



***REPORT ON SOCIAL RESPONSIBILITY OF GORENJE GROUP
FOR THE YEAR 2006***

April 2007

1 REPORT ON SOCIAL RESPONSIBILITY

1.1 Responsibility to employees

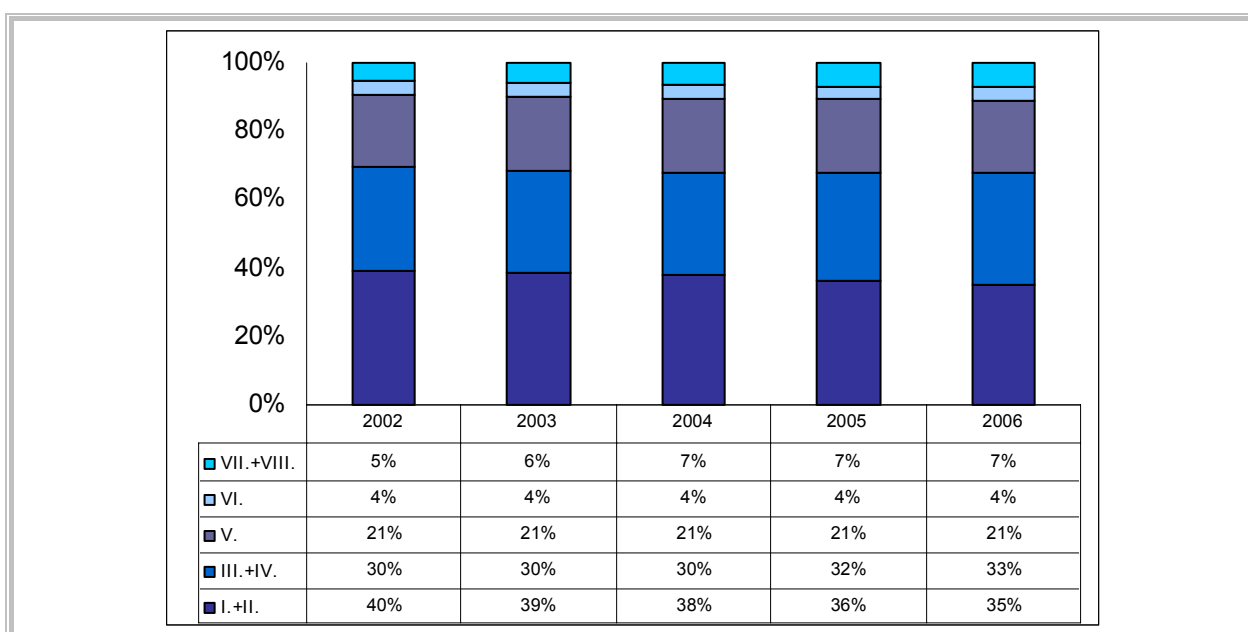
Number of employees and the level of education

At the end of the year 2006 the Group employed 10,816 staff, which is an increase of 307 (2.9 percent) over the end of the year 2005. An increase is due to the beginning of operation of the company Gorenje aparati za domaćinstvo, d.o.o., Valjevo, Serbia, where 504 staff was employed at the end of the year 2006.

Number of employees by division	As at 31 December		Increase	
	2006	2005	2006	2005
Household Appliances division	9,298	8,921	9,039	8,867
Home interior division	1,127	1,166	1,146	1,192
Trade and services division	391	422	371	433
Total	10,816	10,509	10,556	10,492

Level of education in the year 2006	2006	2005
I.	3,081	3,238
II.	633	540
III.	618	537
IV.	2,845	2,788
V.	2,183	2,271
VI.	466	410
VII.	676	650
VIII.	54	58
Total	10,556	10,492

Changes in the level of education



Concern for education and training of employees

The dilemma to invest only in material assets or also in knowledge is actually the dilemma between to »have« and to »be«. Knowledge and skills acquired in the process by education, training and living in an organised society enables facing of new challenges. Simultaneously, this is the motive for further development.

