



ATLANTIC
G R U P A

Communication on Progress Year 2011

Statement of continued support

Atlantic Grupa 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 joined the United Nations Global Compact Initiative, upon it's founding in Croatia. This is our third report which relates to the year 2011. 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 headquartered in Croatia, which in its business operations combines the production, development, sales and distribution of fast moving consumer goods with market presence in over 30 countries around the world. Atlantic Grupa is one of the largest regional food industries with the well known brands such as Argeta, Barcaffè, Cedevita, Grand Kafa, Najlepše želje, Smoki etc. It is the leading European producer of sports food with the well-known Multipower brand, the largest regional producer of food supplements with Dietpharm brand, a prominent producer of personal care products as well as the leading distributor of consumer goods in South-Eastern Europe. The distribution portfolio of Atlantic Grupa includes global premium brands of distinguished producers such as Wrigley, Ferrero, Hipp, Johnson & Johnson and others. Atlantic Grupa is the owner of the leading private chain of pharmacies under the brand Farmacia.

Business operations of Atlantic Grupa are organised in **six strategic business units** ("SBU"), **four strategic distribution units** ("SDU") and Russian market.

- Strategic business unit Beverages
- Strategic business unit Coffee
- Strategic business unit Snacks
- Strategic business unit Savoury Spreads
- Strategic business unit Pharma and Personal Care
- Strategic business unit Sports and Functional Food
- Strategic distribution unit Croatia
- Strategic distribution unit Slovenia, Serbia and Macedonia
- Strategic distribution unit International Markets
- Strategic distribution unit HoReCa
- Russian market (MU Russia)

The main feature of such an organization is the linking of tasks in special business units related to individual product type, and special sales areas within which all important markets, as well as strategic sales channels, are covered.

BUSINESS ENVIRONMENT AND CHALLENGES

The industry of consumer goods in the segment of food products in southeast Europe 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.

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 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 already takes place in the EU and operating companies in Croatia export to EU markets without any obstacles. Simultaneously, Atlantic Grupa 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 is reflected in the fact that the company, apart from Croatia, has operating companies in Ljubljana (Slovenia), Belgrade (Serbia), Sarajevo (BH), 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 and regional brands from the selection of products of Cedevita, Neva, Dietpharm or Multivita is a part of Atlantic's pan European strategy and it additionally increases the company's status in the European market.

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 2011 Atlantic Grupa continued its intensive and dynamic business growth and development, which was reflected in the number and structure of our employees. Atlantic Grupa had total of 4378 employees at beginning of 2011. By the end of the year, the total number of employees is 4198. Average age is around 40 years, ratio of female and male employees is 50 / 50 among which 25% have college and university degrees, 49% high school degrees and 39% 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 .

AG 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 AG. The possibilities of volunteering and completing student practice have also proven themselves to be excellent channels of recruitment. Being that Atlantic Grupa operates in 11 markets (namely Germany, Great Britain, Italy, Spain, Slovenia, Bosnia and Herzegovina, Serbia, Montenegro, Macedonia, Russia, 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 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 continuously maintains high standards in human resources management.

Attractiveness of Atlantic Grupa as an employer is recognized by employees, potential employees and clients. Largest Croatian job portal MojPosao (www.MojPosao.net) listed AG repeatedly over years among top employers 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 Labor Law. They are available to everyone through the company's intranet and everyone may get a copy of one when employed.

Atlantic Grupa works in a way that respects all positive regulations which forbid child labor, 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 HR 5

Workers have the right to participate in decisions concerning their economic and social rights, and interests in accordance with the Labor 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 doesn't have a trade which would involve child labor. 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 labor

Principle 5

Business should effectively abolish child labor

Principle 6

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

Atlantic Grupa's 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 fulfill 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

93% 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 is a stable work environment with 4198 employees. 54% of the employees are younger than the age of forty. The ratio of male/female employees is the same (50% of male employees, 50% of female employees). More than 20% of the employees have higher education and 39% 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 2011 was 14,44%, while our employee structure was on December 31st 2011, as follows:

Total number of employees	Employee gender		Age		Education		
	female	male	18-40	>40	primary	secondary	higher
4198	50%	50%	54,5%	46,5%	9%	66%	25%

Number of employees in AG's management	Gender		Age	
	Female	Male	18-40	>40
179	39%	61%	36%	64%

Health, occupational safety and training

LA 6

Atlantic Grupa 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 centers:
- 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 2011 we didn't have any registered occupational illnesses or diseases that are related to work

processes or work environment. Twenty two occupational accidents in AG Croatia were registered which is 1,4 % of total number of employees in Croatia. Approximately 27% of those injuries were due to car accidents which happened outside the facilities of the company.

There weren't any fatal injuries.

There were no incidents in the work processes that would cause heavy, bulk or injury resulting in death.

Out of the total number of occupational accidents, 6 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 2011, 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 492 in 2011.

The average number of working days lost per injury at work is 22.363.

The total number of lost working hours for all injuries at work is 3936.

The average number of lost working hours per injury at work is 165,27hours.

Employee training

We are aware of the fact that acquiring the prospects of career development and not the prospects of work, Atlantic Grupa 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 SBU Pharma and Personal care 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 „StartA“.

It is designed with the desire to introduce new employees to the basics of the company's business program while easing and catalyzing a feeling of belonging to a joint project with joint goals. The intention of the program is 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 2011 there was the redefinition of the whole process by which we have successfully aligned all key performance management process throughout AG.

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 programs in fitness centers; 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 programs and support various types of employee gatherings throughout the year.

1. CORPORATE CULTURE

a. Naturally Different

No matter where we live or what language we speak, Sun, Mountain & Wave are our core values.

A basic definition of organizational culture is the collective way we do things around here.

It involves a learned set of behaviors that are common knowledge to all employees. The said behaviors are based on a shared system of meanings that guide our perceptions, understanding of events, and what we pay attention to. Culture is about individuals in a group sharing patterns of behavior. It consists of created and shared beliefs, values and glue that hold an organization together. It is a strong shared spirit built from shared values that gives a glow in the eye, makes us brand ambassadors, and connects us all despite our differences.

As an international group, Atlantic Grupa knows that economic freedom is associated with the same respect for people and nature. There are special moments in the life cycle of a company in which it is necessary to be aware of this responsibility. This is especially important after mergers and strong growth.

As a first step on a long journey of building and living our culture, we defined the AG laws of nature, i.e. our values. We used elements from nature as symbols that the best describe the way we do things around here, the way we work, the way we treat our customers, our partners and our colleagues.

Therefore, Atlantic Grupa has brought its values once again to one point! It calls on each and every employee to do his part for the "Naturally Different" concept.

"Naturally Different" - that's the company's culture lived by Atlantic Grupa.

The core of this culture consists of three basic values that Atlantic Grupa feels particularly obliged for: **Passion - Responsibility – Creativity.**

Combined with the 3 symbols of nature that symbolize "Naturally Different", they merge with the logo of Atlantic Grupa: **SUN – MOUNTAIN– WAVE.**



NATURALLY DIFFERENT

We face challenges to, “reach the sun – climb the mountain – surf the wave.” We go to work with the joy to grow and develop our ideas in the determination to implement our goals and visions. Since we know what we believe in, we bring the power to create our future.



SUN – PASSION

The sun and its heat are the main driving force of life and everything that surrounds us, and one of the strongest elements of nature. For us, the sun represents the passion in everything we do. Passion has many faces, but for us it means that: we are putting our hearts and minds into our work to do our best, we ask our hearts (not only minds), we give emotion; we love what we do, we believe in success, we build on our strengths, we recognize positive outcomes, and we celebrate successes.



