

Gorenje 2003 Sustainable Development Report and Gorenje, d.d. 2003 EMAS Environmental Statement		03
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sdr 2003

Susceptible to diversity,
prone to change.

Manageable flexibility
in all fields of operation.

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Development Report and Gorenje, d.d.
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Chairman's Letter

Despite tight competition in demanding European and other markets the Gorenje Group has managed to generate constant physical and economic growth for more than a decade. During all this time its business conduct was guided by principles of sustainable growth, while its results prove that successful business operations are closely linked to a comprehensive care for the staff as well as a responsible attitude towards the environment in its widest sense.

Environment protection is a very important component in all business fields, particularly in the development of products and services, sales, purchasing, production, training of staff, communication with employees as well as communication with the local and wider social environment. Therefore, it is not unusual to put environment protection in the very focus of our short-term and long-term strategies and goals, and that it has become an important part of the Gorenje corporate culture.

In 2003, Gorenje completed a several-year long investment cycle into the production of household appliances, which was aimed at increasing production capacity and upgrading technological processes. It was carried out according to the requirements of the most stringent international, particularly European technical and environmental standards, occupational health and safety provisions as well as fire-protection standards. During this period of intensive investment into production facilities Gorenje managed to score important results in decreasing negative environmental impact and consumption of natural resources. In 2003, the success rate in this field has slightly decreased thus closely following environmental programs.

Typical of the year 2003 was intensive investment into the development of new products, which will continue even

in 2004, and which apart from design and functionality also takes into account its compliance with environmental design principles, based on the complete lifecycle of the product from development, production, use and disposal after its lifetime.

The fields of occupational health and safety as well as fire protection play an important role not only in selecting and integrating new technological equipment but in everyday care for the safety of employees and production technology.

The care for employees and their health as well as well-being is a key factor for us, since motivation and creativity of employees contribute decisively to an increase of all other resources. Therefore, great care is taken regarding working conditions and solving problems of individuals, maintaining and improving their health as well as elimination of any asocial phenomena. The visible results generated this way are demonstrated by loyalty, mutual relations, growth of productivity and other indicators even economic ones.

For Gorenje taking care of employees is not only a social component of its activity. Great care is given to employment of people, who are well-trained to meet the challenges of increasingly demanding work processes. Education, training and development of human resources



within Gorenje has been one of the most important fields of activity, which face constant development. In 2003, special attention was paid to new approaches in order to carefully plan and systematically define the available knowledge base, assess deficient skills as well as to the organisation and appreciate knowledge not only in the phase of acquiring it but also in the phase of transferring it within and outside the company.

Even culture is an organised and specific communication method among employees but it is also used to address the local and wider social environment. For Gorenje »culture« means many different aspects. It has an important role in business life, while it manifests its contents in the form of new humanistic and aesthetic horizons. Among them are cultural venues, exhibitions and reading culture, educational forms like round table discussions, presentations, exchange of views and workshops along with the organisation of exhibitions by acclaimed artists. Culture within Gorenje contributes a great deal to the growth of the basic general values of life and the values of the business system.

Even for the future we are aware of the responsibility for conducting business based on sustainable development. By the EU-accession of Slovenia and the adoption of the new Law on Environment Protection in Slovenia, the opportunity is provided for voluntary participation in the EMAS System. Gorenje, d.d. took the decision to participate in this European environmental system, therefore the existing environmental standard ISO 14001 has been enhanced accordingly. This makes Gorenje even more effective and transparent in the field of environment protection.

A handwritten signature in blue ink, consisting of stylized initials and a surname, positioned above the printed name and title.

Franjo Bobinac
Chairman of the Management Board

1. The Gorenje Group Corporate Profile

1.1.

Basic Information

In 2003, the Gorenje Group consisted of the Gorenje, d.d., parent company and 47 subsidiaries, operating in Slovenia and abroad.

Subsidiaries	Country	Division	Share %
1. Gorenje I.P.C., d.o.o.	Slovenia	GA	100.00%
2. Biterm, d.o.o.	Slovenia	GA	75.00%
3. Gorenje Notranja oprema, d.d.	Slovenia	NO	98.05%
4. Gorenje Glin, d.o.o.	Slovenia	NO	98.05%
5. Gorenje TIKI, d.o.o.	Slovenia	TSO	82.56%
6. Gorenje Orodjarna, d.o.o.	Slovenia	TSO	100.00%
7. Gorenje Indop, d.o.o.	Slovenia	TSO	100.00%
8. Gorenje GTI, d.o.o.	Slovenia	ST	100.00%
9. Gorenje Gostinstvo, d.o.o.	Slovenia	ST	100.00%
10. LINEA, d.o.o.	Slovenia	ST	98.69%
11. Energygor, d.o.o.	Slovenia	EVO	100.00%
12. Opte Ptuj, d.o.o.	Slovenia	EVO	100.00%
13. Kemis, d.o.o.	Slovenia	EVO	66.66%
14. Elgor, d.o.o.	Slovenia	EVO	100.00%

Legend:

GA	Household appliances division
NO	Interior design division
TSO	Thermal and machine equipment division
ST	Services division
EVO	Power management and environment protection division

Subsidiaries	Country	Division	Share%
1. Gorenje Beteiligung GmbH	Austria	GA	100.00%
2. Gorenje Austria Handels GmbH	Austria	GA	100.00%
3. Gorenje Vertriebs GmbH	Germany	GA	100.00%
4. Gorenje Körting Italia S.r.l.	Italy	GA	100.00%
5. Gorenje France SA	France	GA	100.00%
6. Gorenje BELUX S.a.r.l.	Belgium	GA	100.00%
7. Gorenje UK Ltd.	United Kingdom	GA	100.00%
8. Gorenje Skandinavien A/S	Denmark	GA	100.00%
9. Gorenje Sverige AB	Sweden	GA	100.00%
10. Gorenje Pacific Pty. Ltd.	Australia	GA	100.00%
11. Gorenje USA Inc.	USA	GA	100.00%
12. Gorenje Spol, s r.o.	Czech Republic	GA	100.00%
13. Gorenje Commerce, d.o.o.	Bosnia and Herzegovina	GA	100.00%
14. Gorenje Slovakia s r.o.	Slovakia	GA	100.00%
15. Gorenje Budapest Kft.	Hungary	GA	100.00%
16. Gorenje Polska Sp. z o.o.	Poland	GA	100.00%
17. Gorenje Bulgaria EOOD	Bulgaria	GA	100.00%
18. Gorenje Zagreb, d.o.o.	Croatia	GA	100.00%
19. Gorenje Podgorica, d.o.o.	Serbia and Montenegro	GA	98.00%
20. Gorenje OY	Finland	GA	100.00%
21. Gorenje Skopje, d.o.o.	Macedonia	GA	100.00%
22. Gorenje, d.o.o.	Serbia and Montenegro	GA	100.00%
23. Gorenje Romania S.R.L.	Romania	GA	100.00%
24. Gorenje AS	Norway	GA	100.00%
25. Gorenje Küchen GmbH	Austria	NO	100.00%
26. Gorenje Kuchyne spol, s r.o.	Czech Republic	NO	100.00%
27. Gorenje Kuhinje, d.o.o.	Bosnia and Herzegovina	NO	98.05%
28. Hyundai Auto, d.o.o.	Serbia and Montenegro	ST	100.00%
29. Hyundai auto Zagreb d.o.o.	Croatia	ST	100.00%
30. Gorenje Real Spol. s r.o.	Czech Republic	ST	100.00%
31. Gorenje Real Kft.	Hungary	ST	100.00%
32. Kemis Zagreb, d.o.o.	Croatia	EVO	66.66%
33. Kemis BiH, d.o.o.	Bosnia and Herzegovina	EVO	62.73%

1.2.

The Gorenje Group Company Structure

The companies of the Gorenje Group can be classified into the following five divisions:

- *household appliances division*, comprising companies producing and selling household appliances,
- *interior design division*, includes companies manufacturing and selling kitchen and bathroom furniture, sanitary equipment and ceramic tiles,
- *thermal and machine equipment division*, includes companies for producing and selling water heaters, tools and industrial equipment,

- *services division*, comprises companies active in the field of trading, engineering, distribution, catering and tourism, as well as real-estate management,
- *power management and environment protection division*, includes companies for handling special waste, removal and processing sludge as well as production and sale of bricks, ceiling supports and support beams.

Management and Supervisory Board

Management board

Franjo Bobinac

Chairman of the Board

Andrej Vizjak

Member of the Board

Franc Košec

Member of the Board

Žiga Debeljak

Member of the Board

Drago Bahun

Member of the Board

The management board was appointed on July 18th, 2003 for a period of five years. The mandate of the supervisory board expires on July 18th, 2006.

Basic activity

Household appliances division

comprising fridge-freezers, cookers, dishwashers and washing machines, complementary and outsourced programmes, components program, Point program...

Other activities

Interior design division	Thermal and machine equipment division	Services division	Power management and environment protection division
Furniture: – kitchens – bathrooms – halls – living rooms – ceramics	machine building toolmaking thermal technology: – radiators – air-conditioners – water heaters	trading representation and engineering car sales catering and tourism real-estate management	power management environment protection

1.3.

Sales

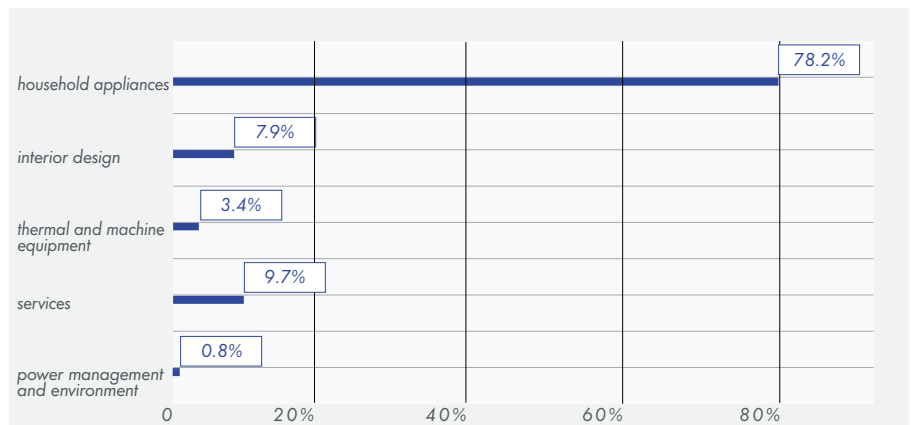
In 2003, the total consolidated net revenue from sales by the Gorenje Group amounted to 196,230.7 Mio. SIT, which means an increase by 8.1 % compared to 2002.