For years, Gorenje has introduced and accepted the concept of a **learning company**. We are aware that work with people is one of soft approaches in the process of constant company changing. Relations among employees, the organisational climate and culture are the factors that importantly support the accomplishment of our strategic objectives.

Activities of the Gorenje education centre were mainly focused on the increase in awareness about the meaning of the **complete company management**. Our orientation to foreign markets requires the employees to simultaneously and quickly adjust to new, more demanding technologies and to respond quickly to new procedures and routines at work, to establish suitable relations and to know quality, as well as to create suitable, innovative climate in the Group.

In the year 2006, the parent company trained a total of **5,171** staff, which **represents a share of 91.8 percent of all employees**. The number of all participants in education programs and trainings amounted to **11,215**. Many employees took part in several trainings. On average, an individual training or education program lasted **11.4 hours**. More than **85 percent** of all training and education programs were organised **outside working time**. Each employee of Gorenje, d.d., received **22.8 training hours** on average in 2006. Over **128,497 hours** were spent on education and training programs.

Over 92 percent of total education and training programs were organised in scope of the Gorenje Group in the Group's premises. Over **89 percent of education programs is considered copyright work of our assistants**. In this way knowledge is transferred within the Gorenje Group and the cost of organisation and implementation of education and training reduced.

Concern for young and promising staff

Granting scholarships is an important source of acquiring human resources. The appropriate scholarship policy ensures a regular inflow of human resources, mainly from the group of deficient professions.

The share of students of technical studies reached 83.6 %. Thirty scholarships were granted in the academic year 2006/07, mainly to the group of the above-mentioned deficient professions.

As the co-founder of the International Post-graduate School Jožef Štefan we are involved in the implementation of post-graduate programs. Our co-operation with various education institutions in the local environment and at the state level is also successful. Through the education centre we are involved in various state education projects and presentations.

Development of human resources

The mission of the human resource development is establishment of individual's advantages, wishes and ambitions and their development in accordance with his/her objectives and the objectives of Gorenje. The basic tool of human resource development and strengthening of corporate culture is the training program for promising staff named the **Manager Academy** that has become part of traditional operation in the Gorenje Group. The program has been developed for promising employees who have been assessed to have the potential to develop their own career in top management or on leading professional positions in Gorenje. The training lasts a year and involves five modules: Human resource management and team work; Project management and business planning; Marketing and business processes; Development of

corporate culture and Accounting, finance and cost-effectiveness. In 2006, the 18th generation with 25 promising employees from Gorenje received training in scope of the Manager Academy.

Another very important tool in assessment, development and utilisation of abilities of an individual is the **assessment process** that enables acquisition of objective data about individual's intellectual abilities and personal characteristics. It is especially intended for a person assessed and the heads as help when taking decisions on further development of an employee associate relating to his/her abilities and development objectives.

The third key tool for the development and planning of individual's career is the **annual discussion**. It represents an efficient tool for the establishment of confidence between the head, employee and the working group. It is exclusively intended for heads, since it gives an opportunity to the head and the employee to discuss the course of work and further career development. It enables the head to plan succession easily and more efficiently as well as to develop potential employees. By means of a formal discussion the employees receive feed-back about their work and an insight in development possibilities and further steps of their career development. In Gorenje, annual discussions have been held for years. In 2006, monitoring of the number of discussions started and this has now become one of the ratios of efficiency of heads in their work.

Measuring of organisational climate and employees' satisfaction

Measuring of organisational climate in Gorenje is used for the establishment of satisfaction of employees with their working conditions and relations at work. The survey results represent a basis for taking measures for the improvement of working environment, which is a precondition for success and satisfaction of employees.

In 2006, two different measurements were carried out for the first time. The research establishing the organisational climate in professional departments of the parent company Gorenje, d.d. was a novelty. For the fifth successive year, working conditions and relations among employees of production programs have been measured.