MOUNTAIN – RESPONSIBILITY

The mountain represents our journey to the top, our way to reaching our goals, which has its beautiful moments, as well as effort and obstacles that can be overcome only if we hold ourselves accountable, e.g. if we take responsibility and initiative to overcome these obstacles – because the feeling we have when we come to the top of the mountain is irreplaceable. Although a mountain is often viewed as something fixed, it is a fact that people can move mountains if needed to reach a desired goal. Accountability for us means responsibility for our actions that influence the lives of our customers and fellow workers. It means that we take initiative, we set priorities, we know what is expected, we reach our goals, we keep our promises, we do not look for exterior excuses and we want to grow in every aspect – profit, markets, brands and people.



WAVE – CREATIVITY

The wave is the foundation of life and creation. With its strength it washes away the old and brings forth something new, seeks out and brings about change. Change is the only thing we know happens for sure. Change requires us to be creative and to find solutions that are innovative and different.

For us, creativity means to be open to new ideas, different views and opinions, without prejudice, to create new value, to shape and create our community and environment, and to be open to new ideas and process improvements.

b. CORPORATE CULTURE AND EVERYDAY ACTIVITIES

Our corporate culture is part of most processes in the AG business.

RECOGNISE & REWARD YOUR NATURALLY DIFFERENT COLLEAGUE

See, Act & Praise a Colleague - Is a program designed for the employees of Atlantic Grupa throughout the group that stimulates and encourages employees to recognize and reward their colleagues in several categories:

1. **«Naturally Different Hero» shall be presented to an employee who influences and inspires himself/herself and others to develop and grow.** To the person who inspires, motivates, encourages & influences, who lives & portrays all three values.
2. **«Ray of Sunshine Award» shall be presented to an employee who best represents our value of passion (the Sun).** To the person, who is ready to help, has a positive outlook, and creates a positive atmosphere and always puts his/her heart in all he/she does.
3. **«Climb the Mountain Award» shall be presented to an employee who best represents our value of accountability.** To the person who faces problems as opportunities & does not give up, invests more effort & undertakes additional responsibilities, and shows initiative to solve things not exclusive to his/her area of responsibility.
4. **«Surf the Wave Award» shall be presented to an employee who best represents our value of creativity.** To the person who finds new responses to challenges, grasps problems & proposes new solutions.

EVALUATE YOUR COLLEAGUE THROUGH CULTURE GOALS

Culture goals are a new addition to employee overall annual performance evaluations and they relate to how well we fit with our corporate culture and strategy, and how we perform with regards to spreading our values in the organization.

The aim is to assess an employee's fit with AG corporate values, whether the employee has ability to implement required behavior in a manner that is in line with our stated naturally different corporate values and is in the best interest of the company, co-workers and customers.

RECRUIT NEW NATURALLY DIFFERENT COLLEAGUES

Each person in the selection process will fill out a form answering what are his/her three most important work related values and then provide an example of a situation in which he/she demonstrated each value at work.

A SHARED BELIEF – VALUE DAY

Each year at all locations within the Atlantic Grupa – we celebrate Value Day through events that represent our values. In order to live our values inwards and outwards, we like to integrate them into a voluntarily social day – through work assignments. Employees are invited to take part in various activities like helping at animal shelters; helping children without parents; helping the community; helping the homeless; and many other activities on a voluntary basis. Each project, is organized and selected locally, and is connected with one of our three values: Sun, Mountain and Wave, through which we want to demonstrate our social responsibility.

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 continued to support and promotes the principles of sustainable development in all its business activities throughout 2011 to this day. 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 pays great attention to employee relations, environmental protection and social responsibility in all its business operations. The Atlantic Grupa's **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

In Atlantic Grupa an integrated quality management system is well established and regularly reviewed as a response to the last organization models and all other inputs from internal and external environment. Our Corporate culture is framework for our quality culture. Every day we strive to be “Naturally different and naturally excellent”.

In our naturally different business environment we never forget to incorporate quality in our products and in our services. Actually quality in Atlantic Grupa is everybody's commitment.

The company is taking part of the global network of requirements and expectations. Developing excellence of our brands, products and services with the systematic quality approach enables us to be innovative, fast and adequate in response to the demands and expectations of our customers. The efficient quality system enables the international comparability and high reputation of our products and the credibility to the customers and suppliers.