The revenue structure shows that the household appliances division sector slightly shrunk, while on the other

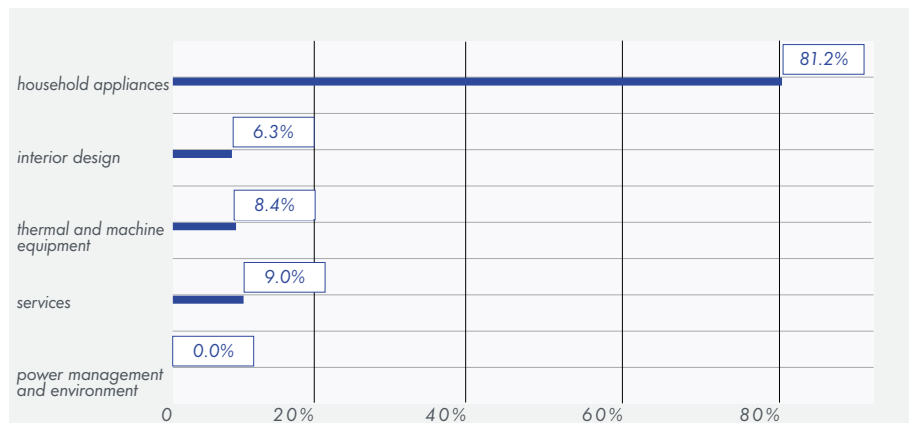
hand the share of the interior design division increased because of the integration of the Glin, d.d. company into the group, along with the share of the power management and environment protection division because of the integration of the companies Kemis, d.o.o. and Opte, d.o.o. into the Group.

Net sales revenue by division in Mio. SIT	2003	2002
Household appliances division	153,502.3	148,284.3
Interior design division	15,514.9	11,404.4
Thermal and machine equipment division	6,633.6	5,516.3
Services division	19,007.9	16,313.0
Power management and environment protection division	1,572.0	-
Total	196,230.7	181,518.0

Revenue structure by division in 2003



Revenue structure by division in 2002



2. Vision, Mission, Values and Strategic Goals

2.1.

Vision, Mission and Values

Throughout the development history of the business system, the companies of the Gorenje Group were facing numerous challenges, imposed by the business environment: the need for dynamic development and closely following the development speed of the competition, along with the need for active monitoring and flexible adapting to change in the business environment, as well as the need for segmentation of its operations by fields of activity.

The specified basic challenges of business in the past and of the future were summarised by the parent company and the Gorenje Group in the following vision of the strategic plan.

Gorenje strives to be a flexible and manageable business system in all fields of its operation.

The strategy of operational flexibility of the Gorenje Group companies required constant monitoring of changes in the business environment, assessing its own capabilities for adapting to change, creating conditions for adapting and introducing any required changes. The specified processes were carried out on all operation levels of the company as well as the Group as a whole: on the level of business activities, on the level of techniques and product manufacturing technologies or performing services, on the level of customers, suppliers, employees....

Due to constant need for adapting, which meant flexibly responding to challenges from the environment, such business conduct led to a high level of operation complexity and thus relatively higher cost than it would have incurred through constant, balanced and evolutionary adapting to change. Therefore one of the basic strategies by the Gorenje Group was, is and will be constant optimisation of business processes and thus its

operating cost on all levels and in all forms of its operation.

The consequence of the described strategy of business flexibility along with cost optimisation is the operation of the Gorenje Group companies in different business fields, which by their basic activity provide synergistic effects and because of this provide broader business optimisation opportunities. Developing different activities enables the parent company and all affiliate ones economic participation in the business environment, mutual involvement and maximising economic abilities as well as balanced redistribution of business risks.

Maximising earnings is not the only goal of the Gorenje Group but rather reaching a long-term equilibrium of business operations, which in the long run balances expectations by the owners, employees, business partners and other people involved in the company. In implementing its mission of producing, applying and marketing of quality, user -friendly products and services, the Gorenje Group implements its values of creating long-term shareholder value, maintains relations with its customers and business partners, takes care about its employees, their knowledge base, maintains and strengthens loyalty towards Gorenje, develops a corporate as well as the Gorenje trademark identity and encourages environmental awareness of employees and the environment it operates in.

2.2.

Strategic Goals

In its 2003 - 2006 strategic business plan, adopted in 2002, the Gorenje Group clearly defined its basic strategic focus and goals, which it was able to define because of the clear goals of its operations. With the help of the model of strategically focused business system it opted for the following basic goals:

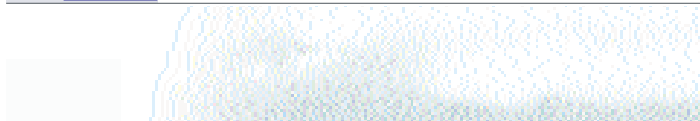
- *business excellence regarding its relations with customers and other business partners* by applying the strategy of differentiation on various levels (on the level of products and services as well as on the level of clients and other business partners),

- *excellence in managing internal business processes* by applying the strategy of optimising business processes, their control, optimising the value chain and innovative development,
- *implementation of the learning model and business system growth* by applying the strategy of development and strengthening corporate culture, development of the compensation system, implementation of the knowledge management model as well as providing autonomy of employees, and
- *increasing shareholder value* by applying the strategy of revenue and profitability growth as well as the strategy of cost effectiveness.

The specified goals and strategic focus arising from them are the basis for attaining the goals of long-term balanced operation of the individual companies, part of the Gorenje Group and the Group as a whole.

Direction is more important than speed.

We are on the right track. Our horizon is communication openness.



We strive to be

a flexible and

manageable corporate structure

in all aeras

of our activity.



New

In 2003, Gorenje harmonised its operation with the EMAS System requirements as stipulated by the EU regulation No. 761/2001.

Values

- corporate identity
- equilibrium between expectations of shareholders, employees
- production and marketing of user-friendly products and services
- maintaining relations with customers and business partners



3. Sustainable Growth

3.1.

Social Responsibility by Companies

In 1999, the World Council for Sustainable Development wrote: "Social responsibility means constant commitment of the company to ethical conduct, economic development, improving the quality of life of employees, their families, the local community and the society in general."

To define key areas of social responsibility within a company it is necessary to consider basic principles for implementing social responsibility of companies which are: fair and equal treatment of employees, ethical and fair business conduct, respecting basic human rights, responsible attitude toward the environment as well as a fair relation towards the immediate local community and the wider social environment.

Since companies are responsible for their activities, which have an impact on people, societies and their natural environment, they have to research, identify and quantify negative and positive impact. Based on these assessments the company has to plan social responsibility in such a way that it constantly reduces the negative impact of its operation.

An increasing number of companies inform target audiences about their activities in the field of social responsibility. The reports can be comprehensive, prepared based on recommendations, like for example the Global Reporting Initiative, which defines 50 major and 47 additional environmental, social and economic indicators. Even more widespread are reports based on different international standards (ISO 14001, EMAS, SA 8000,...).

3.2.

The EMAS System

The environment management system according to the EMAS System (Eco-management and Audit Scheme) was introduced by the European Union already back in 1995 by adopting the 1836/93/EEC guideline. The scheme was initially intended for companies in the industry sector. In 2001, the EU adopted a new guideline no. 761/2001/EC, by which it upgraded the original scheme so that the requirements by the ISO 14001 standards were enhanced by more stringent requirements in the field of meeting legal requirements, public relations and involving employees as well as internal audits, while it also requires organisations to prepare and publish annual audited environmental statements.

In the field of legal requirements it is not enough just to know them, the results have to prove not only their implementation, but also that these requirements are constantly met. The environmental statement is one of the key elements of the EMAS System. This statement establishes communication and dialogue with the public and other interested parties regarding the impact of the organisation on the environment and its environmental effectiveness. The environmental statement needs to be revised and audited once a year.

4. Gorenje's Attitude Towards Employees and the Social Environment

4.1.

The Staff

All economic entities – private and public ones from EU countries as well as Iceland, Norway and Liechtenstein – can participate in the EMAS System. The accession to the scheme is voluntary, while the participating parties have to meet clearly defined rules. Slovenia plans to implement the scheme shortly after joining the EU.

The use of the EMAS logo facilitates consumers, partners and other interested parties to select a more environment friendly product, service or activity. Companies, which have implemented the EMAS System are bound to conduct their business responsibly on the basis of sustainable development.

Employees are the key factor of success in the future. By their knowledge, motivation and loyalty to the company they represent a valuable asset, which requires investment, development and protection.

In the 2003 business plan, the regarding employees following important goals have been defined:

- care for the education of employees and development of their creative potential,
- training employees to take new roles in the implementation of the SAP information system,
- harmonisation of the systemisation of workplaces with the new occupational legislation,
- bringing programs of managerial training up-to-date and upgrading the program with contents for managing and working with people,
- care for good working conditions, safe and healthy work as well as good interpersonal relations,
- developing habits of employees for a healthy lifestyle and responsibility for their own health.

These goals have been implemented in 2003 in all fields quite successfully. A number of employees take part in additional education while working in the company not only to attain a higher education level, but also to acquire new additional knowledge, which is increasingly important for work. This way they are getting more flexible, they can adapt easier to new

requirements of the work process. Gorenje also continues to raise awareness and to constantly remind people, that the care for one's own health and safety is in particular a very individual responsibility. By joint efforts of the human resources department and the management of individual programs for improving the work atmosphere and interpersonal relations as well as constant investing into improving working conditions, Gorenje managed to decrease the level of sick-leave, while even indicators of the severity and incidence of injuries at work are better than the year before.

Gorenje also started to prepare a systemisation of workplaces or better their harmonisation with the new occupational legislation. New descriptions of workplaces for up to the educational level V have already been prepared, while for more demanding workplaces the descriptions will be prepared later this year.

4.1.1.

Number and Educational Structure of Employees

4.1.1.1. The Gorenje Group

The operating results by the Gorenje Group are the result of efforts by its employees which at the end of 2003 totalled 9,427 people. This represents an increase by 7.5 % compared to the year before. The reason for such an

important increase in the number of employees is the organic growth of the Gorenje Group and expansion of the business, which enabled that the set goals for 2003 have been achieved.

Number of employees at the end of 2003

Number of employees by division	Number of employees on Dec. 31 st		Average number	
	2003	2002	2003	2002
Household appliances division	7,092	6,760	6,821	6,620
Interior design division	1,228	1,073	1,243	1,081
Thermal and machine equipment division	666	628	653	600
Services division	361	311	352	309
Power management and environment protection division	80	-	77	-
Total	9,427	8,772	9,146	8,610