On the basis of measurement results systems were created with the task to monitor implementation of planned activities relating to the improvement of organisational climate in all measuring environments. Suitable activities were organised and carried out in working groups. In production programs, activities relating to the improvement of working and climate conditions were of utmost importance, then application of a suitable system of trainee education and care for good atmosphere and adequate personal relations in production working groups.

In professional departments special attention has been paid to the distribution of work tasks and thus to the utilisation of knowledge and potential of all employees. Additionally, innovativeness has been encouraged in relation to the transparent awarding, promotion systems and development of individual's career.

We have also created activities that are mutual to both measuring environments, such as: careful selection of suitable heads at all levels, their constant training, annual performance of work efficiency assessment and annual discussions. Accuracy and timeliness have also become increasingly important as well as additional motivation levers, recognition and awarding of successful individuals.

Healthcare for employees

The fact that only a healthy and satisfied employee can be successful at work is the basic guidance of all persons involved in the project »**Healthcare for employees and management of sick absenteeism**«. In scope of the project, parallel to the promotion of health with various preventive and curative measures we influence the improvement of healthcare of employees. A

health education and preventive program is intended for the encouragement of positive attitude to life and work, since it emphasises the care for one's own health. We are included in the project CINDI Slovenija (lectures, tests of body capacity and similar). Preventive recreational holidays are organised since they have favourable and motivation influences on the participants.

In order to know better sick absenteeism, problems, expectations and wishes of colleagues at work, visits of employees during their sick leaves were introduced some years ago. Simultaneously, it is checked how employees follow the instructions for treatment and behaviour at the time of absence from work. The purpose of discussions with department heads and employees after returning back from sick leave is similar. Records of these findings serve for planning for improvements in working groups.

In Gorenje, special attention is paid to employees with reduced working capacity. In compliance with the legislation the employees mentioned are placed to suitable easier jobs. In future, eventual lack of easy jobs will be solved by planning and introduction of assessment analysis of jobs or ergonomic solutions.

Assurance of suitable employment to disabled persons

In 2006, the Employment Rehabilitation and Employment of Disabled Persons Act introduced a system of **employment quotas for the disabled** in Slovenia. On the basis of the act the state would like to encourage the employment of the disabled, creation of suitable jobs and employment possibilities. The system of quotas defines that a certain share of disabled persons relating to the number of employees and kind of activity shall be employed. A 6 percent quota applies to the majority of the companies in Gorenje. In 2006, the prescribed system of quotas was implemented in Gorenje without any disturbances due to good preparation.

Care for occupational health and safety

Due to the development of new technologies, changing economic and social conditions the working environment has changed. Gorenje has successfully adapted to these changes in all segments of occupational health and safety, in all companies of the Group and in all countries of operation. This can be achieved only by a systematic approach, clearly defined objectives, programs and responsibilities. Gorenje operates in accordance with the requirements of occupational health and safety contained in standard OHSAS 18001 (Occupation health and safety management systems) that the parent company Gorenje, d.o.o obtained in March 2006.

The basic objectives of the strategy of occupational health and safety in the EU in the period from 2003 to 2006 were creation of safe, healthy and stimulative working environment with the emphasis on the management of the existing and newly appearing risks. These objectives can be achieved only by the conviction that »good health and safety is good business«, which has been often confirmed in the area of occupational health and safety.

The basic objectives of occupational health and safety defined by the EU strategy are:

- reduction in the number of accidents and seriousness of injuries at work,
- reduction in the number of reasons of occupational diseases,
- maintenance of employees' good health,

and they have been considered also in the objectives set in Gorenje in the year 2006. The objectives have been selected in relation to the importance of individual areas of occupational health and safety and are incorporated into the strategy of development of occupational health and safety in Gorenje.

In 2006, we succeeded in slight reduction of injuries suffered at work at the annual level. Considerable effort was put in the improvement of indicators of the number, frequency and seriousness of accidents by training the employees. It is estimated that the effects of safety

training upgraded by some practical training for correct and safe work will be evident in the year 2007.

