



Communication on Progress Year 2010

Statement of continued support

Atlantic Grupa d.d. continues to support the ten principles of the Global Compact with respect to human rights, labor, environment and anti-corruption. We express our intent to advance those principles within our sphere of influence. We are committed to making the Global Compact and its principles part of the strategy, culture and day-to-day operations of our company, and to engaging in collaborative projects which advance the broader development goals of the United Nations, particularly the Millennium Development Goals.

As a company committed to transparency and responsible business operations, in 2007 Atlantic Grupa d.d. joined the United Nations Global Compact Initiative, upon its founding in Croatia. Besides answering to UN Global Compact principles, we used Global Reporting Initiative's indicators to present our activities. As the first of many reports, it presents our answer to the interests of our stakeholders in the areas of workplace, environment, health and safety, and the economy.

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BRIEF DESCRIPTION OF NATURE OF BUSINESS

Atlantic Grupa is a multinational company with headquarters in Zagreb, Croatia. The company is the second largest food and beverage producer in the SEE region, the leading regional distributor of FMCG's, Europe's leading producer of sports and functional food, and one of the leading players in the food supplements, cosmetics and pharmacy industry in Croatia. Business operations of Atlantic Grupa d.d. are organized in five divisions: Distribution, Consumer Health Care, Sports and Functional Food, Pharma and Droga Kolinska. In these business operations the company combines the production, development, sales and distribution of fast moving consumer goods with market presence in over 30 countries around the world. Based on the business results achieved so far, Atlantic Grupa makes one of the most successful and dynamic business systems in the region. A significant step forward in the company's development was made through last year's acquisitions of Droga Kolinska, a major regional food company with complementary businesses across SEE, which is today the fifth division of Atlantic Grupa d.d. The company's divisional structure encompasses several complementary operations:

Distribution Division is the leading distributor of high-quality consumer goods in South-Eastern Europe whose brands are regional and global leaders. The distribution portfolio is continually expanded, so at present Atlantic Grupa is an exclusive or authorised distributor of renowned international brands in different markets in the region (Wrigley, Ferrero, Hipp, Vivera, Johnson & Johnson, Lorenz, Manner, Durex, Duracell, Scholl, Red Bull...) as well as its own brands (Argeta, Cockta, Cedevita, Barcaffè, Grand kafa, Donat Mg, Argeta, Melem, Plidenta, Rosal, Dietpharm, Multivita...). The Distribution Division has a highly developed know-how in the fields of key account management, product category management, supply chain management and trade marketing, which is continuously adjusted to market trends. Products are distributed to more than 50.000 sales points throughout the region, along with development of new distribution channels: pharmacies, catering industry (HORECA), electronic and technical goods stores and different categories of sales points in the sports channel. The Distribution Division realises growth organically as well as through inclusion of new brands into its distribution portfolio.

Consumer Health Care Division is a prominent regional producer of vitamin instant drinks, food supplements, teas, candies, cosmetics and personal care products. A significant number of own registered brands is the result of constant investments in the development of new products. Analyses of consumer needs, consistent marketing strategies and continuous development of new and innovation of existing products secured leading market positions for many brands of Atlantic Grupa in Croatia as well as in wider regional market of South-Eastern Europe. **Cedevita** instant vitamin drink, **Multivita**, **Plidenta** toothpaste, **Rosal** and Rosal lip balm and **Melem** universal protective cream are just some of the most prominent brands. Top quality and high production standards are a strategic commitment of Atlantic Grupa.

Sports and Functional Food Division, with its top brand Multipower, is a leading European producer of sports food. Thirty years of tradition and a leading position in the sports food segment have resulted in such well-known brands as **Multipower**, **Powergym**, and **Champ**. Longstanding close cooperation with top athletes and nutritionists is the basis for recognizing consumer needs. It is also the basis for the constant development of new, innovative sports and health food products. The product range covers food for amateur/recreational and professional athletes, fitness, bodybuilding and wellness. Due to the specific consumer group using these products, special distribution channels have been developed in fitness centres, sports shops, pharmacies and drugstores covering over 35,000 outlets across Europe. The Sports and Functional Food Division is based in Hamburg.

Pharma Division consists of **Farmacia**, the largest privately owned chain of pharmacies in Croatia, and the brands Dietpharm and Fidifarm, as leading brands of food supplements and OTCs sold exclusively through the pharmacy channel. Atlantic Grupa d.d. is one of the leading producers of natural medicines and food supplements in the region offering the palette of over 100 products unified under the common brand Dietpharm/Fidifarm. The production programme includes specially formulated vitamin and mineral preparations, food supplements containing herbal extracts as well as numerous other medicinal substances of natural origin.

Droga Kolinska Division is the producer of a wide range of food products that are divided into five categories: coffee, waters and soft drinks, savory spreads, sweet and salted snacks and baby food.

With the well known brands such as **Barcaffé**, **Grand kafa**, **Cockta**, **Smoki**, **Argeta**, **Bananica**, **Donat Mg** and many others, the products of this division are present in the markets of Serbia, Slovenia, Bosnia and Herzegovina, Croatia, Macedonia, Montenegro, but also in the Western Europe as well as Russia and CIS. Continuous investments in R&D, quality of the products and marketing, along with constant care for satisfied customers result in high value of brands. Long tradition and high-quality products give to these products important competitive advantage.

BUSINESS ENVIRONMENT AND CHALLENGES

The industry of consumer goods in the segment of food products in Croatia is an attractive area for activities of economic subjects from the point of small variations in market movements such as purchase power of the population, and relatively small changes in the demand for products to meet basic living requirements. The development of the industry of consumer goods and the presence of global producers and retail chains with consumer products in Croatia resulted in stronger competition in the domestic market, but also in an increase of product quality and the establishment of global production standards. Foreign food processing competition surpasses local companies as regards technical infrastructure, ability to invest in research and development, financial strength, size of marketing budgets, and global recognisability of their brands as result of long term business tradition. In addition to the above, fierce competition of established foreign brands is also a consequence of increased domestic demand, a result of scarce supply of foreign products in the past. Still, Croatian market and regional markets display a high level of loyalty to tradition as well as the previously acquired purchasing habits, prompting the demand for domestic products. Main competitive advantage of production/distribution portfolio of Atlantic Grupa d.d. is precisely this recognisability of brands whose products Atlantic Grupa d.d. produces and/or distributes in partnership with high market shares they cover. The same applies to Droga Kolinska brand acquired at the end of 2010. With strategic focus on development of strong, recognizable brands, Atlantic Grupa d.d. is attempting to reduce the risks that come with competition.

Concurrently, the strengthening of foreign retail chains also creates a critical mass of distribution channels for the distribution of consumer goods. Survival in current market conditions, characterized by market liberalization and globalization as well as strong competitive environment, is possible only by constant investments in research and development of new product lines, technology and human resources.

Through harmonization of legislations of Croatia for accession to the European Union with the *acquis communautaire*, new standards and norms are gradually established and final obstacles for the completely free competition are removed as a consequence of the gradual accession of these markets to the internal market of the European Union.

Atlantic Grupa d.d. does not expect disturbances in its business performance resulting from Croatia's integration into the EU, considering that a part of business activities of Atlantic Grupa d.d. already takes place in the EU and operating companies in Croatia export to EU markets without any obstacles. Simultaneously, Atlantic Grupa d.d. develops standards in accordance with European legislation thus adjusting to technical and technological requirements of EU markets with the purpose of successful market competition.

Furthermore, the international feature of Atlantic Grupa d.d. is reflected in the fact that the company, apart from Croatia, has operating companies in Ljubljana (Slovenia), London (Great Britain), Treviso (Italy) and Hamburg (Germany). The combination of developed and quality European brands such as Multipower, which is a part of the production portfolio of Atlantic Grupa d.d. and regional brands from the selection of products of Grand Kafa, Barcaffè, Argeta, Cedevita, Cockta, Smoki, Neva, Najlepše želje, Dietpharm or Multivita is a part of Atlantic's pan European strategy and it additionally increases the company's status in the European market.

Macroeconomic environment, GDP dynamics, in particular its private consumption component, trends in disposable personal income and the development of consumers' standards of life in general considerably determine trends in consumer goods industry. In 2010, macroeconomic environment was particularly challenging on all markets where Atlantic Grupa d.d. operates and particularly unfavourable on Croatian market with amplified consumer pessimism, elevated unemployment and shrunken personal consumption. Moreover, development of consumer goods industry is significantly influenced by company's capacity to adapt to consumers' needs and market trends, which requires investments in research and development, marketing and technology.

Certain segments of consumer goods industry, particularly those involving food products, are influenced by the factors that companies cannot control, like volatile prices of commodity (coffee, sugar, cacao, etc.) on world markets, the weather conditions/troubles and success of the touristic season. Following the above, certain industry branches are of seasonal character so sensible working capital management imposes itself as an extremely important component for providing steady company business. When it comes to global commodity prices, these proved to be highly volatile during 2010 and further 2011 with coffee and sugar recording the highest growth rates on commodity markets.