Level of professional education at the end of 2003

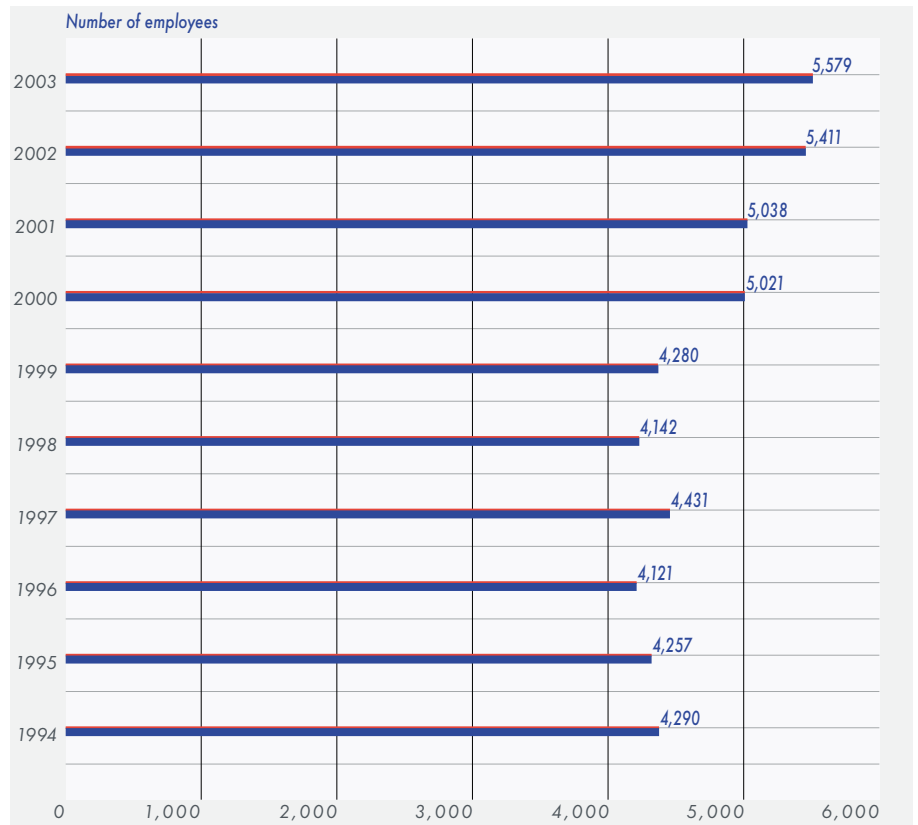
Level of professional education	Gorenje Group No. of employees		Gorenje d.d. No. of employees	
	Dec.31 st 2003	Dec.31 st 2002	Dec.31 st 2003	Dec.31 st 2002
I.	3,093	2,950	1,984	1,948
II.	537	511	393	393
III.	315	316	183	180
IV.	2,529	2,328	1,395	1,355
V.	2,008	1,881	1,159	1,112
VI.	376	304	169	162
VII.	531	453	271	241
VIII.	38	29	25	20
Total	9,427	8,772	5,579	5,411

4.1.1.2. Gorenje, d.d.

Since 2000, when the output of household appliances increased considerably, the number of employees also rose thus reaching the highest number in the last decade of 2003.

In the following years the number of employees will not increase considerably or may stabilise at an average of 5,400 employees.

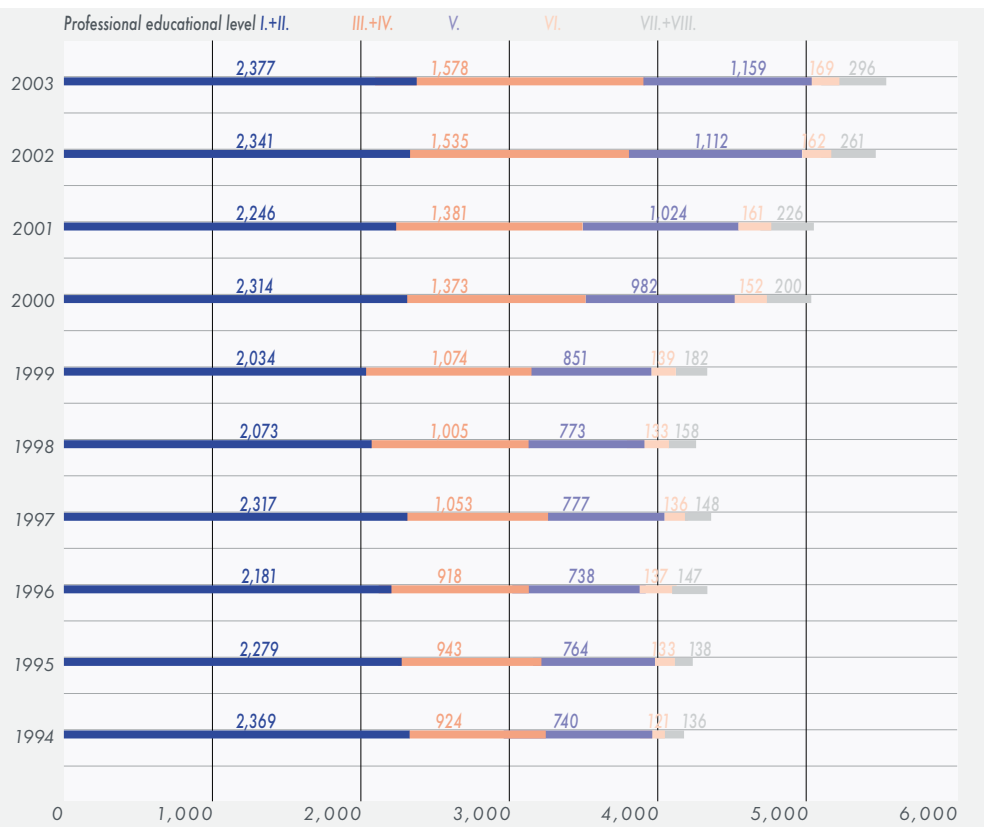
Number of employees since 1994



Year after year the professional education level of employees is improving. Despite predominant employment in the production sector, the number of employees without formal professional education is decreasing, while the number of employees with vocational and secondary one is increasing. Also on the rise is the share of employees with higher or university education. In 2003, out of all the workforce there were more than third unskilled workers, ten percent have at least two years of vocational training. A quarter of all employees has standard vocational education, a fifth secondary education. More than 8 % of the workforce have higher or university

education or are Masters of Sciences. The improvement of the professional education level is the consequence of a more selective approach in employment, since even in production sectors Gorenje prefers to employ people with a least a completed vocational education. They are able to learn faster and are more flexible. On the other hand there is also growing interest by the already employed to continue their education while working, since they are very much aware that with modern technologies which are being introduced, education is very important for their career.

Structure of professional educational level since 1994



4.1.2. Human Resource Development

The main function in the human resource development is to identify individual advantages, wishes and ambition, and to develop them according to one's goals and the goals of the company. There are various sources of getting such information, so Gorenje uses various procedures and instruments like psychological tests as well as different research projects in the form of interviews. The scope of the

assessed personality features can give a more comprehensive picture thus increasing objectiveness, since just one piece of information can result in incorrect conclusions.

4.1.3.

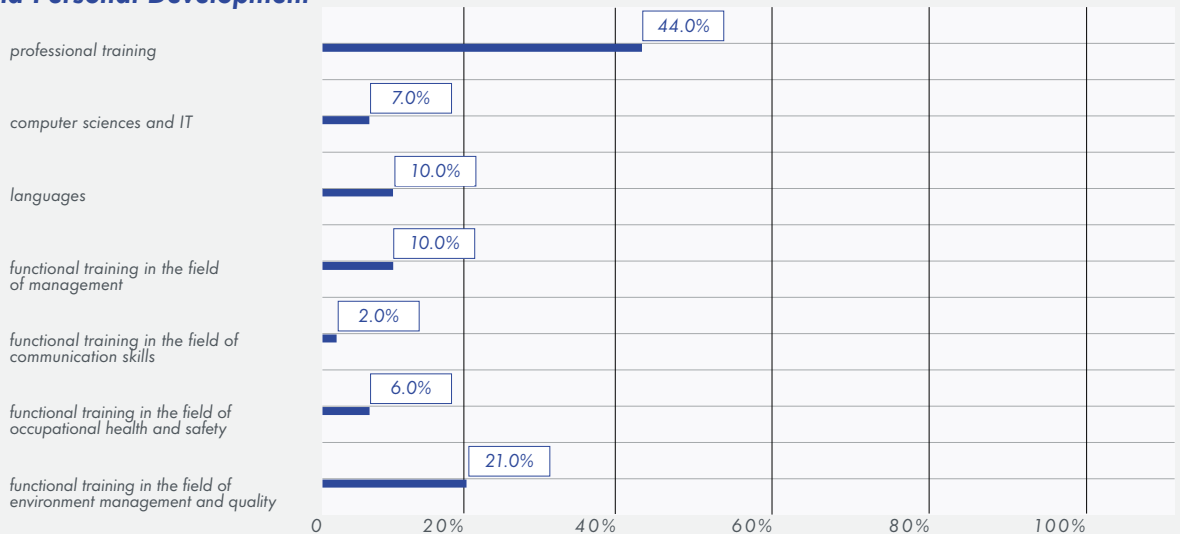
Training and Personal Development of Staff

In 2003, apart from high-level preparation and implementation of the educational and training plan, the educational centre started to create procedures and define criteria, which should result in improved quality of education and human resource development along with a higher quality level of acquiring new knowledge. In preparing and implementing of the annual plan special attention was paid to all participants, who take part in the education program. The preparations included intensive cooperation with users of educational programs, as well those who perform such education. Even professional services as well

as professional and managerial staff by Gorenje were asked to participate, since they are an important source of information in defining and acquiring new knowledge.

In 2003, 4,692 employees participated in 450 different courses, seminars or conferences. 66,530 hours of education were provided. The training took place during working hours, out of working hours (the majority of lectures), while the number of educational programmes held during weekends and on holidays was reduced. 45.7 % of all employees participated in trainings.

Training and Personal Development of Staff



An 83-percent share of internally organised programs confirms our direction that by appropriate organisation and transfer of knowledge within the company cost is reduced and the circulation of knowledge within the company increases.

The structure of hours by different subject show that the largest number or 44 % of them were dedicated to professional training and education of employees. This ensures further successful development, since following trends, development and requirements of new technologies is

imperative to maintain one's market position.

Programs in the field of quality and environment management come second with a share of 21 %. The business processes by Gorenje is based on respecting the highest environmental standards. In this part intensive training was carried out to train employees not only for environment management but also for safe and healthy work (6 %). The share of hours for improving skills in the field of communication was 2 %.

4.1.4.

Health Situation among Employees

The information age requires people to adapt to the ever changing technological solutions, therefore the share of this field is quite high (7 %), even so the number of hours dedicated to improving foreign language skills which totals 10 %. This can be regarded as a consequence of opening the company on a larger scale and cooperation with international companies.

In 2003, special attention was paid to management programs. These seminars had a 10 % share among all educational programs. The programs were prepared in such a way that managers were trained to convey the mission and vision of the company to employees based on their own example.

At the same time the seminars made them acquire skills and knowledge to

transfer information and cultural values as well as to encourage initiative among employees.

The goal of managerial training is to update knowledge within the organisation, get to know the business policy of the company as well as monitor and assess personality features of individuals with potential. Training programs for all three management levels within the company were carried out:

- 25 participants took part in the 15th generation of the Gorenje Manager Academy, among them 16 from Gorenje, d.d. and 9 potential managers from subsidiaries. During the four modules within one year the candidates acquired theoretical knowledge on management, including sustainable development as well as practical skills through public appearances using techniques of preparing and presenting business plans to the company management.

The care for employees, their health and well-being at work is of key importance to the company, since motivation and creativity of the staff are the most important contribution for enhancing all other resources.

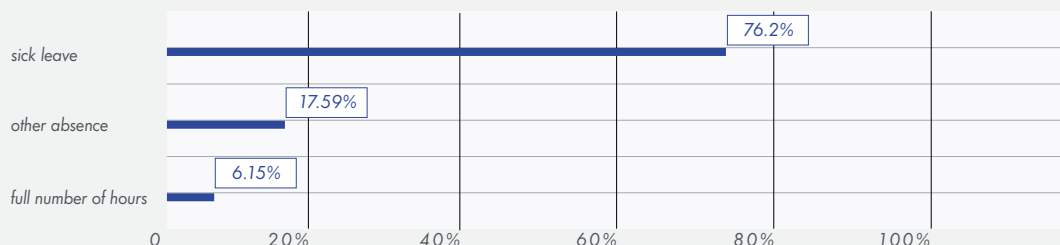
Therefore a lot of attention is paid to working conditions and to solving problems by individuals, maintaining and improving their health and elimination of any asocial phenomenon. This results in a higher level of loyalty and better interpersonal relations. The effects are not only humane but also economic ones with an extremely positive impact on productivity and business results.