Our quality system is totally integrated and combines:

- the requirements of business process management,
- the highest product safety and quality assurance principles and
- the environmental management requirements.

The heart of the system is the philosophy of the continuous improvement that pushes our processes towards excellence through the circle of PLAN, DO, CHECK and ACT activities.

Our quality system is certified in accordance to the global standards depending on business and production locations: ISO 9001, ISO 14000, FSSC 22000, IFS, ISO 22 716, GMP, GLP and HACCP.

In the almost the whole business we follow the demands of ISO 9001 as a basic standard which allows to add on additional specific quality rules.

The basis for the process management system in **Consumer health Care Strategic Business unit** are well established prerequisite programs (Good hygiene practice, Good manufacturing practice, Good laboratory practice, good storage practice). Additionally maintaining the compliance with the REACH regulation ensures a high level of human health and environmental protection when chemical substances are used in the production of cosmetic and pharmaceutical products. 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.

Food production oriented **Strategic Business units: Savoury spreads, Snacks and Coffee drinks** have a long tradition with the implemented HACCP standards and are now (on the end of 2011) well prepared also for the certification on the basis of the highest level global standard of food safety, FSSC 22000.

In a part of the **Strategic Business unit Drinks** (production plant Cedevita) the highest level of IFS demands are well implemented. In the year 2012 activities to upgrade the quality system with implementing the demands of the newest 6. Version of IFS standard will be performed.

The same level of IFS is also well established and maintained in **the Strategic Business unit Sport and functional food**.

Food standard FSSC 22000 and IFS ensures high safety and health properties of foodstuffs through the whole supply chain from »the fields« of raw materials to the stores and our consumers.

In the **distribution part of AG business** the quality management system is oriented to assure

quality principles in logistic and sales. In all central warehouses good storage practice is well implemented and in the location of Zagreb the main warehouse is also HACCP certified. Good storage practice solutions (product traceability system and excellent storage conditions) are now prepared to spread also to the smaller distribution centers in Serbia and Croatia. We plan to implement HACCP principles also in Bionatura distribution chain of filling and distributing water balloons. For 2012 we plan also to spread the good quality assurance practice, which was already in the year 2010 well implemented in the product chain "Coffee to go" to the whole Horeca Business.

The integrated quality management system is flexible and unburdened by unnecessary rules. Particular attention in the year 2011 was given to upgrade the procedures of managing consumer complaints.

Certifications are maintained by individual legal entities. In 2011 our entities successfully maintained the following international certificates:

- 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
- Cedevita d.o.o. – ISO 9001, ISO 14001, IFS
- Neva d.o.o. – ISO 9001
- Montana d.o.o. – ISO 9001
- Multivita d.o.o. (Hemofarm) – ISO 9001
- Fidifarm d.o.o. – ISO 9001
- Atlantic Trade Zagreb - HACCP
- Atlantic Multipower Germany GMBG&Co.OHG – ISO 9001, IFS

PRODUCT SAFETY AND QUALITY ASSURANCE

In the food production business of Atlantic Grupa our quality assurance system is implemented on the base of European food legislation, respecting also local legislation of non EU markets. With such approach we can assure compliance of all food products on the regional European market.

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 quality meetings were organised in 2011, where the focus was on the following new topics:

- certification requirements of the FSSC 22000 scheme;
- establishment of prerequisite programmes in line with the ISO/TS 22002-01 technical specification;
- biological safety;
- radioactivity as a risk factor in foods; and
- a methodology for defining functioning prerequisite programmes and critical control points to manage risk factors in foods.

As part of preventive programmes for managing risk factors in foods, the Group introduced an annual plan for monitoring the presence of pollutants in foods that exceeds the scope of the previous year's monitoring by 10%. The following pollutants are traced in descending order in terms of the scope of testing: allergens, pesticides, mycotoxins, heavy metals, alkaloids, antibiotics, polychlorinated biphenyls, nitrates, pharmacologically active substances, dioxides, radioactivity and nitrosamines. The Group also verifies the presence of photoinitiators in cardboard packaging, specific migrations of certain pollutants from packaging, technologically processed furan products and acrylamide in coffee samples. The results of testing indicated that Droga Kolinska's products do not contain any of the previously mentioned pollutants, an indication that the procedures introduced to mitigate these risk factors are effective.