I. Human rights

Principle 1

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

Principle 2

Business should ensure that they are not complicit in human rights abuses

EMPLOYMENT

In 2010 Atlantic Grupa d.d. continued its intensive and dynamic business growth and development, which was reflected in the number and structure of our employees.

Atlantic Grupa d.d. had total of 1719 employees at beginning of 2010. During the year, in the structure of AG prior to merger with acquired of Kalničke vode Bionatura d.d. and Droga Kolinska d.d., the fluctuation had relatively stabile trend of stagnation of previous year. By the end of the year, the total number of employees has reached 4379, including the people integrated by acquisition of Kalničke vode Bionatura d.d. and Droga Kolinska d.d. and we successfully integrated 2,483 employees and delivered a **60% growth in relation to the previous year.**

By new acquisition, the socio-demographic structure has somewhat changed. Average age has risen from 35 to 40 years of age, ratio of female and male employees is 48 / 52 among which 24% have college and university degrees, 46% high school degrees and 34% of the employees in managerial positions are women.

We attach great significance to recruitment of people and apply “best practice” models of selection procedures in order to secure employment of the **candidates with abilities, skills and features required for successful job performance.**

The work force market is constantly monitored, and there is a good cooperation with both government institutions promoting government programs for motivating employment, as well as with privately owned agencies which recruit and select the best workers on all our markets. Public advertisements are published in various media (in print and electronically through the company web site, various radio stations, the bulletin board at the Croatian Employment Service, the student centre, universities, etc.), and internally through the Intranet and bulletin boards .

Atlantic Grupa d.d. is in close cooperation with both Croatian and international universities, whose students have the opportunity to do case studies and complete their work experience in one of the companies within Atlantic Grupa d.d.. The possibilities of volunteering and completing student practice have also proven themselves to be excellent channels of recruitment.

Being that Atlantic Grupa d.d. operates in 12 markets (namely Germany, Great Britain, Italy,

Spain, Slovenia, Bosnia and Herzegovina, Serbia, Montenegro, Macedonia, Russia, Sweden and Croatia) we ensure that the **priority in employment is given to local workforce and management**.

POSITIONING OF ATLANTIC GRUPA IN THE LABOUR MARKET

Atlantic Grupa d.d. clearly and distinctively participates in creating the image of a desirable employer. Also it nurtures long-term and stable cooperation with state institutions in employment stimulation as also it is recognized as a serious and reliable business partner. It actively cooperates with the academic community in which it organizes trainee programs for graduates, creates volunteering options and hires trainees. Atlantic Grupa d.d. continuously maintains high standards in human resources management.

Attractiveness of Atlantic Grupa d.d. as an employer is recognised by employees, potential employees and clients. Largest Croatian job portal MojPosao (www.MojPosao.net) listed AG on the 9th place in the category of most attractive employees when observing opportunities for promotion, leading position in the sector, security of employment, business image and harmonious employee relationships.

HR 7

Employee protection is our priority guaranteed by our work regulation, collective agreement and Labour Law. They are available to everyone through the company's intranet and everyone may get a copy of one when employed.

Atlantic Grupa d.d. works in a way that respects all positive regulations which forbid child labour, forced or obligatory work that protects the employees' dignity in a way that the employee is protected from mobbing or sexual harassment from their employers, superiors, associates and others with whom they may work.

HR 4

One person from each member company of AG is responsible for receiving complaints connected with any violation of an employee's rights, dignity and/or life and health. We can proudly say that up until now we haven't received a single complaint from our employees. The company's politics and procedures concerning human rights are available on the company's intranet and on all of our bulletin boards.

Freedom of Alliance

HR5

Workers have the right to participate in decisions concerning their economic and social rights, and interests in accordance with the Labour Law. AG has a tradition of joining workers that are promoting the interests of the worker to the employer either through a union or work council. Union alliance is in accordance with international conventions, laws of the Republic of Croatia and union's statute. The union may work according to company union regulations.

Diversity and equal opportunities

HR 4

In the field of managing human resources we pay special attention to respecting the principles of emancipation and equal criteria. This is the reason why up until now we **haven't had any cases of discrimination** based on gender, race, age, nationality, political or religious beliefs, physical handicaps or any other type of discrimination.

HR 6

Atlantic Grupa d.d. doesn't have a trade which would involve child labour. Our company politics forbids hiring minors for any activities.

We do not discriminate during our hiring or recruiting process. Each tender stresses gender equality when hiring.

All data collected during the process of hiring or recruiting, as well as all confidential information concerning our employees are protected and kept in a strictly controlled area.

II. Labor Standards

Principle 3

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

Principle 4

Business should eliminate all forms of forced and compulsory labour

Principle 5

Business should effectively abolish child labour

Principle 6

Business should support the elimination of discrimination in respect of employment and occupation

Atlantic Grupa d.d. work ethics and one of its most important priorities is that their employees have high quality and efficient management, based upon the highest standards in the field and a responsible employer.

Quality of managing human capital is seen through the partner relationship between an employee and employer. All processes connected with management in human resources are annually certified by an independent certificate (www.PoslodavacPartner.org). This certificate is awarded to organizations that fulfil the highest standards in managing people in the following fields: strategy, recruiting and selection; work, motivation and rewards; specialization and development; relationship with employees.

LA 4

Ninety five percent of our employees have a full time contract. All of our employees, regardless of the contract they have, are guaranteed equal rights.

LA 13

Atlantic Grupa d.d. is a stable work environment with 4379 employees. Fifty four percent of the employees are younger than the age of forty. The ratio of male/female employees is almost the same (52% of male employees, 48% of female employees). More than 20% of the employees have higher education and 34% of the employees in managerial positions are women.

LA 14

Our employees' salaries and rewards depend on the complexity of their job, necessary competencies for fulfilling tasks, results, and the state of the market. It is not influenced by gender, race or any other personal characteristic.

EC 7

We pay attention to hiring from the domestic work force and hire people from the local area of business for our higher management.

LA 2

Our fluctuation rate in 2010 without Droga Kolinska Group acquisition was 11,66%, while our employee structure was on December 31st 2010, as follows:

Total number of employees	Employee gender		Age		Education		
	female	male	18-40	>40	primary	secondary	higher
4379	48%	52%	54%	46%	10%	66%	24%

Number of employees in AG's management	Gender		Age	
	Female	Male	18-40	>40
157	34%	66%	37%	63%

Health, occupational safety and training

LA 6

Atlantic Grupa d.d. systematically takes care of its employee's safety and health respecting legal ordinances: internal acts, collective agreements on occupational safety, occupational safety regulations, and from being a responsible employer.

Managing our employees' safety and protection is under the jurisdiction of the Corporate safety division. They are responsible for coordinating all activities connected to occupational safety, protection, training in a safe and secure way, and occupational medicine.

The system is based upon the principle of respect and coordination between social partners: employer-occupational safety experts-workers.

LA 9

Respecting European Union guidelines, positive legal regulations of the Republic of Croatia (Occupational safety law), AG's internal acts, all workers are ensured the right to be protected and the right to health which is a result of work itself:

- External independent institutions evaluate the level of risk for all work processes
- All conditions for offering emergency aid and other types of medical protection are secured: the services of an occupational physician, periodical medical checkups for the workers working under special conditions, periodical checkups concerning sanitary hygiene, employers decision for each employee to have a medical check up regardless of their status, actively programmed medical vacation in specialized medical centres
- Training employees in a safe and secure way
- Giving employees expert training for specific work processes
- Defining jobs with specific working conditions
- A warm meal for all employees

By educating our employees and developing and adapting our technological processes we are trying to prevent any accidents creating safe working conditions.

LA 7

Despite all our efforts it is impossible to eliminate all risks and exclude all dangers. In 2010 we didn't have any registered occupational illnesses or diseases that are related to work processes or work environment. Forty three occupational accidents in AG Croatia were registered which is 2,9 percent of total number of employees in Croatia. Approximately twenty five percent of those injuries were due to car accidents which happened outside the facilities of the company. Only two out of that total were characterised as „severe“, fortunately without serious consequences after medical treatment.

There weren't any fatal injuries.

There were no incidents in the work processes that would cause heavy, bulk or injury resulting in death. Also, there was one group incident in which were five injured people- car accident outside the facilities of the company.

Out of the total number of occupational accidents, 11 took place outside the working area, out of the company's facilities; therefore the employer couldn't have any influence on the accident.

The average rate of occupational accidents in relation to the total number of employees from a statistical point of view is 28,6% (based on the day December 31 2010, in Croatia) which is

around 42% less than the average in the Republic of Croatia. The total amount of working days lost because of processed and recognized by the Croatian health fund occupational accidents was 683 in 2010.