Communications with employees

The most important target public of the Gorenje Group is its employees. They are the first voices advertising the trade mark and the first ones representing the culture and values of the Group to the external world. Thus, they shall be familiar with the events and policies of the Group. Gorenje has ensured the level of information also by the weekly Črno na belem (Black on white) and the sporadic journal Pika na G (Point on G).

In 2006, Gorenje celebrated 40th anniversary of publishing company bulletins and 10th anniversary of issuing the journal Pika na G. Forty-five volumes of the bulletin Črno na belem were published and a suitable number of E-bulletins and 5 numbers of Pika na G.

Internal bulletins are one of the tools for the achievement of objectives of the Company, such as close relations among the management and the employees and only among the employees. They increase the feeling of loyalty to the organisation, increase motivation, responsibility, and innovativeness of the employees, encourage employees to achieve the planned objectives of the Company, establish and maintain strong Company's own corporate culture, strengthen team work, etc.

1.2 Responsibility to users of products and services

Assurance of product safety

When developing products, our most relevant guidance is assurance of product safety which is checked by Slovene and esteemed foreign institutions. The institutions issue appropriate reports on tests and certificates before products are launched into the market. It is of vital importance that safety of each product is checked already at the stage of production and after the completed production in special licensed and well-equipped laboratories.

In co-operation with experts in technical councils we follow the development of international and national standards in the area of safety of electric household and similar appliances, gas devices and electromagnetic compatibility. All requirements are immediately introduced into product development.

Assurance of environmentally friendly products

Gorenje is the member of **Conseil Européen de la Construction d'appareils Domestiques** – European Committee of Domestic Equipment Manufactures (CECED). Through CECED, we would like to be a partner and companion in talks to the European commission in preparation of the legislation. The mission of the CECED is to improve technical properties of appliances along with simultaneous reduction in the environmental influence.

Meeting of guarantee and service obligations

In accordance with the legislation, repair services are ensured to buyers of our products. Due to the fact that Gorenje is focused on the increase in customer satisfaction by its vision and mission, it often offers repair services also beyond the legally defined period binding for the producer.

1.3 Responsibility to close and wide social environment

Gorenje has built up its reputation also by contributions to various activities. In 2006, Gorenje allocated funds to the areas of culture, schooling, health care and humanitarian activities. Besides that an important share was allocated to the development of sports activities and top sports that additionally confirm the recognition of Gorenje in Europe.

In the area of **culture** the Company assisted in the organisation of the:

- exhibition of the sculptor Ivan Napotnik in the National Gallery in Ljubljana, Slovenia and in the Gallery in Velenje, Slovenia;
- program of Cankarjev dom in Ljubljana, Slovene Philharmonic Orchestra and the Festival Lent as well as concerts organised by Narodni dom Maribor, Slovenia;
- Herberstein's literature meetings of Slovene writers;
- traditional days of the Slovene comedy in Slovensko ljudsko gledališče Celje, Slovenia;
- exhibition A(rt)coustics in scope of the International Graphic Centre Ljubljana, Slovenia.

Gorenje contributed also to the activities of various societies or institutions, such as:

- foundation of the academic painter Karel Peček Slovenj Gradec that grants scholarships to graduate and post-graduate students in art academies,
- auspice of Biennial of industrial design BIO 20.

Company's own activity plays an important role in social activities, in the area of culture within the Cultural Society in Gorenje, in the organisation of artistic and sculptural exhibitions in Gorenje. The Company has also supported the Choir of Gorenje that has achieved notable international success.

In the area of **health care and humanitarian activities** Gorenje donated to associations operating in this area. Sponsoring of various events where proceeds are intended for humanitarian activities is also of vital importance. Gorenje contributed also funds for the equipment of the Institute of Oncology in Ljubljana in scope of the activity "good thought" and to the Faculty of Economics, University of Ljubljana for the erection of a lift which will help overcome some architectural hindrances.