Likewise in the scope of preventive programmes in 2011, the Group transitioned to more stringent reference standards that have helped it improve sanitary technical conditions in production processes and thus raised product safety assurance to the highest possible level. One specific objective was to harmonise prerequisite programmes with the requirements of the ISO/TS 22001-01 technical specification: Prerequisite programmes on food safety – Part 1: Food manufacturing. The requirements of the aforementioned technical specification have a significant impact on minimum hygiene requirements, which are dictated by the law for production facilities. Numerous improvements were therefore introduced at all production locations. The Group assesses that the production locations in Izola, Mirna, Zagreb, Bleckede and Sarajevo are in line with the majority of requirements from the technical specification, and are thus prepared for assessment in accordance with the new standard. It also assesses that work procedures could be harmonised at Štark on the Smoki production line and at the Rogaški vrelci production facility by autumn 2012 through continuing activities. Improvements at other locations will be carried according to schedule in line with planned investments.

In addition to own production facilities, the Group also controlled licensed production facilities (Cockta bottlers, Sport foods bars producers) in the scope of managing product safety and quality, and thus ensured the quality of products that are not a direct part of the Group's internal processes. No major deficiencies were identified. In 2011 the bottler, Hercegovina Vino, was the last licensed bottler to have its HACCP food safety system certified. The HACCP systems of all contracted bottlers have thus now been certified. The producers of sport foods (bars) all have IFS standard in place.

In general, the Group assesses that its food safety management system is very effective. Our aim is to further improve communications with suppliers and producers of input materials, and internally between the business functions of quality, purchasing and development, as the Group is aware that communication between the aforementioned processes must be optimal in the food safety and quality management system.

Consumer reclamations

The system for resolving reclamations was adapted in 2011 to the new organisational structure of the distribution function. Accordingly, the Group reviewed the process and redefined the persons responsible for receiving reclamations from the market, for resolving reclamations (analyses) and for communication with consumers. We can conclude that the process is efficient, that reclamations were recorded on all markets and that they were resolved appropriately in accordance with the expectations of consumers.

Socially responsible products and services

Responsibility for the production of safe foods is the Group's 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.

Product improvements follow the guidelines below:

- additives: we produce products without added 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 Droga Kolinska products 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 Company that will be maintained in the future;
- products rich in positive nutrients, such as magnesium, calcium, nutritional fibres, antioxidants and others: 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 remains a particularly significant opportunity in the confectionery product line; and
- wellness 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.

Of the aforementioned guidelines, the trends of organic and wellness products for consumers took centre stage in the development of new products in 2011. Several products of various brands that will be launched on the market in 2012 have been prepared. A great deal of activity focused in the search for the appropriate raw materials and the certification of suppliers to provide organic raw materials. In parallel, the Group also prepared the production processes in Mirna and Izola for future certification according to eco requirements. On the savoury and confectionery product line, recipes in the cookies and crumpets, salted sticks and chocolate coating categories without trans fatty acids were successfully testing, and are ready for regular production in 2012.

ENVIRONMENT MANAGEMENT SYSTEM

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 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.

We strive to raise the awareness of the importance of environmental protection:

-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 cosmetic 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. 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 - Croatia

Key EN1 Utilized materials clustered according to weight or volume.