The average number of working days lost per injury at work is 15.88.

The total number of lost working hours for all injuries at work is 5486.

The average number of lost working hours per injury at work is 127.04 hours.

Employee training

We are aware of the fact that acquiring the prospects of career development and not the prospects of work, Atlantic Grupa d.d. secures quality individuals with broader knowledge and skills.

We want to continue to nurture the concept of career. It joins and connects the individual and organizational needs and interests.

In order to succeed in doing so we must continue to encourage activities focused on developing employee competencies.

The contents of education are based upon the manager's evaluation of the employee's level of competence in relation to the needed level. We use internal and external resources in order to choose the best associates for educating our team. We have excellent co-operation with many universities and business schools in country and abroad.

In order to ensure adequate competence development of our employees, we continued with **Atlantic Academy** which facilitates professional trainings and educations, enables participation in domestic and foreign business schools, professional congresses and specializations with the assistance of domestic and foreign service providers as well as with our own resources within the framework of internal trainings based on the principle "our experts for our employees".

All employees are entitled to attend education courses. Except usual means of education through training and seminars, employees can perfect themselves also by:

- studying to gain professional qualification
- receiving scholarships
- performing internships
- reading professional literature (magazines, handbooks).

Educational center Farmacia holds very important position within Pharma division as the centre for excellence for professional development and education of Pharmacists.

All new employees of all AG members are participants in the company's program „ATLANOVA“.

It was designed with the desire to introduce new employees to the basics of the company's business program while easing and catalysing a feeling of belonging to a joint project with joint goals. The intention of the program was also to introduce the business of AG while at the same time encouraging the unique corporate culture, motivation and productivity.

Monitoring achievements, motivation and awarding

The system for monitoring employee achievements is based upon fulfilling the company's strategic goals systematically. This is done by monitoring the accomplishment of short term goals

in a way in which the company's goals are connected with the individuals goals.

This is the key point and the starting point for discussing an employee's career. The foundation

for a promotion is based upon the evaluation of an employee's accomplishments, motivation, personal aspirations, knowledge, competencies, and work experience. In 2010 there was the redefinition of the whole process by which we have successfully extracted employee development needs in terms of educations and trainings.

Special attention is given to the development of trainees. Trainees work and learn alongside mentors, experienced managers and are introduced to all the areas in the organization. Their progress is systematically planned and monitored when they are done with their training or often even before they are ready to take on the most responsible positions inside the company.

Evaluating the employees annually and implementing the management rewarding system is a basic part of the decision connected with individual rewards. There is a written and defined procedure, structure and description of reward achievement methods for all positions that have a right to remuneration, as well as all types of rewards. Remuneration system in AG is guided by legislative and internal acts (labour law, collective agreements, regulations, instructions).

A special regulation defines all other material rights to which all employees are entitled to: right to the annual award, extra monthly salary, Christmas bonus, Easter bonus, Baby bonus. Company also encourages sports, culture and healthy habits for the employees. It co-finances the expense for various programmes in fitness centres; free vaccination against the flu; co-finance theatre tickets; give valuable packages on special occasions (holidays, vacations, etc), organize purchasing company products under special prices, organize team building programmes and support various types of employee gatherings throughout the year.

Informing employees

Atlantic News, a specialized bulletin informs all Atlantic Grupa's employees through intranet about the newest events connected with the company. At the same time the aforementioned bulletin gives the employees a chance to communicate and give suggestions by participating in various questionnaires. The results have an advisory role when making some corporate decisions. Intranet communication means using the following channels:

- Face to face communication
- E-mail
- Internet
- Intranet
- VPN mobile system

- Meetings
- Bulletin boards
- Bulletins
- Internal journal “Atlantic News“
- Annual conference
- Special banquets
- Lunches (both inside and outside the company)
- Team building

III. Environment

State-of-art in ENVIRONMENTAL SECTOR, depicted according to the GLOBAL COMPACT principles and GRI3 guidelines (Global Reporting Initiative)

PRINCIPLE 7: Companies should support precautionary approach to environmental challenges

PRINCIPLE 8: Companies should launch initiatives aiming at promotion of a higher level of environmental awareness and responsibility

PRINCIPLE 9: Companies should encourage development and spread of environment-friendly technologies

Atlantic Grupa d.d. continued to support and promotes the principles of sustainable development in all its business activities throughout 2008-2009. This was primarily achieved by economically successful, environmentally acceptable and socially responsible business conduct. As a member of the **Croatian Business Council for Sustainable Development**, Atlantic Grupa d.d. pays great attention to employee relations, environmental protection and social responsibility in all its business operations. The Atlantic Grupa d.d. **Social Responsibility Committee** monitors and encourages the implementation of principles of sustainable development in company's everyday business activities and starts initiatives for the improvement of socially responsible business conduct.

INTEGRATED SYSTEM OF QUALITY, ENVIRONMENTAL AND FOOD SAFETY MANAGEMENT

After the successful line of certifications of Atlantic's companies Cedevida and recertification of Neva and Montana plus in the Consumer Health Care Division according to **ISO 9001:2000** and **HACCP standards** (Cedevida, Montana plus) in 2005, **ISO 14001:2004** standard in 2006 and **IFS (Version 4)** standard in 2007, an equally thriving continuance followed in 2008-2009 as well. Cedevida renewed its International Food Standard Certificate (Version 5 this time) for the production of instant vitamin drinks and vitamin and peppermint

candies. At the same time, both Neva and Cedevita underwent recertification in accordance with **ISO 9001:2000** and **HACCP** (Cedevita) standards while Neva started its already fourth three-year certification cycle and Cedevita its' second. Montana plus also successfully passed its periodic audits according to **ISO 9001:2000** and **HACCP** standards.

The basis for the process management system in Consumer Health Care Division consists of preconditioned programs (Good Hygiene Practice, Good Manufacturing Practice, Good Laboratory Practice, Good Storage Practice). At the beginning of 2009 Cedevita renewed its Licence for manufacturing medicines according to the GMP requirements (Good Manufacturing Practice).

The International Food Standard (**IFS**) ensures safety and health propriety of foodstuffs through the whole supply chain from “the fields” to stores. The new version of the standard (Version 5) made its requirements stricter since it, along with the existing 4 so called “knock-out” requirements, added 6 more additional ones. However, this did not prevent Cedevita to meet nearly **100% of the total of 250 requirements**.

The holding of the IFS certificate paves the way to international markets for Cedevita, since Cedevita was placed on the list of certified producers in the IFS Audit portal (<http://www.food-care.info/>), the official page of the HDE (Hauptverband des Deutschen Einzelhandels). For instance, retail and wholesale chains that require the IFS certificate from its suppliers are: Metro Group, Edeka, Rewe Group, Aldi, Lidl, Auchan, Carrefour Group, EMC – Casino Group, Leclerc, Monoprix, Picard Surgeles, Provera (Cora and Supermarches Match), Systeme U, COOP, CONAD, Unes. Through team work of all employees of Atlantic Grupa, an integrated process management system was created and includes the following:

- **ISO 9001:2000** (Quality Management System) jointly implemented in Neva and Cedevita and separately in Montana plus
- **HACCP** (Hazard Analysis and Critical Control Point) implemented in the food section as specific requirements for ensuring food safety
- **ISO 14001:2004** (Environmental Management System) implemented in Neva and Cedevita
- **IFS** (Cedevita – production of instant vitamin drinks and vitamin and peppermint candies)
- **GMP** (Good Manufacturing Practice) – requirements implemented in Neva and Cedevita

In the Droga Kolinska division overall method of operation is based on high product quality and safety standards, monitoring and satisfying the contemporary demands of the market, information technology, environmental protection, promoting business excellence and on establishing partnerships both internally and with the external environment.

The integrated quality management system is flexible and unburdened by unnecessary rules. Particular attention in the first half of 2010 was given to corrective measures and the introduction of ways to ensure the consistent integration of constant improvements based on an analysis of causes and the implementation of effective measures in all processes. The standard "Share-Explore-Evaluate" information-business environment facilitates common access to systems and other support documents regarding quality.

Certifications are maintained by individual legal entities. In 2010 the Group successfully maintained the following international certificates:

- **Droga Kolinska d.d., Droga Kolinska d.o.o.e.l., Skopje, Grand Prom d.d. and Soko Štark d.d.** - ISO 9001: 2008
- **Grand Prom d.d. and Soko Štark a.d.** - GMP and HACCP
- **Droga Kolinska d.d.** - ISO 14001: 2004
- **Palanački kiseljak d.d.** - integrated system per ISO 9001 and HACCP: 2008

RESEARCH AND DEVELOPMENT

QUALITY ASSURANCE

A multidisciplinary team of experts in the fields of marketing, food and chemical technology and pharmacy is focused on product development and improvement with the role of maintaining the existing and/or improving the diminished quality of life of different consumer groups and categories. Consumers increasingly take care of their health, looks and physical condition. From day to day they are better educated thus making their demands even more complex. Consequently, timely analyses of the market and consumption trends constitute the grounds for successful development of new and improvement of existing products.