Tasks or activities for eliminating all those factors, which in the working environment have a negative impact on the general state of health and absence from work are:

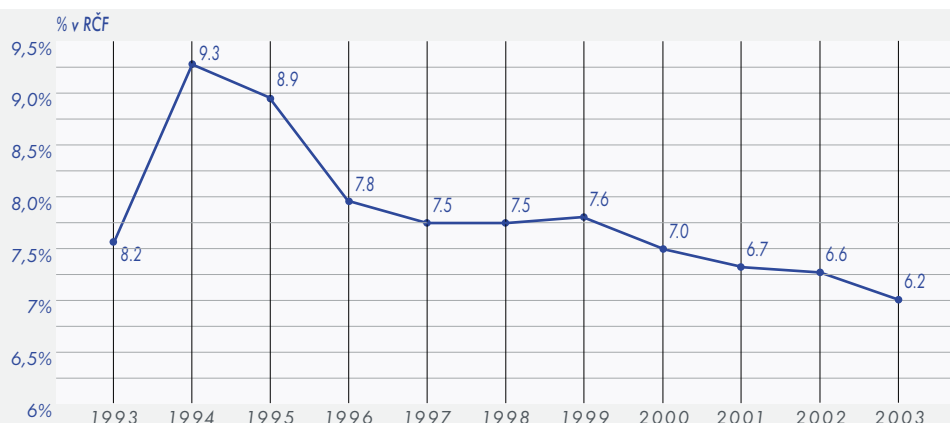
- operation of The first aid dispensary,
- performing health education and prevention programmes,
- cooperation with doctors,
- allocating employees with reduced work ability to less demanding workplaces,
- visits at home,
- providing help in case of psychological problems,
- financial assistance in cases of protracted illnesses.

All these activities are held in cooperation with people from different services and production programs, so with even doctors.

Share of sick leave and other absence from work in 2003 (% of FNH*) for Gorenje, d.d.



Sick leave throughout the years (% of FNH*) for Gorenje, d.d.



Legend:
* FNH = full number of hours

Health and sick leave

Health does not depend on biological factors only, like for example: age, sex and hereditary factors. The lifestyle of the individual as well as different environmental factors – situation within the society, family, at the workplace – also have an important role.

Since a sick and discontented employee can not be successful, but rather goes on sick leave, Gorenje tries to eliminate any negative factor at the workplace.

In 1993 and 1994, there was a considerable increase which was probably the consequence of changes within the society, a new health legislation which led to the elimination of in-company sickrooms, the new right to choose one's own doctor etc. Typical of this period is the transition to market economy and restructuring of companies. Employees are usually not prone to change even if they benefit from them; sometimes the fear about losing security arises, which is one of the main reasons why many at

that time attempted to improve their status by going on sick leave or getting various medical certificates. Almost all Slovene companies had to cope with the same problem. In 1995 the trend started to improve – not only because of the changes in mentality but also because of various measures to reduce sick leave.

Operation of The first aid dispensary

One of the result of the operation of the first aid dispensary, which employs two nurses, is improved health by employees as well as a reduction in the numbers of hours lost because of health problems. The two nurses perform in particular the following tasks:

- first aid in the event of injuries and various pain conditions,
- consulting and health education programs,
- parental therapy and blood pressure check-ups,
- classification of patients prior seeing a doctor, issuing sick leave certificates
- cooperation with the Health and Safety service related to accidents at work.

Performing health education and preventive programmes

Health education is carried out mainly in Gorenje's own dispensary. With articles in the "Črno na belem" ("Black on White") internal magazine in the regular "Health" column a positive attitude towards life and work, as well as greater care for the physical health and mental stability is promoted. Health education also became part of various internal educational programs.

Cooperation with doctors

Every day Gorenje closely cooperates with personal doctors of its employees, while on a temporary basis it also works together with selected doctors and some specialists.

When inspecting and assessing workplaces Gorenje always ensures the participation of a doctor of occupational medicine.

The main aim of these contacts is to solve problems regarding repeated and long-term sick leave of employees - seeking appropriate solutions (more appropriate work, agreements regarding therapy, kicking off procedures in front of the disability commission etc.)

Allocating work to employees with reduced work ability (disability issues): It is of paramount importance that all employees with reduced work ability are provided with work they can perform successfully thus spending less time on sick leave.

Based on medical diagnoses and opinions by selected doctors Gorenje tries to find appropriate tasks, is involved in assigning different workplaces and cooperates in proceedings in front of the disability commission.

Visits at home

The aim of visits at home is to verify how employees on sick leave follow the doctor's instructions and how the general regulations in times of sick leave are followed.

Quite important is also to get to know people's problems, expectations, wishes and to communicate all this information to the working environment. In this way a better insight into the health problems or reasons for sick leave is provided.

4.1.5.

Night Work by Women

Gorenje, d.d. employs 50.8 % of women. It strives to use its production capacity correctly and wisely. Due to bottlenecks in production at some departments even in 2004, night work can not be completely eliminated.

According to valid occupational legislation the scope of night work by women and their number is scheduled exclusively with the consent of the Worker's Council and the individuals in question.

The following table shows that the number of hours performed during night shifts in 2003 despite increased production in no production program exceeded the scheduled number of hours, which women scheduled for night-shifts were supposed to work within the total annual number of hour.

In 2002, night work by women was performed without any problems and continued uninterrupted. During night shifts there were no serious injuries, the supervision and meals were appropriate, transportation to and from work was provided.

4.1.6.

Participation of Gorenje Employees in Management

In all Gorenje Group companies there are Worker's Councils in place, whilst half of the Gorenje, d.d. Supervisory Board members are representatives of the employees. This way Gorenje provides conditions for the participation of employees in management according to current legislation and general standards known to democratic societies.

Number of women performing three-shift work

year	1995	1996	1997	1998	1999	2000	2001	2002	2003
Number of women	247	272	219	328	314	284	341	290	385

4.2.

Occupational Health and Safety

In 2003, the systemic interdisciplinary preventive measures introduced some years ago began to prove their correctness and started to show first positive results. The following systemwide preventive measures contributed most to healthy and safe work:

- considering principles of preliminary safety during set-up of new technological equipment and processes,
- safety training at all production levels with particular focus on practical training for correct and safe work,
- performing guided health promotion programs, based on risk assessment,
- implementing the 20 keys system. Particularly key number 1, which discusses the set-up of the work environment, has a great impact on the rate of accidents and related effects,
- emphasis on an analytical approach for risk assessment following events involving damage and providing reasons and possible solutions to responsible managers and professional supporting services for individual programs and activities on all levels of the organisational structure.

The professional fire brigade pays a lot of attention to educating and training its members as well as the employees of Gorenje in the field of fire prevention by organising tactical fire-fighting exercises. All divisions feature fire-alarm system, while active fire protection is provided on a selective basis.

4.3.

Communication

One of the essential factors for the success of the parent company and the Gorenje Group are employees. Motivated employees make the difference between average and excellence. No matter how well-considered business strategies are, without employees being able and prepared to implement them they are doomed to fail. The employees want and have the right to be informed about issues, directly affecting their work. By providing information on a regular and systematic basis this condition is met. One of the internal communication tools are publications by Gorenje: a weekly "Črno na belem" and a periodical "Pika na G", while at the end of the year the first issue of the electronic "E-glasilo" was released. Issues involving sustainable development are constantly part of the discussed topics.

4.4.

Culture

At Gorenje culture as an organised and specific communication method among employees has a 26-year long tradition. By its specific method of driving awareness for critical ways of thinking and education for human values, even for the environment, it contributes in different forms to the profile of entrepreneurial or corporate culture. As such it requires a systematic approach and position within the business system thus helping to be recognised as part of the vision and strategy of the company.

During all these years Gorenje has organised different educational venues, round table discussions, cultural events and expositions by recognised Slovene and foreign academic artists (painters, sculptors,...).

In 2003, at the Gorenje gallery exhibitions by the academic painter Klementina Golija, the academic painter Klavdij Palčič, the academic sculptor

Dušan Džamonja were held, while the Velenje castle was host of the exhibition of paintings by Goran Horvat to mark its 30 years of work. All these remarkable cultural events contribute to a positive self-image, cultivate the feeling for beauty among employees and the wider public as well as generate the impression of the company itself to be well organised.

Apart from exhibitions, Gorenje cherishes a special attitude towards books and reading.

Works by numerous writers, who visited Gorenje or the Kulturnica bookshop, often express a critical social view thus matching principles of sustainable development.

During the week of the world environment day, an exhibition by the academic painter Štefan Marflak was held. Among the motives were emblems of Slovenehood. This way the day when all Slovenes should focus their thoughts and deeds into a confirmation of their national identity, thus keeping Slovene natural treasures intact and providing an appropriate sustainable development was remembered.

4.5.

Awards for Positive Attitude by Gorenje Towards Sustainable Development

In 2002, Gorenje was awarded a number of prizes and acknowledgements for its efforts in the wider area of sustainable growth.

In 2002, the Agency for Effective Use of Energy (AURE) awarded Gorenje the prize for the most energy efficient company. It qualified for the prize by continually reducing the use of energy resources in the production process and the use of its products, the attitude of management and employees towards sustainable growth, education and training of employees, as well as the wider public, along with the implementation of investments into restructuring technological processes.

For a number of years the attitude of the company management towards a friendly working environment, introduction of cleaner technologies, participation of employees in creating an environmental culture, as well as a social responsibility of the company has been assessed in Slovenia with special prizes being awarded. In 2002, just as many years before, Gorenje received a recognition from the Slovene Chamber of Economy for the best working environment in Slovenia in the category of large enterprises.

In October 2002, the company was visited by a large group of participants of the international conference on methods of increasing company competitiveness, which was held in Ljubljana. Among them was the author of the 20 keys method, the Japanese professor Ivao Kobaiashi. On that day, the special 20 keys company

award ceremony 2002 was held in Ljubljana. Among the participating Slovene companies the award went to Gorenje. In the explanation it was said that apart from introducing the method in its own companies, the Gorenje Group is also active in promoting the culture of constant improvement within the wider Slovene area.

At the end of 2002 Gorenje received another equally important recognition called the "Golden Leaf", which was awarded to Gorenje for universal support and an active role in the "Rising Book" project. The "Rising Book" is a special symbol of the Slovene past, present and in particular the future, an exceptional message on preserving the Slovene cultural heritage.

In May 2003, the Learning Company Institute (IUP) from Ljubljana awarded recognitions to all those Slovene companies, which in the past year came closest to the tenet of a Learning organisation. Gorenje was among the recipients for the third time in a row. This recognition once again proves that the development of staff and education as part of the basic values of corporate culture are not just a declared intent.

At the chamber of commerce for the savinjsko-šaleška region an assessment of the most well-organised working environments in the area was carried out also in 2003. In the category of large enterprises the commission selected as candidate the company Gorenje Orodjarna, which also received this award in November.

