each newborn child to parents who are employed in Auto Hrvatska.

All employees, regardless of type of contract, race, gender or age, **have the same benefits according to time spent employed**. All Group companies pay **jubilee awards for loyalty to employment** in Auto Hrvatska, **recourse, Christmas and Easter bonuses, a special gift for children up to 15 years of age**, various assistances, and the like. All employees of the Auto Hrvatska Business Group are guaranteed the same benefits as a physical examination and accident insurance policies. Employees are entitled **to reimbursement of transportation expenses to and from work** and are **entitled to severance pay** upon retirement.

All employees, regardless of their type of employment and gender, have **all the rights regarding maternity and parental leave** in accordance with the Compulsory Health Care Insurance Act and the Act on Maternity and Parental Aid.

Employee benefits received are:

- reductions of contributions to the salary for the first employment,
- reductions of contributions to the salary of persons under 30,
- tax deduction for investment and employment

The standard starting pay for employees in the Business Group depends on the qualifications of the employee and the workplace, regardless of gender and regardless of the place of employment. Compared to the minimum local wages, the starting wages in Auto Hrvatska are higher.

The **senior management** in almost all locations is generally sourced from the **local community**. When this is not the case, one of the business goals for the site is to develop or find a local manager.

5.2. Management of Labor Relationships

The employer informs the employees and their elected representatives on a regular and timely basis before making major business changes that could significantly affect them. The information is provided, in accordance with the provisions of the Labor Law, to the Trade Union Commissioner, by organizing employee meetings, and through employee representatives in the Management Board.

Considering that the business operations of the Business Group are mostly related to trade activities, for which during the reporting period there was no Collective Agreement for trade activity, Auto Hrvatska respects the good practices of caring for employees from the previous period and, in close cooperation with the Union Commissioner, takes care of all key issues related to employee rights and benefits within the organization.

5.3. Occupational safety and health

Occupational safety and health are of great importance when contracting and performing all the jobs in Auto Hrvatska. The management of health and safety at work is guided through a series of related activities: from **prior medical examinations before the commencement of employment, regular periodic examinations, regular annual physical examinations** made available to all employees, and **enabling employees to choose a recreation of their choice**. In addition, occupational safety professionals regularly **educate new employees about occupational safety** and, when visiting locations, further **educate employers' commissioners and all other employees**.

In Auto Hrvatska, special attention is paid to identifying risky situations and informing employees about **preventive activities and safeguards**. Occupational safety professionals, in collaboration with the employers' occupational health commissioners, play a very active role in preventative action and risk assessment during the regular performance of work and possible accidents.

Compliance with high environmental and ergonomic standards, as well as all regulations related to occupational safety and employee rights is an integral part of the approach to business. At all locations and positions, whether employees use the **necessary protective equipment** or not is taken into account, whether it is required or recommended in the workplace and whether they can **improve their job performance** due to spatial and ergonomic circumstances.

During recruitment, all employees are obliged to undergo **internal training by occupational health and safety professionals regarding occupational health and safety**. Through regular visits to locations, in collaboration with employer commissioners who take care of occupational safety at their location on a daily basis, **occupational safety professionals actively communicate with employees on the topic of occupational safety**. In doing so, employees have the opportunity to draw attention to certain circumstances in their workplace that affect the health and safety of the team and to consult professionals about any health conditions that may have arisen from their job performance.

In addition to initial employee training and regular on-site consultation, employees are further informed and reminded of their occupational health and safety via **intranet sites**.

5.3.1. Promoting employee health

Physical examinations of employees are a regular annual practice, regardless of the employee's age and the job the employee performs. In addition to information on the health status and the possible need to treat certain conditions, employees often receive preventative suggestions about the need to change their habits that will improve their health and overall quality of life.

Through the intranet site, employees are further **reminded of the importance of healthy habits**, such as the **need for regular recreation**, which is provided for them in many ways; through the Sports and Recreational Association Auto Hrvatska, in organized times for sports recreation (football, water polo, yoga), at sports meetings and at friendly sports meetings with partners.



Taking into account the required daily, weekly, and annual employee vacations, **the employees' need to take breaks to take care of their own health is also taken into account.**

The occupational health and safety management system covers all employees of the Business Group. Special attention is paid to employees in workplaces with special working conditions, which are dominant in the Business Group and encompass more than 30% of employees.

5.3.2. Occupational injuries

Because much attention is paid to preventative measures and compliance with occupational safety and health regulations, and because the number of employees in special work conditions exposed to greater physical risks is greater than the number of employees performing office work, **the annual rate of occupational injuries for the reporting period is satisfactory: 6 minor injuries to 695 employees, i.e. 0.9% in 2018 and 8 minor injuries to 724 employees, i.e. 1.1% in 2019.**

There are **no occupations in Auto Hrvatska that have a high incidence or high risk of serious illness.** When assigning employees to jobs with special work conditions, we act in accordance with these conditions, and employees are obliged, prior to the assignment to jobs, to be referred for an examination in order to determine their fitness to perform such jobs. In accordance with the established rules, their health ability to perform these tasks is periodically and regularly checked.

5.4. Training and education

In the reporting period, an average of 16 hours of training per employee was realized per year.

In order to develop employee potential, Auto Hrvatska regularly and continuously provides training and education for its employees with a very wide range of educational activities: education within the regular education system, attending specialized education outside and within the company, learning and improving foreign languages, and great emphasis is placed on developing presentation and communication skills, working on a computer and updating all other knowledge necessary for efficiency and professionalism at work.