Since the beginning of developing a new or in the course of improving an existing product, efforts are made to achieve the standard high quality level of Atlantic's products recognizable to consumers. A very important task of the development team is also to constantly improve technological capabilities, optimize formulations and processes.

Significant part of the activities of Research and Development focused on reformulating and innovating products in order to achieve increased product competitiveness. New products were launched on the market in product categories of toothpastes and lip balms. The development of cosmetic products is primarily **regulated by the requirements of the EU**

Cosmetics Directive (76/768/EC) and associated amendments to this Directive, placing special emphasis on product safety and thus also consumer protection.

In Research and Development's laboratories, product safety is ensured by testing the stability of cosmetic products, with which we demonstrate that products will preserve their standard

physical, chemical and microbiological properties as well as their functionality and aesthetic appearance. The production business processes in Atlantic are harmonized with guidelines for good manufacturing practice under the standard **EN ISO 22716 (2008)**.

The continuous following of scientific research, EU legislation and Croatian regulations as well as their implementation from the initial stage of product-making ensure the health safety of products for the consumer.

To accomplish such complex goals it is necessary to involve not only experts from Research and Development, but also from Quality Assurance. In the production of health safety products, an important role is given to the selection of **input materials without toxic or allergenic effects, without GMO**, in compliance with the REACH regulation, etc., followed by the control of quality of all input ingredients and materials, the monitoring of all phases of production and the analysis of all finalized products.

From the aspect of raw materials, product safety is determined by the selection of raw materials and suppliers **that are in compliance with the REACH regulation** (Reg.1907/2006 -Registration, Evaluation, Authorization and Restrictions of Chemicals). This Regulation introduces a new legal framework for chemicals in the EU and it entered into force on 1 June 2007. The Regulation's requirement is that all raw materials placed on the EU market have to be pre-registered by 1 December 2008 with the European Chemical Agency in Helsinki and that it is ensured that any raw materials used in cosmetic products comply with this requirement. Thus, compliance with the REACH regulation ensures a high level of human health and environmental protection.

The safety of a product for human health is certified by issuing the so called "**Assessment of Safety for Human Health**", a report identifying all ingredients and assessing the safety based on toxicological data for each individual substance. Such a safety assessment document represents the key document for placing cosmetic products on the EU market. Although the largest part of development activities is realized within the company, services of domestic and foreign institutions are used to solve more complex issues.

In the Droga Kolinska division the quality assurance system is implemented on the base of European food legislation. The system functions proactively, meaning that it constantly monitors new risks, and plans improvements and preventive measures in a timely manner to manage microbiological, physical and chemical risk factors with the aim of ensuring safe products. Best practices are transferred between business units of the division through the in-house training of those persons responsible for internal controls, who can identify the best solutions for managing certain risks at various production locations. Two meetings of the internal product safety and quality team were organised in 2010, where the focus was on the following new topics:

- product labelling that discloses the related carbon footprint;
- proper implementation of corrective measures;
- assessment of the effectiveness of corrective measures;

- certification of eco-foods;
- Cooperation in inter-laboratory comparison schemes.

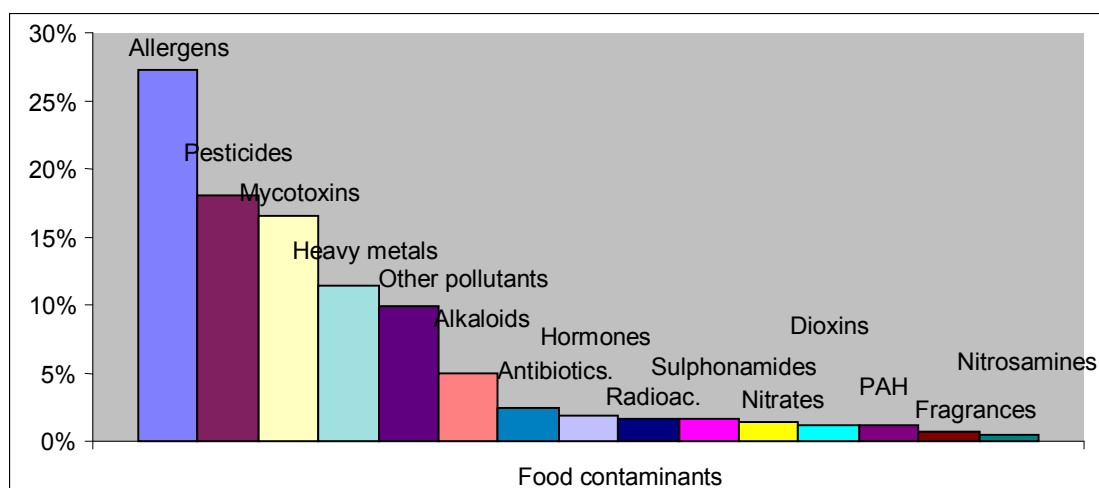
Following the successful introduction of standard division-wide requirements in the scope of product safety and quality rules, the latter were updated in 2010 with product development requirements, controls over contracted producers, and with division-wide production rules and **HACCP** requirements. The rules were also updated in 2010 with the majority of requirements set out in the **ISO 22000** standard. The latter and the requirements of the internationally recognised **PAS 220:2008** technological specification for best production practices will be included in the rules in 2011.

The HACCP system functions efficiently at all of the division DK production locations. An HACCP study was carried out in 2010 and the system expanded to the Coffee to Go brand, while the implementation of requirements relating to the ecological processing of coffee was initiated.

A safety and quality information support system was established on the savoury snack product line in 2010. The application produced supports processes and records of input controls and controls of final products. In terms of functionality, it is similar to the solution that supports the SAP quality module in Slovenia. The expansion of the application to the coffee product line in Serbia is planned for 2011.

The monitoring of traceability of raw materials and packaging was upgraded in Slovenia, such that the information system monitors data regarding producers, and not just suppliers. This has significantly improved control in the supply chain.

A uniform programme of monitoring the presence of pollutants in food is implemented at the division level. The programme is based on statistical data from the European Rapid Alert System for Food and Feed (RASFF), other statistical data sent to the Company by major European food control laboratories and experience from the last five years. All of this helps direct attention to the issue of pollutants that are most likely present in certain raw materials and packaging, and to prevent the use of non-compliant raw materials and packaging in the production process. The majority of tests carried out in 2010 were for allergens, pesticides, mycotoxins and heavy metals, followed by alkaloids, antibiotics, hormones, radioactivity, sulfonamides, nitrates, dioxides, PAH and nitrosamines.



The graph illustrates the proportion of tests carried out for the presence of individual pollutants in the scope of the overall control programme.

Responsibility for the production of safe foods is the DK division fundamental commitment, and is systematically implemented on a daily basis in the scope of the HACCP system. We are constantly aware that the consumer expects a great deal more in this regard, that healthy eating habits are of increasing importance in a world of rapid technological innovations and global trade, and that the Group undoubtedly assumes its share of responsibility in this respect. We made significant progress towards a comprehensive and proactive approach in 2009 with the project titled DK – Consumer Friendly Company. The project is planned for the long term and produced the first specific changes to products in 2010. Additional nutritional information was included on products in the form of Guideline Daily Amounts (GDA) labelling, which stimulates the consumer to formulate a varied and balanced diet. A project was developed on the snacks product line to produce gluten-free dark chocolate, while the Group aims to produce gluten-free Smoki snacks in the future.

Other improvements continued throughout the year, and followed the guidelines below:

- additives: we produce products without additional preservatives and artificial sweeteners and colourings whenever technologically possible;
- eco: we offer the possibility to select organic products in parallel with products in the range of existing brands;
- Gluten-free products: we prevent cross contamination with raw materials containing gluten or develop alternative products for the special needs of consumers with celiac disease. We update technological processes with the aim of preventing contamination with all other ingredients containing allergens;
- livestock friendly breeding: meats and fish are selected for industrial use in such a way as to prevent the unnecessary suffering of livestock;
- Products without genetically modified organisms: all products of the Droga Kolinska Group are produced from materials that do not contain or have not been produced from genetically modified organisms. This is a long-standing commitment of the Group that will be maintained in the future;

- Products rich in positive nutrients, such as magnesium, calcium, nutritional fibres, antioxidants and others: Donat, a natural mineral water with a century of tradition, contains a number of minerals attributed to healthy living by contemporary medicine, and is a jewel among products of Droga Kolinska d.d. in this segment. We use permitted and scientifically proven nutritional and medicinal facts in product labelling. With regard to other brands, we investigate possibilities for developing alternative products, enriched with the most appropriate nutrients for a specific category;
- Products without trans fatty acids: we systematically monitor product recipes with the aim of replacing hydrogenated fats with other appropriate ingredients and providing products that are completely free of undesirable trans fatty acids. This represents a particularly significant opportunity for the savoury snacks product line; and
- "light" products: in the range of specific brands, we provide at least one alternative product which, by definition, adheres to the criteria of reduced calories and reduced sugar, salt or fat content, and reduced caffeine content in the coffee segment.