The attitude by the management and employees towards the environment, implementation of environmental policy, goals and programs as well as cooperation with the interested public was confirmed by the award for best environmental company in Slovenia. This recognition is awarded by the Gospodarski vestnik magazine and the Slovene Ecology and Development Fund. Gorenje won this prize for the first time in 2001, and received it again in 2003.

Ten companies competed for the title Environment-friendly company 2003, by proving their environmental focus through publicly disclosed reports they had prepared during the last three years as part of implementing an environment management system according to the ISO 14001 standard.

This award is a confirmation and incentive for Gorenje to keep up constant investments into environment protection, which is one of the important segments laid out in the strategic goals of the company while slowly gaining a new dimension. By 2006 it will develop into a new business activity.

As the winner in the category environment-friendly company, Gorenje is a candidate for the European Award for the Environment, which is awarded by the European environmental commission.

5. Environment Protection

5.1.

Environment Protection at the Gorenje Parent Company

From the aspect of sustainable development environment protection has been part of the operations of Gorenje ever since its very beginning. Until the mid-eighties environmental impact was dealt with the help of different functional departments. In 1985, the department Ecology was set-up which represents the beginning of a uniform development an effective environmental strategy. Later the department was merged with the analytical laboratory and the Central wastewater treatment plant. It was called Ecology and analytical chemistry with central wastewater treatment plant.

Since 2003 environment protection within the parent company is organised as an independent field of activity, which performs tasks of consulting, control, coordination, education, cooperation with authorities and performs operative tasks.

In 2000 the environment management system was adapted to meet the requirements of the ISO 14001 standard and the system was certified.

In 2003, the existing environment management system was upgraded according to the requirements for participating in the European environmental system EMAS. Beginning of April Gorenje successfully passed the EMAS audit. Conditions for being accepted to the EMAS list were first provided after May 1st, 2004, when Slovenia became full EU-member.

The results of the environment management policy are given in this report. In future Gorenje's activities will focus on the decomposition of electric and electronic waste, reducing the use of certain hazardous substances as part of the electric and electronic equipment as well as development of new products according to requirements of environment-friendly design.

5.1.1.

Handling Waste Electric and Electronic Equipment

On February 13th, 2003 the European parliament adopted the 2002/96/EC directive on waste electric and electronic equipment (WEEE). The basic aim of this environmental policy is to maintain, protect and improve environment quality, protect the health of people and to use natural resources wisely and effectively. The main aspect of this directive is that remedy for environmental damage has to be borne by the source and that the polluter has to pay for it. In this case it is the manufacturer. The directive applies to all manufacturers of electric and electronic equipment, from small to large household appliances, computers, TVs, printers to electric tools, medical equipment and beverage vending machines.

On August 13th, 2004, this directive shall be adopted by national legislation in all 25 EU-member countries and will oblige not only authorities but also producers to meet their obligations. Authorities are obliged to provide conditions for the implementation of the directive and are responsible for reporting the achieved results to the European commission. One of the main goals is that countries ensure that a minimum of 4 kg of waste equipment is collected per capita (the annual sales account for around 12 kg per capita). The producers on the other side are obliged individually or in clusters to set-up such a system for processing waste equipment which will ensure the best results of processing and recycling. The directive stipulates levels of processing and recycling for every category of equipment defined in it.

The cost linked to the handling and processing waste equipment except the cost of collecting from households, is covered by producers. In the interim period (approx. 10 years), when equipment, already sold in the market in the past and for which producers did not set-up any disposal fund, the cost for handling discarded equipment will be passed on to customers of new

equipment in a transparent way. The cost estimate for the disposal of discarded equipment will be in average around 0.5 EUR per kilogram of equipment.

Gorenje, as Slovenia's largest producer of equipment, which is bound by this directive will set-up a system which will minimise the cost for handling and disposal of waste electric and electronic equipment. Gorenje will make its system available to other producers, distributors and importers, who sell their products on the Slovene market.

Technology, required for the processing of electric and electronic equipment has to meet technical and safety standards, it has to be certified by authorities and through its processes ensure the implementation of goals defined by the directive regarding processing and recycling levels as well as goals regarding limiting the use of certain hazardous substances (RoHS). In Slovenia, such technologies are currently non-existent, therefore investment into this industry is required because only this way cost which incurs through processing waste could be optimised.

According to current Slovene legislation the end-users of such equipment in households are obliged to comply with the Regulations on separate gathering, which also deals with electronic and electric equipment. Most probably they will also be obliged to pay a certain clearly declared amount, which will cover the cost for processing waste equipment, which has been or will be sold prior to August 13th, 2005. From this day on all electronic and electric equipment will carry the logo of crossed dustbin. The logo clearly indicates that equipment dealt with by the directive may not be disposed of together with other household waste, that it belongs to equipment, which was sold after August 13th, 2005 and that the manufacturer is thus obliged to cover the cost of its disposal.

5.2.

Environment Protection in other Companies of the Gorenje Group

At Gorenje Orodjarna, d.o.o., an environment management system according to the requirements of the ISO 14001 standard has been set-up and certified. In 2003, the new Termoforming profit centre managed to reduce the quantities of waste aluminium chips by simply changing the size of input material. By implementing emulsion purification devices at the machine department they also managed to extend the stability of the emulsion thus directly reducing the quantity of discarded emulsion and at the same time they prevented that unpleasant odour is generated.

At Gorenje Indop, d.o.o., the impact on the environment is managed according to the requirements of their ISO 14001 certified system. Within this system they follow in particular the following goals: systematic monitoring of the effects of their activity on the environment, planning technical development of products in a way that the production as well as the products themselves will have as little effect on the environment as possible, and control of all important environmental parameters along with the consumption of energy media. Compared to 2002 in 2003, the quantity of waste was reduced by around 5 %, the sewage system was thoroughly reconstructed, the electric energy consumption was reduced by 3 % and the consumption of energy for heating was reduced by 5 %.

Gorenje I.P.C., d.o.o. received its environment management certificate in December 2002. The system is integrated into the quality management system. During the first year following the receipt of the certificate a system for monitoring absolute and specific consumption of energy media (electric power, thermal energy, water and gas) as well as their cost, consumption of raw materials, handling hazardous substances and chemicals, separate collection of waste and monitoring of individual environmental parameters according to legal requirements was set-up.

Gorenje GTI, d.o.o., which set-up and certified its environment management system according to the requirements of the ISO 14001 back in 1999, managed to fully implement its goals. The activities were focused in particular on preparing and adapting to legal requirements in the field of new and discarded packaging, waste as well as ozone-depleting substances. According to the annual plan they trained employees and even performed a readiness and response exercise for emergency situations. During the last months they also started activities for setting-up a system for waste management and compliance to other environmental requirements at their new distribution centre in Ljubljana.

Biterm, d.o.o. received the certificate for its ISO 14001 environment management system in 2001. In 2003, they adopted a comprehensive program of environment management which was subsequently successfully implemented. Important improvements have been achieved in the field of reducing the consumption of natural resources. They managed to reduce the specific consumption of energy media and input materials. Compared to the year before they managed to reduce the consumption of electric power by 8 %, compressed air by 7 %, water by 71 %, ethyl alcohol by 7 % and the specific use of tins by 24 %. Waste was collected separately by type. They also implemented other goals of the program like education of employees and training of internal auditors along with managing emergency situations and occupational health. The outline goals and targets for 2004 have already been confirmed and adopted.

Even in companies which have so far not yet certified their environment management systems according to international standards, environmental issues remain carefully and systematically managed.

Gorenje Notranja oprema, d.d., implemented a system for monitoring technological wastewater at the furniture, ceramics and Marles subdivisions, a system for monitoring emissions of substances released into the air at the furniture, bathrooms and ceramics subdivisions as well as noise emission in the ceramics and bathroom subdivisions. For all programs targets for waste generated by production have been defined. At the bathroom and furniture subdivisions activities were started to reduce the emissions of evaporating organic compounds into air. At the ceramics and bathroom subdivision they implemented measures for reducing noise emissions. In all production processes separate gathering of waste was set-up, while at the Marles and bathroom subdivisions wood waste started to be applied as an energy media, while in the ceramics and Marles subdivisions they managed to reduce the consumption of thermal energy. The implementation of the project of optimum use of electric energy was also carried on in all subdivisions.

At *Gorenje Tiki, d.o.o.* the agreement on accepting waste and implementation of separate waste collection with the *Dinos d.d.* company was renewed thus decreasing the quantity of waste for disposal by 50 %. Hazardous waste and waste, which may not be disposed in utility landfills, were disposed of through authorised companies (*Opte Ptuj, d.o.o.*, *Kemis, d.o.o.*). For all types of waste the corresponding assessments were performed and handling was changed to comply with them. The industrial wastewater is purified at a mechanical wastewater treatment plant. In 2003, this water was subject to operational monitoring. It was established that the results comply with legal requirements. Air-emission and noise level monitoring stipulated by regulations were also carried out. With the kind assistance of the *Gorenje, d.d.* professional services, activities for complying with regulations regarding disposable packaging material were carried out along with a training for employees on handling hazardous chemicals. Apart from that environment protection goals for 2004 were defined.

At *Gorenje Gostinstvo, d.o.o.* the collecting and disposal of used edible oil on all locations has been set-up to reflect legal requirements. The used edible oil is disposed of by an authorised contractor. In 2003, the project of building – reconstruction of a self-service restaurant and kitchen with service facilities was begun. The project also includes a system for processing organic refuse which will result in an 80 % decrease in the quantity of waste.

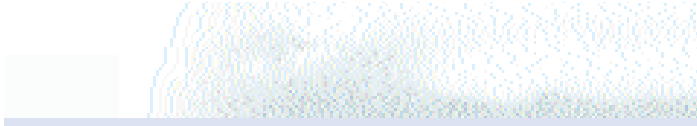
Opte Ptuj, d.o.o. has the status of a company for the disposal and processing of waste. As such it is entered into the register by the corresponding agency of the republic of Slovenia. It uses dedicated equipment and applies procedures particularly for the disposal of galvanic sludge and processing of waste oil. Regarding their services of disposal and processing of waste *Opte* has in 2003 among other intensified its control over accepting individual types of waste, adopted and implemented measures for improving the performance of technological procedures in the fields of disposal and processing, implemented an operational monitoring of emissions of substances into air and made sure to comply with other legal and technical regulations in the field of waste management.

Kemis, d.o.o. with its basic activity of removing and disposal of waste contributes to reducing pollution. In 2003, it started to implement the requirements of the ISO 14001 and 18001 standards into their ISO 9001 (2000) quality management system. Among others its policy includes a commitment to protect the environment and ensure health and safety of employees, clients and the environment it is operating in. This policy also includes the company's duty to reduce the consumption of natural resources as well to reduce the cost for the disposal of hazardous waste for customers.

As part of the 2003 improvements program, *Kemis* managed to develop the area around its shredder facility by setting-up a service area and construction of a roof thus reducing the possibility of negative impact on the environment during the waste shredding process. Their distillation equipment was moved to appropriately reconstructed premises, a new warehouse was built and the equipment for internal logistics was modernised.

Direction is more important than speed.

We are on the right track. Our horizon is communication openness.