In the area of **schooling** Gorenje supports better conditions for work in up-bringing and educational institutions, such as the Centre of up-bringing, education and training in Velenje, School Centre and Music School of Fran Korun Koželjski, also in Velenje. It also helped in the establishment of better conditions for living of students in students' halls of residence in Maribor and in implementation of some students' projects.

In the area of **sports** Gorenje is the general sponsor of the Nordic team of the Skiing Association of Slovenia and volleyball club of Gorenje. Especially important was also co-financing of the annual FIS cup in ski jumping in Velenje and the international table tennis competition in Velenje that belongs to this sport's world cup. In the previous season Gorenje sponsored the hockey club Acroni Jesenice. Simultaneously with advertising in various sports events we contributed to easier organisation, implementation of various sports competitions and recreational activities for a wide society. Funds were contributed also to minor amateur societies and activities involving young in sports activities, as a contribution to healthy and useful spending of free time. Employees are also encouraged to become members of the Recreational Society Gorenje that receives some funds

In accordance with corporate values that are being developed we supported also the activities of the Pensioners' Club of Gorenje and thus showed our concern for the third life period of the Company's former employees.

1.4 Responsibility to the natural environment

Household appliances division

The parent company Gorenje, d.d.

In 2006, the parent company continued its activities of environmental management by performing the activities planned for the achievement of objectives of environmental protection. Besides striving for the achievement of measurable objectives (waste management, energy products– all objectives were achieved) special attention was paid to the introduction and meeting of requirements of the RoHS Directive (Restriction on the use of certain hazardous substances in electrical and electronic equipment).

Since the parent company is subject to the requirements of the new IPPC legislation (Integrated Pollution Prevention and Control) it filed an application for obtaining the comprehensive environmental licence with the Ministry of Environment and Spatial Planning.

In the parent company, our EMAS system located in Velenje was expanded to the activities located in Šoštanj and Rogatec.

All data about the influences of the Company on the environment, including the Environmental Statement were stated in an independent **Report on social accountability of the Gorenje Group** that can be read on the website www.gorenje.com.

Mora Moravia s r.o., Czech Republic

In the area of environmental protection the company continued the activities undertaken in relation to further reduction in burdening of the environment that arises from its production activity and has a negative influence on the environment. The area of environmental protection is especially important since the company operates in the natural park, in the valley of the river Bystřice.

The company is involved in the EKO-KOM system (company specialised in the treatment of waste electrical and electronic equipment) that assures meeting of obligations when treating waste packaging in the Czech Republic and in some other EU countries. Since 2005 the Company has been included in the Elektrowin system that ensures fulfilment of obligations arising from the provisions of the WEEE directive. Simultaneously, it adjusted its operation to the requirements of the RoHS directive.

When compared to the year 2005 the quantities of hazardous waste were importantly reduced due to the measures implemented in technological processes in production. The quantities of other waste and quantities of waste water and total water consumed were also successfully reduced. Preparations for the waste water purification on the neutralisation station of the enamel plant will have some additional favourable influences on the environment.

Some activities were carried out in scope of the preparation for the introduction of the system of environmental management in accordance with ISO 14001. The project “cleaner production“ was successfully implemented; it was focused on the reduction of production waste and their further use.

Gorenje aparati za domaćinstvo, d.o.o., Serbia

As a difference from the parent company in Velenje, the standard of the environmental protection system in accordance with ISO 14001 has not been formally introduced yet. Regardless of this fact, special attention was paid to the environmental protection in the factory. All internal standards of the Group were adequately introduced and valid provisions and procedures relating to environmental management in compliance with the legislation were followed.

In future, great attention will be still paid to the area of environmental protection and special emphasis will be placed on the training of employees, rational utilisation of energy products and raw materials as well as constant monitoring and harmonisation of processes with legal provisions.

Gorenje, IPC, d.o.o.

In Gorenje, IPC, d.o.o. the year 2006 was devoted to waste management. We were successful in implementation of the drawn up plan of waste management.