Integral components of the business policy pursued by the Atlantic Grupa d.d., reflect in its commitment to customer satisfaction, built by virtue of high-quality and reliable product delivery, as well as in its efforts engaged in environmental protection domain. Quality-related policy and goals are implemented via systematic approach to the quality management, pursued in line with the requests imposed by ISO 9001 standard; on the other hand, the environmental protection policy is implemented through the environmental management system compliant with the requests stipulated by ISO 14001 standard. The majority of the Atlantic Grupa d.d. members has established and certified their quality and environmental management systems, Cedevida d.o.o thereby observing also the International Food Standard.

- **Droga Kolinska d.d., Droga Kolinska d.o.o.e.l., Skopje, Grand Prom a.d. and Soko Štark a.d.**- ISO 9001: 2008
- **Grand Prom a.d. and Soko Štark a.d.**- GMP and HACCP
- **Droga Kolinska d.d.**- ISO 14001: 2004
- **Palanački kiseljak a.d.** - integrated system per ISO 9001 and HACCP: 2008
- **Cedevida d.o.o**-ISO 9001, ISO 14001, HACCP, IFS
- **Neva d.o.o**- ISO 9001, ISO 14001
- **Montana d.o.o**-ISO 9001, HACCP
- **Multivita d.o.o(Hemofarm)**-ISO 9001, ISO 14001
- **Fidifarm d.o.o**-ISO 9001, HACCP
- **Atlantic Multipower Germany GmbH&Co.OHG** -ISO 9001, HACCP

Environmental protection policies, specifically tailored for each and every AG member, are implemented through the established environmental management systems; these policies can be accessed by broad audience on the Atlantic Grupa d.d. website. Employees are unanimously familiar with these policies, so as to be able to contribute to the attainment of environment

preservation goals on an everyday basis, both in their occupational settings and via products and facilities.

While Cedevita d.o.o engages in the research, development, marketing and production of instant beverages, bonbons and teas, Neva operates in the field of research, development, marketing and production of cosmetic and hygienic products; at the same time, we strive to raise the awareness of the importance of environmental protection, to the end of:

- REDUCING THE AMOUNT OF WASTE AND PROVIDING FOR ITS ADEQUATE SORTING AND MANAGEMENT;
- SELECTING RAW MATERIALS LESS HAZARDOUS FOR THE ENVIRONMENT;
- REDUCING THE EXPLOITATION OF NATURAL RESOURCES;
- SELECTING PACKAGING MATERIALS THAT CAN BE RECYCLED AND DULY MANAGED;
- REDUCING THE RELEASE OF NOXIOUS SUBSTANCES INTO WASTE- AND UNDERGROUND WATERS;
- RAISING AWARENESS ON OWN ENVIRONMENTAL IMPACT THROUGH OUR EMPLOYEES AND BUSINESS PARTNERS. WITHIN THIS CONTEXT, WE STRIVE TO DEVELOP AN ADEQUATE STRATEGY AND TO SET GOALS THAT ALLOW FOR THE CONSTANT IMPROVEMENT OF OUR ATTITUDES TOWARDS THE ENVIRONMENT, SO AS TO BE ABLE TO AID IN

making our planet a better place to live, both for us and for our descendents. Our products are never tested on animals.

Compliance with standards allows for the constant control and surveillance over important environmental aspects that make, or could make, a difference. Surveillance over energy consumption, rational use of energy sources, monitoring and control over air and water contaminants, waste reduction and adequate waste management, education of employees, and the use of more acceptable technologies and processes, are the demands never let out of sight and obeyed at all times. Each and every year, the ATLANTIC GRUPA prepares an annual report and communicates it to the DEG and EBRD. The report comprises a detailed description of activities addressing environmental and social issues (Annual Environmental and Social Monitoring Report for Corporation prepared for Deutsche Investitions und Entwicklungsgesellschaft mbH).

Aspect: Materials

Key	EN1	Utilized materials clustered according to weight or volume
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Pursuant to the Ordinance on Packaging and Packaging Waste, we fulfill our obligations as manufacturers and importers; we prepare annual reports on types and amounts of packaging placed on the Croatian market, and defray costs arising from the collection and management of primary packaging released to the Croatian market. Data pertaining to the year 2010 is displayed below. As manufacturers, we strive to make a difference when it comes to ecological acceptability of our products; therefore, the Evaluation of Developmental Project Cost-Effectiveness, prepared during planning and research stages, always includes the Ecological Acceptability Assessment, aiming at the selection of ecologically more acceptable materials (raw materials and packaging) (Cedevita, Neva).

The amounts of primary packaging released to the Croatian market (expressed in kg):

2010*

*CEDEVITA and MONTANA PLUS

Solid Waste	2010.
Plastic packaging	25,26 t
Metal packaging	-
Paper and cardboard packaging	92,84 t
Municipal waste	66,85 t
Metals	2,130 t
Glass packaging	0,57 t
PE/HD	23,78 t
Pallets and other wood	12,4 t
PE/LD foils	7,56 t
Packaging containing hazardous substances	0,816 t
Packaging containing residues of chemicals	-

*ATLANTIC TRADE

Solid Waste	2010.
Plastic packaging	9096 t
Metal packaging	-
Paper and cardboard packaging	64,3 t
Municipal waste	cca 35 t
Metals	-
Glass packaging	-
PE/HD	-
Pallets and other wood	-
Packaging containing hazardous substances	-
Wastes - not otherwise specified (cosmetics products)	47,65 t
Wastes not otherwise specified (food products)	22,441 t
Materials unsuitable for consumption or processing	84,1 t

***NEVA**

Solid Waste	2010.
Plastic packaging	1,16 t
Metal packaging	4,46 t
Paper and cardboard packaging	29,14 t
Municipal waste	8,07 t
Metals	-
Glass packaging	-
PE/HD	-
Pallets and other wood	-
PE/LD foils	1,7 t
Packaging containing hazardous substances	0,81 t
Packaging containing residues of chemicals	-

***FIDIFARM**

Solid Waste	2010.
Plastic packaging	-
Metal packaging	-
Paper and cardboard packaging	26.58t
Municipal waste	8,05t
Metals	-
Glass packaging	-
PE/HD	-
Pallets and other wood	-
PE/LD foils	2,99t
Packaging containing hazardous substances	0,02t
Packaging containing residues of chemicals	/

Aspect: Energy

Key	EN3 EN4	Direct energy consumption displayed by the primary energy source utilized; Indirect energy consumption displayed by the primary energy source utilized.
Supplemental	EN5 EN7	Energy saved due to the improvements attained by the pursuance of resource-sparing strategy and energetic efficiency behavior; Initiatives for the reduction of indirect energy consumption and missions accomplished in this regard.

Electric power consumption has become an issue of importance due to the multitude of power-driven machines used in the production facilities (2010. data are displayed below). In addition to machinery, the summer season consumption is also affected by the use of air conditioners; to the goal of improvement and rationalization, a consensus has therefore been reached not to set air conditioners so as to cool the air below 25 °C (except for those utilized

in production facilities, storages and laboratories). It has been recommended to turn an air conditioner on an hour prior to the commencement of the working hours, and to turn it off half an hour prior to closure; it has also been agreed upon heating termination as soon as in early spring (provided that the weather is warm enough to allow for it).

Energy source	2010
Location Planinska: Cedevita & Montana plus	
Electric power	4185930 kWh
Oil	0,150t

Location Obrtnička 37, Rakitje Neva	
Gas	19505m ³
Electric power	633414kWh
Oil	0

Location Rakitje: Fidifarm	
Gas	20555 m ³
Electric power	120000kWh
Location: Atlantic Trade, Josipa Lončara 9, Zagreb	
Gas	0
Electric power	50000 kWh
Oil	60 t

To the goal of implementing novel technologies, Cedevita has made a near 6 million Croatian Kuna worth investment. New, explosion-protected mills have been set in motion (reducing the possibility of sudden emission and environmental pollution, as well as that of a fire outbreak, i.e. allowing for the prevention of noxious substance emission emerging from explosion or fire); granulator dust remover was replaced by a new one (thus allowing for the reduction of noxious air emissions and better purification of air released from technological processes; an air-cooled compressor was installed as well (enabling the reduction of water consumption). Waste management operations (in terms of press-container purchase and deposition site rearrangement) were supported by an investment of a nearly 120 thousand Croatian Kuna.