We strive to be

a flexible and

manageable corporate structure

in all aeras

of our activity.



Social responsibility means

*constant commitment of the company
to ethical conduct, economic development,
improving the quality
of life of employees.*

- their families,
- the local community
- and the society
- in general.



6. EMAS Environmental Statement by Gorenje, d.d.

6.1.

Statement on the Credibility of Environmental Data



In 2003, Gorenje, d.d. harmonised its operations with the requirements of EMAS according to the EC Regulation no. 761/2001. We hereby declare that all data and facts, specified in the EMAS environmental statement by Gorenje, d.d. for 2003, are fully credible and reflect the actual status of the environment management system within the company.

The implementation of EMAS within Gorenje, d.d. was audited in April 2004 by the Slovene Institute for Quality and Metrology (SiQ) which came to the conclusion that the system complies the requirements of the EMAS Regulation.

After May 1st, 2004, when Slovenia will join the European Union, the application process of Gorenje, d.d. to enter the EMAS register will be started.

Vilma Fece

Managing director of the Environmental protection

6.2.

Gorenje, d.d. Company Profile

6.2.1. Business Activities

Company name:

Gorenje, gospodinjski aparati, d.d.

Date of entry into the commercial register:

December 31st, 1997

Short name of the company:

Gorenje, d.d.

Seat of the company:

Velenje, Partizanska 12

Activities of the company:

production, sale and servicing of electrical and non-electrical household appliances and electric heating devices:

- refrigerators, freezers and cooling appliances
- washing machines and tumble-dryers
- electrical, gas cookers and ovens.

Activity code:

29.710 Production of electricity operated household appliances

Tax number:

SI 72615320

Register number:

5163676

Subscribed capital:

12,200,000,000 SIT

Shares:

12,200,000 ordinary shares with a face value of 1,000 SIT; the stocks of the Gorenje, d.d. company with the acronym GRVG are listed on the Ljubljana stock exchange.

6.2.2.

Scope of Activities by Gorenje, d.d., covered by EMAS

EMAS covers all activities by Gorenje, d.d. in Velenje. The activity includes the production and sale of household appliances. The production consists of:

- the fridge-freezers program: production of refrigerators, freezers, deep freezers and combined appliances,
- the cooker program: production of electric and gas cookers, ovens and stoves,
- the dishwasher and washing machine program: production of washing machines, tumble-dryers and pantry kitchens,
- the MEKOM program: production of metal and plastic components.

EMAS does not include the production of pipe radiators and metal components at the Rogatec plant and the MEKOM program also produced at that site.

Comprehensive range of top quality products

6.2.3.

Production

The production of household appliances is based on four main product lines: fridge-freezers, washing machines and tumble-dryers, cooker program and MEKOM program, which are all carried within the Gorenje, d.d. company.

The project of developing and producing appliances for the American market made Gorenje enter the second phase in the **fridge-freezers** product range, which includes glass cabinets for cooling drinks as well as glass cabinets for cooling wine, refrigerators for open-air use as for example on terraces as well as refrigerators for delicatessen. The kick-off of the project regarding the new generation of fridge-freezers featuring a width of 600 mm means the beginning of its complete redesign.

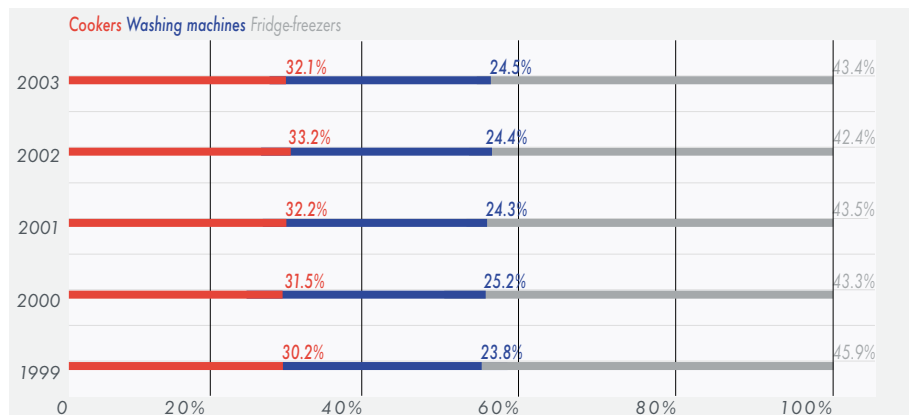
In the second half of 2003, the project of developing and introducing new generation of **washing machines** and tumble driers was concluded. From the aspect of products this will mean a redesign of almost a quarter of the complete range of household appliances by the second half of 2004.

After more than five years of intensive development of new products and redesign of all families of **cooking appliances** the work will turn to a more moderate pace. A new generation of integrated ovens, combined and gas cookers of 50 cm width as well as some niche-products like cooking centre, integrated ceramic zones of 850 mm width with warm-up zone as well as a free-standing cooker of 60 cm with inductive hotplates were released for production.

The **MEKOM component program** was rounded off by setting-up a plastics factory, where Gorenje started to produce glass doors of fridge-freezers for the American market, as well as another production site in Rogatec, where the manufacturing process of dynamic condensers for fridge-freezers for the American market has been set-up.

Additionally, a new radiator for drying footwear was developed and a project of a new production facility was started.

Production (pcs.)	Cookers	Washing machines	Fridge-freezers	Total
1999	634,809	500,833	965,339	2,100,981
2000	739,467	590,315	1,016,502	2,346,284
2001	788,247	594,098	1,062,989	2,445,334
2002	904,635	666,324	1,155,095	2,726,054
2003	888,546	679,442	1,200,785	2,768,773
Annual growth (average)	+9.5%	+6.4%	+5.0%	+6.7%



6.3.

Development

In all of its research activities the Gorenje Group is driven by its strive to thoroughly *understand the needs of customers and business partners*. These needs are strongly shaped by global changes in the society, which are reflected by individuality, steadily growing age of the population, increasing communication between people with the help of electronic media, their attitude towards trademarks and traditional values as for example the family, while in the business world the trends are mergers between producers or even distributors, higher quality level of services and products, strong foothold by competition from the Far East in the traditional European market, volatility of the European market due to the EU enlargement etc.

The response to such a development can only be a well-balanced development of the complete society from the economic, social and environmental aspect on one side, and a carefully balanced development of products, technologies and business processes on the other. Such an approach enables Gorenje to be adequately prepared for the unexpected thus building trust not only with customers but also business partners.

In 2003, the basis for the development of products continued to be design excellence, associated with optimum functional solutions, low energy consumption, almost silent operation, integrated intelligent systems, which additionally help to save energy and add to the quality of basic functions thus linking products into compact electronically interconnected systems and well-engineered technical solutions.

The development of technologies took place in parallel to the development of products, while being focused on a higher level of automation and increasing production capacity, which

is in-line with the goals of the strategic plan. From the aspect of price, the corresponding application of materials and optimum development solutions have enabled Gorenje to keep a tight grip over material and labour cost.

A lot of attention was paid to the *development of business processes as well as the ongoing IT upgrade*, which has enabled the optimisation of business processes:

- the most demanding control system for the development, introduction and manufacturing of products based on the 6 sigma quality approach as well as its implementation in production have opened doors to new customers;
- the 20 keys method for assessing the competitiveness of a company on the market and its constant improvement has been applied in almost all companies of the Group;
- the use of *simultaneous development*, where techniques are applied, which considerably shorten the development cycle, has been fully adopted and implemented;
- the establishing of an *innovation centre*, whose mission is to activate potential intellectual resources in the field of a new knowledge base through cooperation with faculties and R&D institutions from Slovenia and abroad;
- *membership of Gorenje, d.d. in the CECED - the European Committee of Domestic Equipment Manufacturers*, where major European producers have started a joint initiative, which would lead to a long-term development of the industry and satisfaction of customers on standardised platforms.

6.4.

Investments

Most of the investments within the Gorenje Group in 2003 were made in the household appliances division amounting to 22,496.7 Mio. SIT, where 17,824.1 Mio. SIT alone were invested by the Gorenje, d.d. company.

Intensive investment into markets and technologies resulted in enhanced productivity, flexibility and reliability of the production processes, environmental focus as well as reduced cost.

6.5

Gorenje's Environmental Policy

In 2003, Gorenje, d.d. completed its first six-year period since the adoption of the first environmental policy system, practical implementation targets and programs. This period was strongly shaped by intensive investment into new technologies and products, organisational and management restructuring changes as well as thorough changes of the legislation in the field of environment protection.

A consequence of all these efforts is also a new, upgraded environmental policy, which was signed by Franjo Bobinac chairman of the management board on February 24th.

The strategic plan by Gorenje for the medium-term period between 2002 and 2006 is based on the current approval of the vision: being a flexible and manageable business system in all fields of its operation. This is also true for environment protection. During production and constant development of its products Gorenje complies with the most stringent international environmental standards, while environment protection is an important part of Gorenje's relationship with the local and wider social environment.

Because of its importance, the environmental policy has become an integral part of the management

policy of Gorenje, d.d. and its organisational culture.

Environment protection is one of the basic rights, duties and responsibilities of all employees and is considered an integral part of the company management.

We bind ourselves also in the future to:

- include ecology into our development strategy, annual and operative plans including anticipated measures, means, bearers, performers and timeframes in order to constantly reduce any negative environmental impacts;
- change and assess environmental aspects and in case of discrepancies take appropriate measures;
- improve the ecological situation within our company while respecting environmental regulations;
- use such materials and components, which will meet the most demanding local and international environmental standards;
- plan and introduce new technologies and products according to environment protection principles, which includes the complete lifecycle of the product: from development, manufacture, use and disposal after use;
- take care of reducing the quantity of the produced waste and take every measure for the effective use of energy resources;
- train employees and develop human resources in order to raise their awareness regarding the responsibility towards the working and wider environment;
- actively cooperate with the concerned internal and external public, and so contribute to the success of joint ecological efforts;
- inform the public about our achievements in the field of environment protection.

6.6.

Environmental Management System

Gorenje is building its environmental management system by a follow-up of the environmental progress and implementation of stipulations according to the ISO 14001 standard and EMAS regulation.

Requirements according to the ISO 14001 standard and the EMAS regulation are met by constant training for checking environmental impacts.

Policy: includes all strategic goals by Gorenje.

Proceedings: is the basic document of the environmental management system and describes measures for constant monitoring and improving of the environment condition within the company.

Programs: are carried out constantly to attain the defined goals, which enable constant environmental progress.

Verifications and audits: control of the program implementation to attain the defined goals within the environmental management system.

Releasing reports: summarise and present information

6.6.1.

Responsibility for the Environment

Managing production from the environmental aspect is defined by individual organisational units through internal standardisation documents. The implementation of environment protection programs and goals within the parent company Gorenje, d.d., is the responsibility of the Environment protection, which apart from practical tasks (wastewater treatment, waste management, supervision of hazardous chemicals, education,..) also performs consulting and coordination tasks for the whole Gorenje Group.

As stipulated by the ISO 14001 standard and EMAS regulation as well as the Gorenje strategy, a representative of the management for the environment is appointed, which is at the same time managing director of the Environment protection. When preparing environmental goals and programs, introducing new environmental approaches and legislative requirements as well as solving environmental problems within the company, apart from the employees of the Environment protection, environment coordinators can be appointed, who are representatives from individual programs and business fields.