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 years 2010 and 2011 are 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	2011
ATLANTIC TRADE	661,499	531,917
CEDEVITA	470,931	572,993
MONTANA PLUS	15,234	14,416
NEVA	197,218	174,371

Aspect: Energy - Croatia

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 and 2011 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	2011
Location Planinska: Cedevida & Montana plus		
Steam	10,265 t	10,027 t
Electric power	4.185,930 kWh	5.649,431kWh
Location Obrtnička: Neva		
Gas	19.505 m ³	23.882 m ³
Electric power	633.414 kWh	663.007 kWh
Location Rakitje: Fidifarm		
Gas	20.500 m ³	21.751 m ³
Electric power	128.500 kWh	137.280 kWh

Aspect: Water - Croatia**Key EN8 Total water pumping, displayed by water springs**

Annual water consumption is monitored at each and every location; the locations hosting primary production facilities pose as the greatest water consumers of them all (2010 and 2011 data are displayed below).

One of the goals set within 2007 environmental management frame, was to reduce water consumption as compared to 2006 (that consumption being at the level of 13.8 m³/t of product). The goal in reference was accomplished by the installation of air (not water)-cooled compressor, so that the decrease in water consumption per tone of product, witnessed in 2007, equaled to 37% (Cedevita; 1 million Croatian Kuna worth investment).

Energy source	2010	2011
Location Planinska: Cedevita and Montana plus		
Water	130.000 m ³	104.067 m ³
Location Obrtnička: Neva		
Water	20.016 m ³	14.729 m ³
Location Rakitje: Fidifarm		
Water	710 m ³	737 m ³

Aspect: Biological diversity - Croatia : n/a

Aspect: Emissions, wastewaters and waste - Croatia

Key	EN16	Total direct and indirect greenhouse gas emissions, displayed by
	EN17	weight.
	EN18	Other relevant indirect greenhouse gas emissions, displayed by
	EN19	weight.
	EN20	Initiatives for reduction of the greenhouse gas emissions and
		missions accomplished in this regard.
		Emissions of ozone-depleting substances, displayed by weight.
		NOx, SOx, and other substantial air emissions displayed by type and

Key	EN21	Total amount of the released effluent waters, displayed by quality and final destination.
Key	EN22	Total waste weight, displayed by waste type and waste management method exercised.

According to the Ordinance on the Registry of Environmental Pollutants, a release (an emission) represents an influx of contaminant into the environment; the influx in reference arises on the grounds of both advertent and inadvertent human activities, taking place either on a regular or on an irregular basis. The influx may occur by virtue of spillage, emission, effluents, stamping, deposition, or deposition delivered through a sewage system and lacking any ultimate wastewater processing.

Environmental emissions may be divided into: air emissions, releases of noxious substances into wastewaters, and waste substance management.

Air emissions - Croatia

Pursuant to the enforced legislation and dependent on the type of production taking place on certain location, various air emission indicators are measured (e.g. fume number, thermal losses via waste gases, CO, nitrogen oxides expressed as NO₂-volume share, total powdered substances present in a waste gas, etc.). Tightness of the sealing of the devices containing ozone-depleting substances is controlled as well, in line with the predestined schedule and dependent on the amount of substance contained. Cooling gases viewed as more acceptable from the ecological standpoint, are used as well (hydrofluorocarbons instead of hydrofluorocarbonates). The reconstruction of cooling facilities hosted by Cedevita and Multivita is underway. Measuring results obtained on each and every location have unanimously fallen within the permissible boundaries.

To the goal of reducing the possibility of sudden emission and environmental pollution, as well as to the goal of preventing a fire outbreak and the emission of noxious substances emerging from explosion or fire, new, explosion-protected mills have been purchased (Cedevita; 4 million Croatian Kuna worth investment).

In order to reduce noxious substance air emissions, i.e. to the goal of better purifying the air released from technological processes, the old granulator dust remover was replaced by a new one (Cedevita; 1 million Croatian Kuna worth investment).

Release of noxious substances into wastewaters - Croatia

Measurements and monitoring of the release of contaminants into wastewaters, occurring at the technological-sanitary wastewater outflow point, are pursued in line with the requirements laid down conformant with valid regulations, Water Licence, and the Permit Order (pH, BOD₅, COD_{Cr}, total suspended substance, precipitating substances, sulphates, mineral oils, anionic and non-ionic detergents).