Aspect: Public policy

Key	S05	Standpoints by the company relative of certain public policies and participation in public policies and lobbying development.
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Environmental protection policies, specifically tailored for each and every AG member, are implemented through the established environmental management systems; these policies can be accessed by broad audience on the Atlantic websites.

Environmental management policy observed by Cedevita d.o.o

We strive to develop conformant to the global environmental protection trends; therefore, we strictly comply with each and every applicable law and regulation, and have a well-established environmental management system concordant to the international **ISO 14001** standard.

Cedevita d.o.o engages into the research, development, marketing and production of instant beverages, bonbons and teas, but also strives to raise the awareness on the importance of environmental protection, to the end of:

- SELECTING PACKAGING MATERIAL THAT MAY BE RECYCLED AND DULY MANAGED;
- SELECTING RAW MATERIALS LESS HAZARDOUS FOR THE ENVIRONMENT;
- REDUCING THE AMOUNT OF WASTE AND PROVIDING FOR ITS ADEQUATE SORTING AND MANAGEMENT;
- REDUCING THE EXPLOITATION OF NATURAL RESOURCES;
- Raising awareness on own environmental impact across our employees and business partners.

Within this context, we strive to develop an adequate strategy and to set goals that allow for the constant improvement of our attitude towards the environment, so as to be able to aid in making our planet a better place to live, both for us and for our descendents.

Environmental management policy observed by Neva d.o.o

We strive to develop conformant to the global environmental protection trends; therefore, we strictly comply with each and every applicable law and regulation, and have a well-established environmental management system concordant to the international **ISO 14001** standard.

Neva d.o.o engages into the research, development, marketing and production of cosmetic and hygienic products, but also strives to raise the awareness on the importance of environmental protection, to the end of:

- REDUCING THE RELEASE OF NOXIOUS SUBSTANCES INTO WASTE- AND UNDERGROUND WATERS;
- REDUCING THE AMOUNT OF WASTE AND PROVIDING FOR ITS ADEQUATE SORTING AND MANAGEMENT;
- SELECTING RAW MATERIALS LESS HAZARDOUS FOR THE ENVIRONMENT;
- REDUCING THE EXPLOITATION OF NATURAL RESOURCES;
- SELECTING PACKAGING MATERIAL THAT MAY BE RECYCLED AND DULY MANAGED;

- RAISING AWARENESS ON OWN ENVIRONMENTAL IMPACT ACROSS OUR EMPLOYEES AND BUSINESS PARTNERS.

Within this context, we strive to develop an adequate strategy and to set goals that allow for the constant improvement of our attitude towards the environment, so as to be able to aid in making our planet a better place to live, both for us and for our descendents.

Environmental management policy observed by Droga Kolinska d.d.

Droga Kolinska d.d. is considered an environmentally aware company. Its environmental policy, aimed at sustained development, is engrained in the Company's management and organisational culture. Awareness and an attitude of respect towards the environment are present in all areas of operations, where the guiding principle is ensuring a safe living and natural environment.

Special attention is given to preventive measures aimed at saving energy and water, and at preventing pollution and harmful emissions. Awareness of environmental trends and the self-initiative of employees contribute significantly to reducing the Company's negative impacts on the environment.

The Company has been certified in accordance with the international ISO 14001:2004 standards on the spreads and coffee product lines in Slovenia. We are accelerating the transfer of best practices to other locations and promoting environmental awareness. The aforementioned certificate was first received in 2001 by Droga d.d. and in 2004 by Kolinska d.d. A recertification assessment was successfully completed in May, and the relevant certificate issued for the next three years.

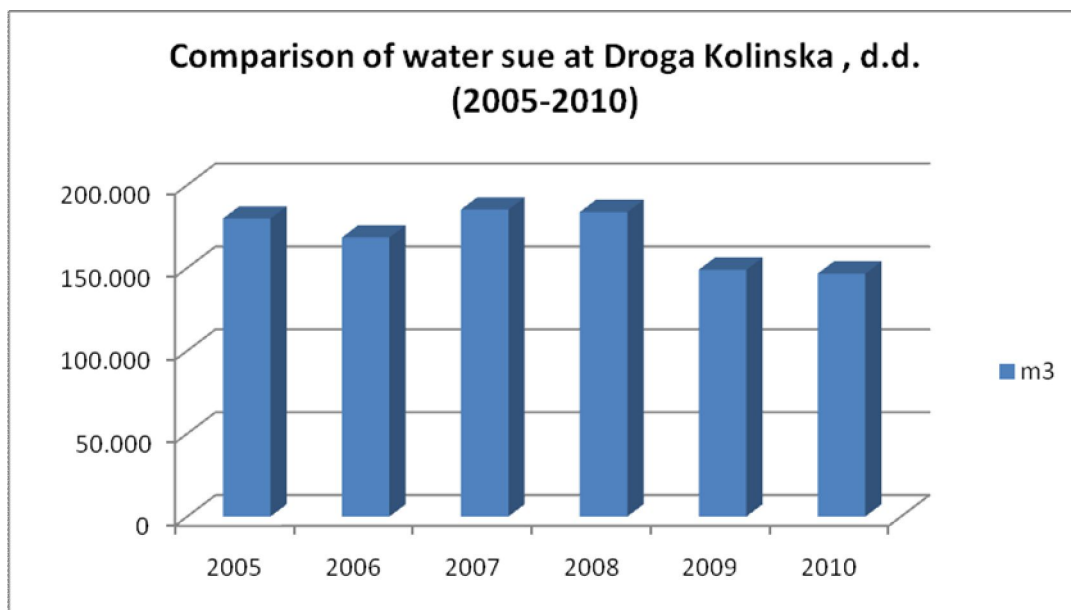
Savings with natural resources

The Company dedicates special attention to environmental care and savings with natural resources in production and in other business segments.

The Company uses water for cooling, and for municipal and industrial purposes, and manages water use efficiently. Purification equipment is used for waste water purification, a way in which the Company further reduces its negative impacts on the environment. The quality of waste water is monitored regularly in accordance with valid legislation, and is successfully managed based on the results of operational monitoring.

A package of measures was implemented to improve the functioning of purification equipment on the spreads product line.

In addition to previously established cooperation with a qualified external service provider that controls the functioning of waste water purification equipment on the spreads production line, we introduced acid neutralisation on purification equipment with the aim of further raising the quality of waste water.



The use of water has been reduced by 20% over the last five years, 2% in the last year alone.

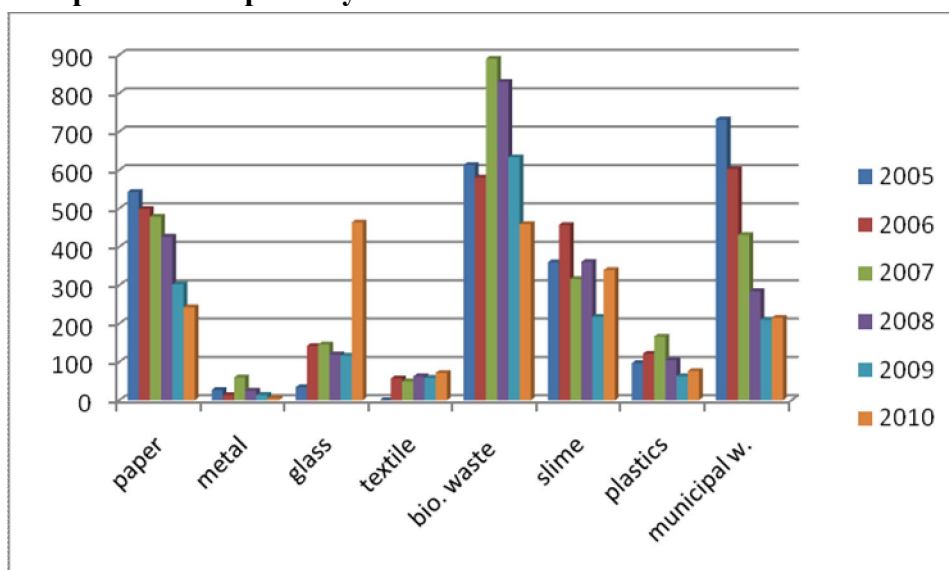
Waste management

One of the most significant tasks and greatest challenges for the Company in terms of environmental protection is waste management in all market segments.

The waste generated at the Company's various locations is separated and handed over to authorised waste disposal organisations for further processing.

Constantly increasing employee awareness regarding the importance of waste separation once again bore fruit in 2010. The volume of municipal waste was reduced to 11% last year through the consistent separation of waste. This means that 89% of waste is collected for further processing or recycling.

Comparison of separately collected waste



On the Slovenian market, the volume of municipal waste has been reduced by more than 70% compared with 2005 on account of separation. The waste separation system is gradually growing into an everyday practice on other markets.