Responsibility for the Environment

Management				
Environment protection	Development	Production	Marketing	Purchase
<ul style="list-style-type: none"> - consulting - supervision - coordination - education 	<ul style="list-style-type: none"> - development of new products, types and modifications following the principles of simultaneous development 	<ul style="list-style-type: none"> - production of environment friendly products and packaging - activities for reducing energy consumption, waste, emissions - separate waste collection - environment management system assessment - education for environment protection 	<ul style="list-style-type: none"> - market research - product information - client requirements 	<ul style="list-style-type: none"> - sending requests to suppliers - looking for environment friendly materials
Logistics	Public relations	Communications with employees	Customer care	
<ul style="list-style-type: none"> - selecting environment friendly transportation methods 	<ul style="list-style-type: none"> - communicating with the public - information on environment management within the company 	<ul style="list-style-type: none"> - preparation of publications 	<ul style="list-style-type: none"> - providing adequate spare parts - training of service personnel for environment friendly conduct 	

6.7.

Assessment of Environmental Impacts

When assessing impacts on the environment, generated by Gorenje through its operation and products, the following issues were considered:

- direct impacts, which represent direct consequences of proper action,
- indirect impacts, which means effects caused directly by others, although Gorenje activity may have an influence on the occurrence of such effect, its scope and/or nature of pollution.

Impacts on the environment thus means any change of the environment, a positive or negative one, which can be by itself or partially attributed to the activities, products or services by

Gorenje. The activity elements, which interact with the environment are called environmental aspects.

When analysing environmental aspects we have to consider all phases of the production process, products and activities in standard operating condition as well as in an emergency situation. Any group of experts, which analyses an individual environmental aspect has to consider the following criteria:

- environmental policy and legal requirements,
- opinion of the parties in question
- risk assessment,
- proper assessment,

- assessment in non-standard conditions and emergency situation.

The environmental aspects can be defined as:

- identified
- important or
- essential

Essential environmental aspects are considered when defining outline and implementation goals and programs. In setting goals and programs other aspects are considered according to Gorenje's own assessment.

Environmental aspects

	Identified environmental aspects	Important environmental aspects	Essential environmental aspects
1. RAW MATERIAL	<ul style="list-style-type: none"> - sheet-metal - metal and non-metal based components - chemicals - thermal and sound insulation - semi-finished goods made of rubber and plastic - packaging material 	<ul style="list-style-type: none"> - sheet-metal - metal and non-metal based components - chemicals - thermal and sound insulation - semi-finished goods made of rubber and plastic - packaging material 	
2. ENERGY MEDIA	<ul style="list-style-type: none"> - electric power - thermal energy - natural gas - compressed air - water 	<ul style="list-style-type: none"> - electric power - thermal energy - natural gas - compressed air - water 	
3. OTHER	<ul style="list-style-type: none"> - office supplies - additional material 		
4. EMISSIONS	<ul style="list-style-type: none"> - emission into air - emission into soil - noise emission - emission into water ● technological wastewater ● cooling wastewater ● utility wastewater ● sewage system: - acidic sewer system - precipitate sewer system - faeces sewer system 	<ul style="list-style-type: none"> - emission into air - emission into soil - noise emission - emission into water ● technological wastewater ● cooling wastewater ● utility wastewater ● sewage system: - acidic sewer system - precipitate sewer system - faeces sewer system 	
5. WASTE	<ul style="list-style-type: none"> - hazardous waste - secondary raw materials - waste for disposal 	<ul style="list-style-type: none"> - hazardous waste - secondary raw materials - waste for disposal 	
6. PRODUCTS	<ul style="list-style-type: none"> - product / service - proper parts - outsourced parts 	<ul style="list-style-type: none"> - product / service - proper parts - outsourced parts 	- product / service

6.8.

Environmental Protection Data

6.8.1. Balance of Materials

	2003	
Material input	155,390.0 t	100.00%
Output		
Products	139,684.6 t	89.93%
Metal-based secondary raw material	11,702.1 t	7.54 %
Non-metal-based secondary raw material	2,258.9 t	1.45 %
Waste for disposal	1,216.8 t	0.78 %
Hazardous waste	502.3 t	0.32 %
Emissions into water	0.2 t	0.0001 %
Emissions into air	12.5 t	0.008 %
Power media		
Electric power	22.24 kWh/product	
Natural gas	1.03 Nm ³ /product	
Water	0.19 m ³ /product	

The basic raw materials used in the production process of household appliances are sheet-metal, plastic granules, electric components, chemicals and packaging material.

The output of the material balance includes products (household appliances), waste as well as emissions into air and water.

Waste can be classified into secondary raw materials (metal and non-metal based), hazardous waste as well for disposal.

Particularly waste sheet-metal, paper, wood and polymer waste are recycled in Gorenje's own processes or by its business partners. This category also includes waste packaging material.

The largest share as far as hazardous waste is concerned represents sludge,

which is generated during the purification of technological wastewater. Apart from that there are waste oil and emulsions, oil-soaked cloths, waste chemicals as well as waste polyol and isocyanate.

Emissions into air include emissions from all technological processes within Gorenje, d.d.. CO₂ emissions, as a consequence of the consumed electric power and natural gas as energy resources have been disregarded.

Emissions into water include all parameters, required according to the national legislation with the exception of sulphate, which for the business of Gorenje does not represent an important environmental aspect.

6.8.2. Meeting Environment Protection Goals

Outline Goals for 2003 Compared to the Initial Year 1997

* Gorenje failed to reach this goal. Such an important discrepancy is the consequence of a much larger increase in output than planned back in 1997 (this aspect is strongly shaped by technology based cuts and ejected material). However, only specific quantities of secondary raw materials in 2003 compared to 1997 increased only by 13.7 %, while the production increased by 50.2 %.

Aspect	Unit	1997	2003	Goal until 2003	% implemented by 2003
reducing the quantity of					
- hazardous waste	kg/product	0.55 (1,018.9 t)	0.18 (502.3 t)	-50	-51
- secondary raw materials	kg/product	3.72 (7,091.9 t)	4.23 (11,714.7 t)	-20	+160*
- waste for disposal	kg/product	1.14 (11,772 m ³)	0.44 (8,112 m ³)	-30	-31
effective use of energy resources					
- consumption of water	m ³ /product	0.56 (1,042,067m ³)	0.19 (540,542m ³)	-35	-48
- consumption of natural gas	m ³ /product	1,93 (3,552,936 m ³)	1,03 (2,842,552 m ³)	-20	-20
reduction of organic solvent emissions by	%	400 †	9.7 †	-90	-98
reduction of dust emission by	%	18 †	2,185 †	-90	-89
reduction of the nickel-content from the CWWTP	%	0.65 mg/l	0.37 mg/l	-40	-43
- quantity of appliances produced		1,843,126	2,768,773		

Outline goals until 2003 were defined based on 1997 data considering the environmental impact. Meeting this goals ensures a decrease of negative effects on the environment as a consequence of the Gorenje, d.d. operations, and secures its sustainable development.

Between 1997 and 2003, investing into the modernisation of technological processes, thus introducing cleaner technologies and implementing organisational measures, led to a decrease in the quantity of hazardous waste by 51 %, the quantity of waste for disposal by 31 %, consumption of

water by 48 % and the consumption of natural gas by 20 %. How well the implementation targets in individual years have been met is given below. To point out just some of the achievements by Gorenje:

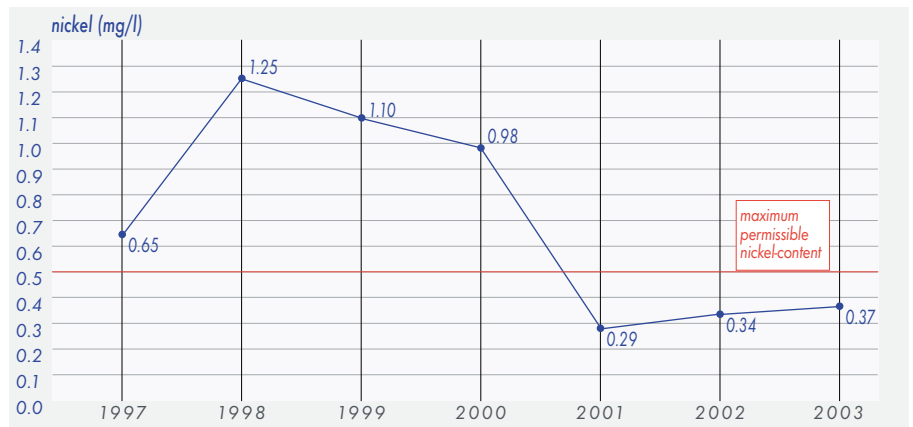
- the quantity of hazardous waste was reduced by 67 % per product.
- the quantity of waste for disposal was reduced by 61 % per product.
- the wastewater treatment plant for technological wastewater was released by 74 %,
- the consumption of water was reduced by 66 % per product.
- the consumption of natural gas was reduced by 47 % per product.

The targets in the field of reducing emissions of organic solvents and dust

	1997	1998	1999	2000	2003
	t/year	t/year	t/year	t/year	t/year
Solvents	400	312	120	45	9.7
Dust	18	19.95	14.98	5.38	2.18

According to the defined outline goals the nickel-content released by the central wastewater treatment plant was

reduced thus ensuring that its operation complies to the legislator requirements.



Based on the defined outline goals in the field of environment protection until the year 2003 and comparing them to 1997 data it can be established that all the outline environment protection goals have been achieved except one in the field of managing second-

ary metal-based raw materials, which is explained in the footnote to table. However, regarding secondary raw materials the specific values for 2003 (4.23 kg/product) compared to year 1997 (3.72 kg/product) increased by 13.7 %.

6.8.3.

Meeting Environment Protection Implementation Targets

Meeting Environmental Targets in 2003

Aspect	unit	1997	1998	1999	2000	2001	2002	Targets 2003	Implemented 2003
Reduction of the quantity of									
• hazardous waste	kg/product	0.55	0.43	0.37	0.30	0.25	0.25	0.22	0.18
• secondary raw materials	kg/product	3.72	3.71	3.99	4.45	4.68	4.23	3.90	4.23
• waste for disposal	kg/product	114	1.06	1.05	1.01	0.75	0.49	0.40	0.44
Effective use of energy resources									
• consumption of water	m ³ /product	0.56	0.44	0.37	0.30	0.21	0.18	0.17	0.19
• consumption of power	kWh/product	21.41	21.07	21.15	20.82	21.95	21.62	21.60	22.24
• consumption of thermal energy	kWh/product	24.28	21.74	20.14	15.81	15.05	12.47	12.45	13.28
• consumption of compressed air	m ³ /product	21.37	21.41	23.26	21.66	19.49	15.09	15.05	13.45
• consumption of natural gas	Nm ³ /product	1.93	1.69	1.32	1.16	1.09	1.02	1.00	1.03
• reduction of organic solvent emissions by	%	/	implemented	implemented	implemented	/	/	/	/
• reduction of dust emission by	%	/	/	implemented	implemented	/	/	/	/
• reduction of the nickel-content from the CWWTP	%	/	/	/	/	implemented	/	/	/

The absolute quantity of hazardous waste, produced in 2003, was 502.3 tons, which is 27.5 % less than in 2002 or 0.18 kg/product. The set target of 0.22 kg/product has thus been achieved. Such a good result is among others the consequence of the reconstruction of the system for dehydration of silt at the central wastewater treatment plant (CWWTP), which is already in its final stage. The quantity of waste silt was reduced by 160.7 tons or by 37.6 % despite an increase in production.