Waste management - Croatia

The regulation currently in force lays down the manner of waste management. Waste emerging from productive activities and the presence of workforce on certain location, is assigned to five basic clusters: packaging waste, non-hazardous industrial and packaging waste (packaging waste containing harmless residua), hazardous industrial and packaging waste (packaging waste containing hazardous residue), mud and greases originating from the wastewater purifier, and communal waste. Waste is collected in an organized manner, and duly stored until taken over by the institutions licensed for its management. Data pertaining to the years 2010 and 2011 are displayed below.

One of the goals set within 2008 environmental management frame, was to reduce the amounts of non-hazardous packaging waste (in Cedevita and Neva). Timely utilization of packaging stocks has led to the reduction in amounts of waste emerging from the unused non-usable packaging management, so that the total amount of non-hazardous waste has been reduced by 3% to 15% as compared to the year 2007. Owing to the requests imposed on suppliers, who were bound by the obligation to deliver the purchased material on reusable pallets, wood waste amounts have been reduced to a significant extent. Circulation of documents via electronic media and cessation of multiple copies' storage allow for continuous saving of both paper and toner cartridges.

Type of waste	2010	2011
CEDEVITA		
Technological waste	130,329 kg	32,752 kg
Packaging waste (non-hazardous)	149,736 kg	172,721 kg
Packaging waste (hazardous)	643 kg	1,268 kg
Electronic waste	10 kg	442 kg
Communal waste	62,120 kg	40,050 kg
NEVA		
Technological waste	6,319 kg	4,300 kg
Packaging waste (non-hazardous)	36,444 kg	25,700 kg
Packaging waste (hazardous)	813 kg	510 kg
Electronic waste	70 kg	10 kg
Communal waste	9,325 kg	7,630 kg
MONTANA PLUS		
Technological waste	10,000 kg	8,680 kg
Packaging waste	21,260 kg	39,250 kg
Communal waste	12,424 kg	8,010 kg
FIDIFARM		
Technological waste	467 kg	2,912 kg
Packaging waste	28,736 kg	22,650 kg
Communal waste	9,325 kg	7,630 kg
ATLANTIC TRADE		
Technological waste	156,191 kg	354,630 kg
Packaging waste	93,380 kg	106,260 kg
Communal waste	45,460 kg	57,480 kg

Aspect: Products and services - Croatia

Key

EN26
EN27

Initiatives for alleviation of environmental impact arising on the grounds of our products and services, as well as the scope of that alleviation. The percentage of overtaken sold products and their packaging materials, displayed by categories.

Aspect: Compliance with the regulations - Croatia

Key EN28 The amount of fines and the total amount of other penalties sentenced due to non-compliance with environmental protection laws and regulations.

The inventory of updates on applicable laws and regulations is kept on a regular basis, so that our server comprises a list of currently valid regulations and mandatory licenses applicable to the environmental management domain. Thus far, no fines or other penal sentences have been imposed on our company.

Aspect: Overall – Croatia

Supplemental EN30 Total costs and investments into environmental protection, broken down by type.

To the goal of implementing novel technologies, Cedevida 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 - Croatia

Key S05 Standpoints taken by the company relative of certain public policies, and participation in public policies' and lobbying development.

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 Ltd

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.

Cedevida 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 Ltd

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 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 policy and key achievements in 2011 in Droga Kolinska

Environmental management was defined as a process at the Droga Kolinska level in 2011. Thus, the aforementioned process was expanded fro Droga Kolinska in Slovenia to the entire Droga Kolinska. The valid key performance indicators (KPIs) of Droga Kolinska, d.d. were used in defining the process at the Group level.

The use of KPIs dictated that the Group identify the situation at all production locations in order to facilitate the collection of data for the value of the KPIs. Having done so, the Group was able to assess the appropriateness of the set of KPIs and set target values for 2012.