Air quality

Droga Kolinska d.d. manages minor sources of air pollution. Measurements of emissions into the atmosphere performed by authorised institutions indicated that values are below the legally prescribed thresholds.

On the coffee product line in Serbia, two solutions were adopted to control emissions from the production process. The testing of a plasma processing procedure to reduce emissions is planned for 2011, as is the introduction of an environmental programme of constant improvements in the area of environmental protection.

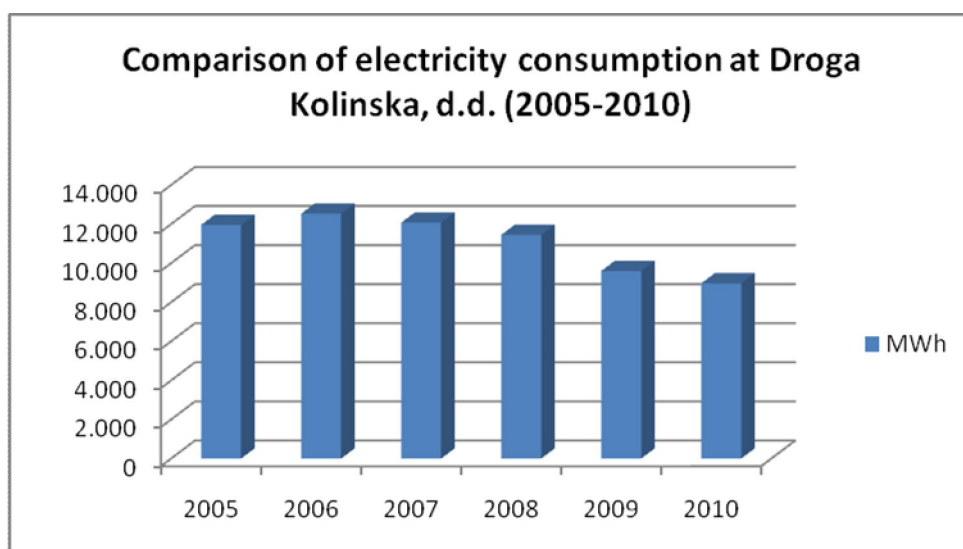
Safe handling of harmful and hazardous materials

Small quantities of hazardous materials are used in the Group's operations. These primarily include energy products, cleaners and raw materials, which are used for the most part in production, maintenance and laboratories.

Droga Kolinska d.d. ensures that all employees who handle hazardous materials are appropriately trained and equipped. The provisions of safety documents, manufacturers' instructions, valid legislation, system documentation and work instructions are observed when handling hazardous materials.

Electricity

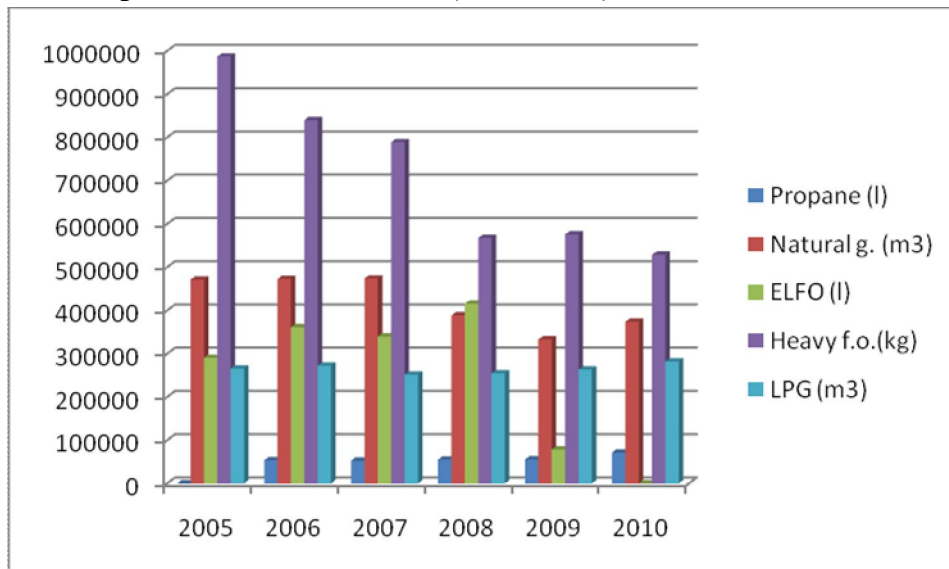
Droga Kolinska d.d. has reduced electricity use by 25% in the last five years, 6% in the last year alone. The reduction in 2010 can be attributed to the optimisation of the operations of electricity users and to the reduced scope of production.



Energy efficiency

The constant monitoring of the consumption of energy and water is a key principle in the search for solutions to improve energy efficiency and consequently environmental protection. This facilitates the timely identification of possible deviations and provides the opportunity to formulate energy and water saving measures.

Consumption of industrial fuels (2005–2010)



Worthy of note among positive indicators is the use of water, which remained at the previous year's level, despite the expansion of production on the beverages product line. With regard to the use of industrial fuels, it should be noted that the use of fuel oils was down 13%, a significant achievement in terms of CO₂ emissions per unit, which is two times higher than that of other energy products. The use of other industrial fuels was up compared with previous years. The main reason for the increase can be attributed primarily to the long winter and the resulting increase in heating fuels.

Concern for the natural environment

Concern for the natural environment plays an important role in the implementation of Droga Kolinska d.d. development strategy. Awareness and an attitude of respect towards the environment are present in all areas of operations, where the guiding principle is ensuring a safe living and natural environment. Special attention is given to preventive measures aimed at saving energy and water, and at preventing pollution and harmful emissions. Awareness of environmental trends and the self-initiative of employees in the search for and implementation of new solutions contribute significantly to reducing the Company's negative impacts on the environment, which is clearly demonstrated by annual measurements in specific environmental areas.

Droga Kolinska d.d. is considered an environmentally aware company. It earmarks 0.3% of sales revenue to environmental purposes in Slovenia. Funds earmarked for the current maintenance of technologies, preventive measures and other activities that indirectly reduce negative impacts on the environment are not included among "environmental funds".

Ecological services and products

Droga Kolinska d.d. concern for the environment is also present in its product development. Our efforts to produce user and environmentally friendly products are seen by the use of a green dot on packaging. The green dot tells consumers that a product's packaging is collected, reused, recycled or otherwise processed so as not to harm the environment.

Concern for environmentally conscious suppliers

Our concern for environmentally conscious suppliers encompasses several activities. Through the management policy, business partners are briefed on Droga Kolinska environmental management system. Moreover, in the scope of contracts and written agreements, business partners commit themselves to act in accordance with our relevant guidelines.

Suppliers are regularly assessed to determine to what extent they manage the quality and safety of food and packaging, and in terms of their behaviour in the area of environmental protection. New suppliers are selected based on various criteria, including an assessment of their environmental awareness.

Environmental projects

This year's most important environmental project is the set up of a photovoltaic power plant on the roof of the production facility where Barcaffé and Argeta products are produced. This project will help Droga Kolinska d.d. reduce annual CO emissions by 135 t.

In Serbia, investments are planned to modernise the sewage system at production complexes and in the waste water treatment project. The purchase of modern technologies for the coffee product line will contribute to a significant reduction of harmful emissions into the environment.

The purchase of a special reservoir to store chemicals, and containers for biological waste and recycled paper and plastic are planned on the spreads product line in Bosnia and Herzegovina. This measure will result in a considerable reduction in the quantity of waste.

Standards and legal provisions regarding the management of the natural environment

Droga Kolinska d.d. quality management system is certified in accordance with the requirements of the ISO 9001:2008 standard, which represents the basis for maintaining the environmental management system according to ISO 140001:2004. The environmental management system on the spreads and coffee product lines in Slovenia has been certified. Other locations operate in accordance with the requirements of the aforementioned standard, while we continue to accelerate the transfer of best practices in the area of environmental management.