The method of 20 keys was used in the management of energy cost with a special emphasis on saving in energy and materials. In the year 2007 the company will focus on the reduction of electricity consumption. Additionally, the system of environmental management will be integrated into the system of the parent company Gorenje, d.d. and up-graded by the EMAS system in the year 2007.

Gorenje, Tiki, d.o.o.

In 2006, Gorenje Tiki, d.o.o. continued to establish conditions for ecological control of technological processes.

A special place was arranged on the company's location that will be used for collection of waste and consistent waste separation will result in the number of separate waste fractions. Introduction of pressing, separately collected waste (paper, plastics) influenced the reduction in waste volume and frequency of waste removal.

The improved organisation of collection of secondary raw materials influenced the increase in such waste in the year 2006. Quantities of municipal waste were reduced significantly. Hazardous substances were regularly delivered to a licensed company for treatment of hazardous waste and simultaneously we took care of quantity reduction. We were successful in the completion of the first stage of modernisation of the purification plant for technological waste water and arrangement of a chemical warehouse and pumping station of polyurethane components.

Constant training will take care of regular education of employees in the area of environmental protection in future.

Gorenje Orodjarna, do.o.

By the purchase of a microprocessor controller and electro motor optimiser the company substantially reduced the consumption of electricity on a hydraulic press for tool testing. The purchase proved economically justified since the press with the nominal loading operates only 25 percent of working time due to the specific operating regime. It is estimated that slightly less than 30 percent of electricity will be saved every year due to the investment when compared to the starting situation before the investment.

In 2007, the company will continue upgrading the system of environmental management by the system of environmental management of the parent company.

Home interior division

In 2006, the companies of the Division performed activities for the improvement of the status of environmental protection in accordance with environmental management and legislative requirements.

In the area of **reduction of emissions into the air** the emission of dust was reduced by the implementation of the suction project in the Ceramics program. Simultaneously, working conditions improved. In the Kitchen program the plan for the reduction of solvent emissions was approved; it obliges the Division to further reduce emissions to the target level. In both programs

we filed an application for obtaining the environmental licence for an IPPS device. The Bathroom program continued reducing the emissions of volatile organic compounds.

In the **waste** area all programs continued carrying out waste separation. Additionally, the Ceramics program started the project of hot waste exhaust gas recuperation from the furnace for ceramic tile burning. In the Marles program the system of waste collection program started already in the production process, i.e. on the place of waste origin.

Trade and services division

ZEOS, d.o.o.

The company was established in 2005 for the efficient management of waste electronic and electrical equipment.

Activities were organised on the location of the company's registered office. Special attention was paid to informing of wide public and expansion of the collective scheme by new liable parties. We continued establishing business relations with the parties carrying out collection, transport, processing and removal of waste electrical and electronic equipment. By the introduction of the company's own information system we consolidated the conditions for the establishment of final business relations with business partners including founders, adhering parties and contractors for treatment of waste equipment and public utility companies. Thus all conditions for successful beginning of the complete scheme operation were fulfilled.

As approval of the quality of company's own strategy and activities the company became a member of the WEEE forum (European Association of collective schemes of waste electrical and electronic equipment) in the year 2006.

As a joint scheme of waste of electrical and electronic equipment we will start operating fully in February 2007. Then founders and parties supporting the company will become fully liable for their own products also after the expiry of their useful lives.

Kemis, d.o.o.

The company is engaged in collection, processing and removal of hazardous substances. Our knowledge and experience are expanded also to other countries of SE Europe through subsidiaries in Croatia, Bosnia and Herzegovina and in Serbia.

The company offers its customers professional and complete, versatile, safe and affordable solutions in the area of waste management. Thus, we take care of saving natural resources since part of waste is processed into secondary raw materials and secondary energy products. In 2006, over 150 tons of waste solvents were processed. Over 5,000 t waste was prepared for burning. And over 10,000 t waste was directed to processing and thermal utilisation (among them over 2,000 t waste tyres).

In 2006, additional scientific bases were prepared for the construction of a new recycling centre and the second spatial conference was organised in Vrhnika, Slovenia.