All employees of the Group, within **the framework of the monthly monitoring of work and productivity, receive grades in the form of stimulating awards.** Once a year, **annual interviews** are held with all employees of the Business Group, which **assesses the quality of their work, determines their satisfaction, assesses the quality of work, and the necessary directions for the future period are determined.** All employees' career development is guided by monitoring the work and development of all employees by their superiors and Human Resources.

SBDPC (Skills Building Development and Perfecting Capabilities - Croatian VIRUS) is an employee education system which uses various methods to provide additional incentive, instruments, and all possible support to the autonomous desire to build, develop and improve the knowledge and capabilities of each employee in accordance with the development and business activities of the Auto Hrvatska Business group.

The types of education are:

- general education (communication skills, presentation skills, time management, stress management, business etiquette, teamwork, meeting management and the like)
- technical training - including training related to the maintenance of passenger and commercial vehicles with varying degrees of complexity
- IT education - internally and externally
- specialized training - related to the specificities of a specific workplace (vocational training, business process training, supplier training)

5.5. Diversity and equal opportunity

The managing body is homogeneous in terms of qualification structure and includes employees with a university degree, predominantly male employees, which is also consistent with the overall gender structure in the organization.

Comparison of the basic pay and compensation of women and men in the Business Group did not reveal a significant difference. The ratio is 0.9% in favor of male salaries due to the specific nature of the industry in which the employees are predominantly male.

No cases of discrimination on the basis of gender, race, color, religion, nationality, social origin, political or sexual orientation were reported during the reporting period.

In accordance with the Labor Act, the employer is obliged to protect the dignity of employees while performing their work and to provide them with working conditions in which they will not be exposed to any form of harassment by their employer, superiors, associates or other persons they regularly comes into contact with during the performance of their work .

5.6. Respecting Human Rights

When deciding on places of business and choosing suppliers and business partners, Auto Hrvatska greatly considers human rights. **Human rights are monitored** in all the activities of the Auto Hrvatska Business Group.

The Intranet sites are a place where all employees have access to all business policies, business decisions and guidance regarding business conduct. In addition, a newsletter regularly draws employees' attention to new developments in the business and to important circumstances such as changes in business policies.

During employment, in regular internal training on a number of topics, as well as in regular business meetings, **the continuity of educating employees on human rights policies and procedures is maintained.**

Checking whether human rights are respected is an integral part of all business activities and contracting of the Business Group, especially for important investments.



5.7. Local Communities

Employees at all locations are from the local community. **The Business group works with the community in which it operates and is socialized with the needs of the local community.** Collaboration reveals difficulties and problems that are adequately responded to. All potential negative impacts are eliminated.

There were no violations of the local community's residents' rights during the reporting period.

Auto Hrvatska **participates in numerous events** organized by the local community. Some of these events are:

- Zagreb Auto Show
- Kamion & Bus Roll Show Westgate
- Truck Show Grobnik
- EMAT Fair
- AHK Sommerfest
- AHK Oktoberfest
- AHK Football Tournament
- Faculty of Mechanical Engineering and Naval Architecture's Rowing Regatta
- Zagreb Marathon
- Ljubljana Marathon
- B2Run
- Mladost International Swim Meet
- Špincirfest
- Karlovac beer days
- Merry Christmas tram
- Christmas fairy tale in the Osijek tram
- Dubrovnik Winter Festival

Auto Hrvatska **organizes the following events** for community residents:

- Europa Truck Trial
- Water polo tournament in Zadar
- Socializing with residents of Child Protective Services
- Open days
- Meetings with pensioners

In addition to the events, considerable funds are earmarked for donations and sponsorship of sports competitions, cultural events, charities and other activities.



5.8. Supplier Assessment

All suppliers of the Auto Hrvatska Business Group **are thoroughly investigated**, and at the time of contracting, **the impacts that suppliers produce on the European and world markets are already known and evaluated.**

It is taken into account that there are no negative social effects in the supply chain. This is why Auto Hrvatska does not endorse or cooperate with suppliers that employ children or involve forced labor in their business activities.

5.9. Marketing and labeling

Customer satisfaction with our products and services is a long-term goal in the business of all members of the Business Group.

Service satisfaction is monitored by direct communication with clients, monitoring and appreciation of feedback, follow up on suggestions, compliments, complaints, and complaints received via electronic mail, and by following comments on social media.

Product information must be accessible, accurate, credible, understandable and up to date across all channels of communication. No reports of inaccurate or misleading information through advertising, publicity or patronage were reported during the reporting period.

Products include the manufacturer's label, basic technical data, and product-specific information.

No non-compliance with product information and labeling regulations was observed during the reporting period.





6. About the Report

The Corporate Social Responsibility Report of the Auto Hrvatska Business Group for 2018 and 2019 is **the first report according to the new GRI standards**, which has led to a significant change in reporting.

This CSR report has been prepared in accordance with GRI standards:

Core Option

The reporting period for the information in the Corporate Social Responsibility Report for 2018 and 2019 covers the **calendar year 2018 and 2019**.

The last report was issued in September 2014 and the reporting period showed the calendar year 2013. The report was made according to the GRI 3.0 standard.

In the forthcoming period, the Auto Hrvatska Business Group commits itself to continuously implement and improve its operations in accordance with socially responsible activities, to report to the public in a two-year cycle, and to consider the inclusion of external verification.

Contact for questions regarding the report and its contents:

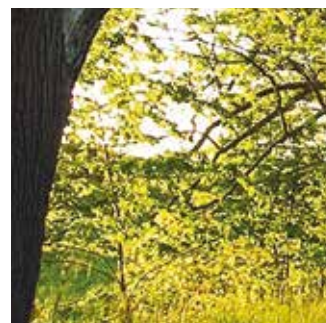
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