Key	EN1	Utilized materials clustered according to weight or volume
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The amounts of primary packaging released to the market (expressed in kg):		
	2010	
SLOVENIA	2.723.504 kg	Slopak
BIH		
SERBIA	7.918.000 kg 1,694,000 kg (GP) + 3,394,000 kg (SŠ) + 2 830 000 kg (PK)	SekoPak
MACEDONIA	85233.11 kg	legally not regulated

Aspect: Energy

Key	EN3 EN4	Direct energy consumption displayed by the primary energy source utilized; Indirect energy consumption displayed by the primary energy source utilized.
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Energy source	2010	
DK SLO Location Izola		
Electric power (kWh) (kWh/kg of product)	3.557.339; 0,324	
Gas (m³) (l/kg of product)	282.001; 0,096	

DK SLO Location Mirna		
Electric power (kWh) (kWh/t of product)	726.400; 3663,98	
Mazut (kg) (kg/t of product)	520.002; 2620,43	
Oil (l) (l/t of product)	72.497; 373.88	

Electric power (kWh)	3.980.219	
Gas (m³)	373.472	

DK BIH Location Hadíci Argeta		
Electric power (kWh)	2 225 379	
Oil (l)	5.150	
Gas (m³)	567.943,97	

DK SRB Location Beograd Grand		
Oil (l)	1,183,160	
Electric power (kWh)	1,186,000	

DK SRB Location Beograd Soko Štark		
Gas (m³)	2,050,394	
Electric power (kWh)	12,776,010	

DK SRB Location Smederevska Palanka Palanački Kiseljak		
Gas (m³)	8,000	
Electric power (kWh)	2,073,268	

DK MK Location Skopje		
Gas (kg)	11,0048	
Oil (t)	12 t	
Electric power (kWh)	1,075,595 kwh	

Aspect: Water

Key	EN8	Total water pumping, displayed by water springs
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Water	2010	
DK SLO Location Izola		
Water (m ³) (l/kg of product)	14.993; 1,37	

DK SLO Location Mirna		
Water (m ³) (l/kg of product)	15.824; 79,65	
Water (m ³)	105.113	
DK BIH Location Hadíci Argeta		
Water (m ³)	24.931	
DK SRB Location Beograd Grand		
Water (m ³)	1,560	
DK SRB Location Beograd Soko Štark		
Water (m ³)	113,136	
DK SRB Location Smederevska Palanka Palanački Kiseljak		
Water (m ³)	26.838.000	
DK MK Location Skopje		
Water (m ³)	1,080	

Aspect: Emissions, wastewaters and waste

Waste management

Key	EN22	Total waste weight, displayed by waste type and waste management method exercised.
Type of waste in kg	2010	
DK SLO Location Izola		
Plastic packaging	24206	
Metal packaging	1630	
Paper and cardboard packaging	177724	
Coffee husks	50030	
<i>Flotat</i>	339498	
Ground poultry bones	327400	
Foods with expired date (animal by – products III. category)	51662	

Foods with expired date	1360	
Spent toners	87	
<i>Jute bags</i>	71410	
Municipal waste	67760	
<i>Metals</i>	2480	
DK SLO Location Mirna		
Plastic packaging	23.548	
Paper and cardboard packaging	83.052	
Municipal waste	106.005	
Metal - steel	1.250	
<i>Wet organic waste</i>	45.700	
Dry organic waste	11.319	
Fluorescent tubes	34	
Remains of EE equipment, toners	10	
Remains of laboratory chemicals	45	
Packaging containing residues of chemicals	69	
Waste EE equipment	154	
Metal containers – pressure vessels	8	
DK SLO Location Rogaška		
<i>Plastic packaging</i>	21.691	
<i>Glass</i>	463.298	
Paper and cardboard packaging	30.657	
<i>Municipal waste</i>	14.720	
DK BIH Location Hadići Argeta		
Paper and cardboard packaging	192 000	
<i>Flotat</i>	756 000	
Ground poultry bones	436 000	
DK SRB Location Beograd Grand Prom		
Waste Paper/Carton	20,400 kg	
Strech-Foil (PE plastic)	1,800 kg	
Composite Foil (PET/AL/PE)	48,000 kg	
Juta Bags	120,000 kg	
Organic Waste (Coffee)	180,000 kg	
DK SRB Location Beograd Soko Štark		
Organic Waste	160,000 kg	
Hydraulic Oil	300 kg	
Lubricating Oil	500 kg	
Waste Paper/Carton	310,000 kg	
Plastic Waste	20,000 kg	
Wood Waste	200,000 kg	
Metal Waste	93,000 kg	
Fluorescent Tubes	900 kom.	
Edible Oil	200 kg	

El. & El. Waste	1,500 kg	
Mixed Municipal Waste	450,000 kg	
DK SRB Location Smederevska Palanka Palanački Kiseljak		
Plastic Waste	21,305 kg	
Waste Paper/Carton	12,955 kg	
DK MK Location Skopje		
Juta Bags	19465 kg	
Composite Foil (PET/AL/PE)	1466 kg	
Strech-Foil (PE plastic)	2100 kg	

IV. Anti-Corruption

Principle 10

Business should work against corruption in all its forms, including extortion and bribery

Given that the Company wishes to provide its employees the right to an honest, responsible, transparent and ethical work i.e. working environment in which the main principles of business conduct are respected, Atlantic Grupa d.d. prescribes by the Whistle blowing Procedure Rules the reporting procedure, rights as well as duty of each and all employees of Atlantic Grupa d.d. who in his/her work observes or becomes aware of either and actual an/or a potential illegal action or potential violation of the accepted rules of business conduct in the Company carried out by another employee(s).

Illegal action or violation of the accepted rules of business conduct (hereinafter: Misconduct) means any conduct including, but not limited to:

- committing a criminal act pursuant to positive legal regulations,
- violation of the Company's internal acts,
- conduct that represents a serious risk to human health and property,
- Conduct that represents a serious risk of jeopardizing the Company's reputation, carried out by the Company's employees.

An employee who in his/her work observes or becomes aware of Misconduct shall have the right as well as the duty to immediately report it in writing to the Head of Corporate Security of Atlantic Grupa d.d. and the member of the Management Board of Atlantic Grupa d.d. competent for Corporate Affairs. Immediately after receiving the report, the Head of Corporate Security of Atlantic Grupa d.d. and the member of the Management Board of Atlantic Grupa d.d. competent for Corporate Affairs shall issue a certificate indicating the date of receipt of the report to the employee and shall, without delay, notify the following, as applicable:

- Head of Department in which the employee who committed the potential Misconduct is

working, except in a case where the potential Misconduct relates to the Head of Department, or

- The President of the Management Board of Atlantic Grupa d.d. – in a case where the potential Misconduct relates to actions of a member of the Management Board, or
- The President of the Supervisory Board of Atlantic Grupa d.d. - in a case where the potential Misconduct relates to actions of the President of the Management Board.

In a case where the potential Misconduct relates to joint actions of the Head of Corporate Security of Atlantic Grupa d.d. and the member of the Management Board of Atlantic Grupa d.d. competent for Corporate Affairs, an employee who in his/her work observes or becomes aware of Misconduct of the persons listed shall have the right as well as the duty to immediately report it in writing to the President of the Management Board of Atlantic Grupa d.d. In such a case, the President of the Management Board of Atlantic Grupa d.d. shall be obliged to issue a certificate indicating the date of receipt of the report to the employee and shall carry out further procedure in accordance with the provisions of these rules.

Within the period of 4 weeks after receiving a report on the potential Misconduct, the Head of Corporate Security of Atlantic Grupa d.d. shall be obliged to inform the employee who submitted the report on the outcome of the process. By way of derogation, if the process requires a period of time longer than the one prescribed, the Head of Corporate Security of Atlantic Grupa d.d. shall, within the given period, be obliged to inform him/her of the actions taken in the process and, immediately after the conclusion of the process, on its outcome. After implementing the process of establishing all the facts, insofar as it is established that the employee, against whom a report on the observed potential Misconduct was submitted pursuant to the provisions of these Rules, has undoubtedly committed the Misconduct, the Company shall, with respect to all the circumstances of the case, take all reasonable measures against that employee pursuant to the provisions of the Labor Act and the Company's internal acts, as well as submit necessary notifications to the competent state authorities.

An action of an employee who knowingly reports a potential Misconduct of another employee without any grounds and with a motive to cause any harm to him/her or to gain any benefit for oneself or for other person shall be considered a violation of the Company's internal acts.

How do you intend to make this COP available to your stakeholders?

Atlantic Grupa d.d. Communication on Progress shall be available on UN Global Compact web pages and Atlantic Grupa d.d. corporate web site. Atlantic Grupa d.d. employees will be able to read and download it from intranet pages. **Supplement**

In production of this report we considered Global Reporting Initiative G3 indicators:

Area	UN Global Compact principle	G3 indicator
HUMAN RIGHTS	Business should support and respect the protection of internationally proclaimed human rights	HR4, HR5, HR6, HR7,
	Business should make sure that they are not complicit in human rights abuses	
LABOR STANDARDS	Business should uphold the freedom of association and the effective recognition of the right to collective	LA2, LA4, LA6, LA7, LA9, LA13, LA14, EC7
	Business should uphold the elimination of all forms of forced and compulsory labor	
	Business should uphold the effective abolition of child labor	
	Business should uphold the elimination of discrimination in respect of employment and occupation	
ENVIRONMENT	Business should support a precautionary approach to environmental challenges	EN1, EN3, EN4, EN5, EN7, EN8, EN16, EN17, EN18, EN19, EN20, EN21, EN22,
	Business should undertake initiatives to promote greater environmental responsibility	
	Business should encourage the development and diffusion of environmentally friendly technologies	
ANTI-CORRUPTION	Business should work against corruption in all its forms, including extortion and bribery	