In 2003, the quantities of secondary metal-based waste did not change. The absolute figure was 11,714.70 ton, which is more than the year before, but due to the increase in output the waste/product ratio remains the same (4.23 kg/product).

The result of a project approach to the management of the generated quantities of metal-based waste as well as increase in technological discipline

resulted in a 3.1 % decrease of the generated enamelled and varnish-coated waste sheet metal, but this is unfortunately not true for non-processed and stainless sheet-metal. One of the consequences is the 8.5 % discrepancy from the defined target for secondary materials (3.90kg/product).

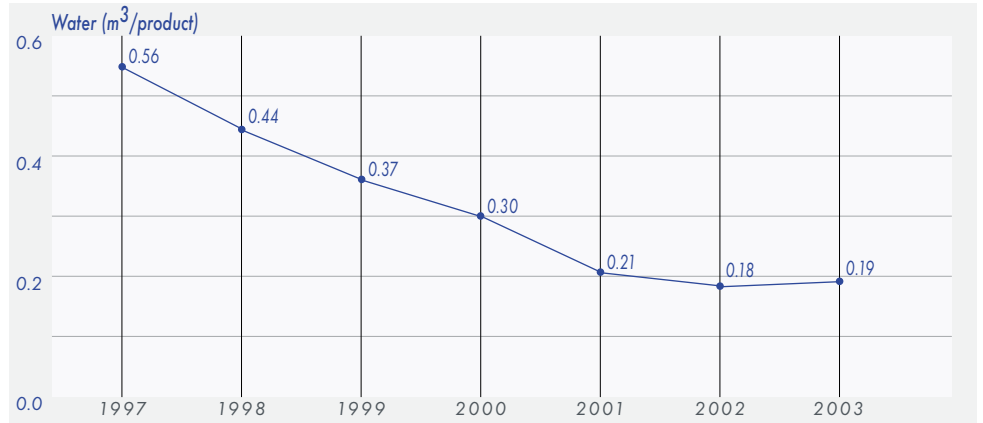
In 2003, some 2,258 tons of non-metal-based secondary material (wood, polystyrene, foil, plastic, paper in rolls) were collected, which represents a decrease by 4.7 % compared to the year before.

A considerable decrease was established particularly in the quantity of waste wood, where its quantity decreased by from 709 to 543 tons or by 23.5 %. The given data speaks for a growing quantity of reusable packaging, which may be due also to the new Slovene legislation regarding non-recyclable packaging, which came into force in 2004.

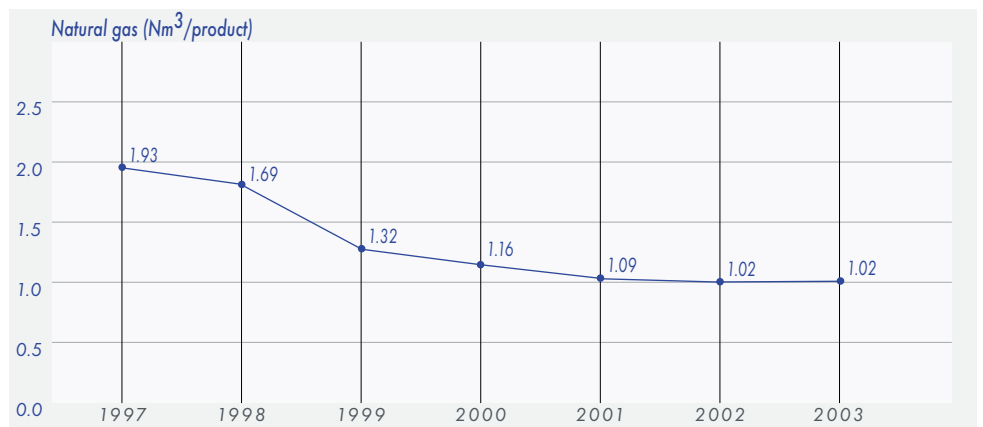
The quantity of waste for disposal (calculated per product) decreased by 10.2 % and reached 0.44 kg/product. Despite efforts the defined target of 0.40 kg/product could not be attained. The reduction of the absolute quantity of waste for disposal is a result of the consequent elimination of non-metal-based secondary material (paper, cardboard,...).

Compared to 2002 in 2003 the specific water consumption increased by 5.7 % which means that Gorenje has failed to attain the defined target of 0.17 m³/product. There was also an increase in the consumption of electric power by 2.9 %, thermal energy by 7.8 % and natural gas by 1 %.

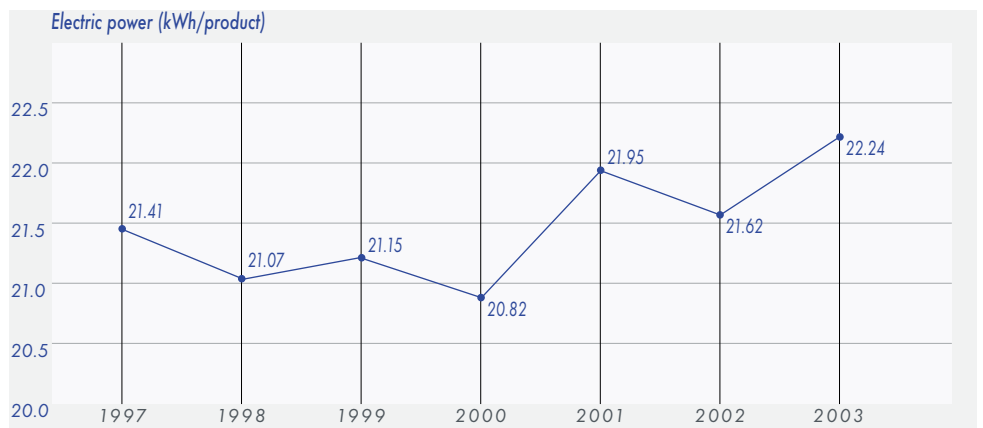
Water



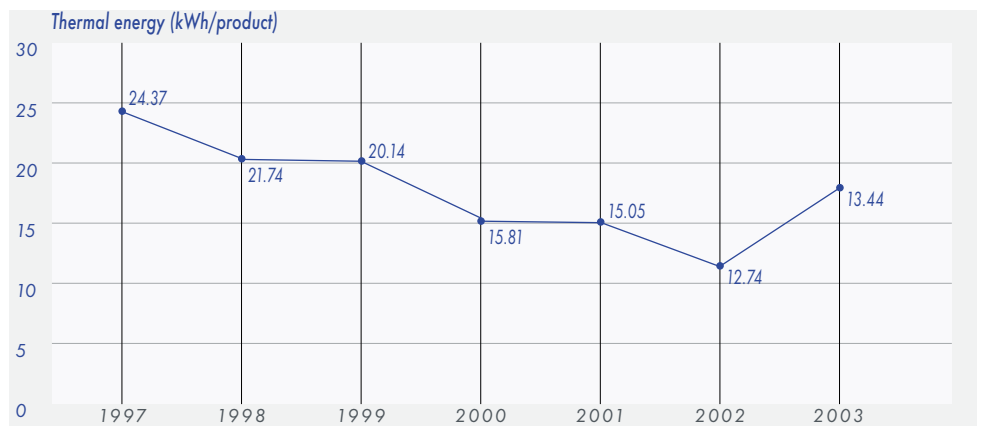
Natural Gas



Electric Power



Thermal Energy



Compressed Air



The defined targets for 2003 were attained in the field of reducing quantities of hazardous waste and the con-

sumption of compressed air. Other targets were slightly exceeded, but they remain within the 15 % acceptable

variation range, which is defined by the environment management system.

6.9.

Environment

Protection Targets in 2004

The Gorenje, d.d. business plan for the period between 1998 and 2003 included the goal of providing additional activities regarding development support of the existing business process of environment protection and developing marketing systems in the field of environment protection. The Gorenje, d.d. company implemented such an active development support of the existing business process by applying the policy, goals and programs within the environment management system according to requirements of the ISO 14001 standard. Since in 2003 a very intensive investment cycle into production facilities was completed, the steep increase of parameters indicating the reduction of negative impact of the household appliance production process on the environment as well as the level of consumption of natural resources, became slower. The implementation of goals and programs became more and more

dependent on employees, which have been well trained in the field of environment protection.

At the end of last year, and in the beginning of 2004 Gorenje, d.d. performed a complete assessment of environmental aspects because of its new investments and changes in legislation as well as organisational modification and management restructuring. Based on this assessment Gorenje defined new outline goals for the period between 2004 and 2006.

These outline goals are:

- requirements of the RoHS directive (to produce appliances, which comply to European regulations regarding the content of hazardous substances: to verify the share of hazardous substances in products in the light of EU regulations 2002/95/EC and 2003/11/EC, replace components, which include hazardous substances,

transfer part of the responsibility regarding the share of hazardous material also to suppliers),

- recycling of waste electrical and electronic equipment,
- reducing the quantity of industrial non-reusable packaging (reducing the quantity of non-reusable packaging, increasing the share of reusable packaging, in cooperation with suppliers eliminate inappropriate packaging),
- reducing the quantity of generated waste,
- cost-effective use of energy resources.

The implementation targets for 2004 have been prepared according to outline goals:

aspect	unit	1997	1998	1999	2000	2001	2002	2003	target 2004
Reduction of the quantity of									
- hazardous waste	kg/product	0.55	0.43	0.37	0.30	0.25	0.25	0.18	0.16
- secondary raw materials	kg/product	3.72	3.71	3.99	4.45	4.68	4.23	4.23	3.90
- waste for disposal	kg/product	1.14	1.06	1.05	1.01	0.75	0.49	0.44	0.38
Effective use of energy resources									
- consumption of water	m ³ /product	0.56	0.44	0.37	0.30	0.21	0.18	0.19	0.17
- consumption of power	kWh/product	21.41	21.07	21.15	20.82	21.95	21.62	22.24	21.90
- consumption of thermal energy	kWh/product	24.28	21.74	20.14	15.81	15.05	12.47	13.28	12.45
- consumption of compressed air	m ³ /product	21.37	21.41	23.26	21.66	19.49	15.09	13.45	14.50
- consumption of natural gas	Nm ³ /product	1.93	1.69	1.32	1.16	1.09	1.02	1.03	1.00

6.10.

Meeting Legal and other Requirements

Based on following legal and other requirements in the field of environment protection, careful environmental assessment of the company operations, reports on environmental audits and accompanying documentation as

well as results of inspections, we believe that the operations of the Gorenje, d.d. company complies with legal and other requirements, defined by the ISO 14001 standard and the EMAS.

Contact:

Gorenje, d.d.
Environment Protection
Mrs. Vilma Fece
Partizanska 12
3503 Velenje
Phone: + 386 (3) 899 1623
Fax: + 386 (3) 899 2516
e-mail:
vilma.fece@gorenje.si
<http://www.gorenje.com>

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