Six additional production location were included in the process: four in Serbia, and one each in Bosnia and Herzegovina and Macedonia. The situation was reviewed at the majority of locations and environmental teams set up. A responsible team coordinator was appointed in each country. Operational objectives and responsible persons were defined for each location:

- monitoring of environmental legislation – establishment and updating of an environmental legislation register;
- drafting of environmental management instructions (e.g. waste management, monitoring of water and energy consumption, monitoring and measuring, handling of hazardous materials, etc.); and
- monitoring of data, compilation of annual reports and drafting of proposals for improvements.

A detailed inspection of all locations was carried out by an external institution (Ekonerg d.o.o., Croatia) in 2011. A report was drafted that will provide the Group additional assistance in planning improvements for 2012.

Savings with natural resources

Savings with natural resources is one of key objectives of the Droga Kolinska environmental management process. To that end, the Group dedicates a great deal of attention to reducing the consumption of water and other resources.

Water is used for municipal and industrial purposes at all locations. Through employee training and awareness on the one hand and by upgrading technological processes on the other, the DK aims to rationalise the use of water and other resources to the greatest extent possible.

Waste water is released back into the environment in a way that causes the least possible burden,

i.e. through a waste water purification system. The Droga Kolinska controls waste water at all locations via monitoring activities that are in line with valid local legislation.

Waste management

A waste separation system has been established at locations within the Droga Kolinska. Separately collected waste is handed over to authorised organisations, with whom the DK has signed agreements. This ensures that separately collected waste is recycled or processed further.

Increasing the proportion of separately collected waste is another key objective of the Droga Kolinska environmental management process. To achieve that objective, the DK earmarks funds for the organisation of a waste separation system at all locations, and organises training to improve employee qualifications and awareness.

Air quality

The Droga Kolinska measures emissions in line with local legislation at all location where it is obliged to do so. Measurements are conducted by authorised institutions. All measurements conducted of indicated that values are below the legally prescribed thresholds.

Safe handling of harmful and hazardous materials

As a member of the food industry, the Droga Kolinska uses only small quantities of hazardous materials. These primarily include energy products, cleaners and raw materials, which are used for the most part in production, maintenance and laboratories.

The DK has procedures in place for handling hazardous materials, which take into account the provisions of safety documents, manufacturers' instructions and valid legislation. The DK also has procedures in place in the event of extraordinary situations to minimise the likelihood of accidents, and associated injuries to employees and damage to the environment.

Electricity

Electricity is included in the Droga Kolinska energy efficiency objective. Through the appropriate management of electricity, the DK ensures that electricity consumption does not rise, and that electricity is consumed as rationally and efficiently as possible.

Energy efficiency

Energy efficiency, or the efficient use of energy, is another key objective of the Droga Kolinska environmental management process. Efficiency is measured by the use of energy per unit of production. The precise monitoring of all energy sources by location and the analysis of consumption forms the basis for planning improvements. Measures to improve energy efficiency include detailed measures that apply to every individual, and technical and technological solutions, as well as investments in energy efficient technologies.

Concern for the natural environment

The Droga Kolinska is aware that concern for the environment begins with the individual. Through an effective environmental management system and a system of internal and external communication, notification and employee training, the DK therefore strives to raise the environmental awareness of each individual. This leads to the establishment of an environmental culture that is present in all activities and contributes its part to the development of the wider social-environmental culture.

Ecological services and products

The Droga Kolinska strives to ensure that all of its products are user and environmentally friendly, as demonstrated by the use of a green dot. In addition to marketing, purchasing and technology, the environment is continuously at the fore in the development of the DK products.

The green dot tells consumers that a product's packaging is included in the waste packaging management system. Such packaging is collected, reused, recycled or processed in another appropriate manner. The green dot also means that the producer is included in the waste packaging management system and that it regularly settles its related obligations.

Concern for environmentally conscious suppliers

Business partners are briefed on the DK environmental management system in part through its governance policy, which is accessible by all interested external parties at individual locations. In the scope of contracts and written agreements, the DK business partners commit themselves to act in accordance with the guidelines set out in the DK's system, technological and control documentation.

Suppliers are regularly assessed to determine to what extent their management of the quality and safety of food and packaging complies with the DK's requirements. New suppliers are selected based on various criteria, including an assessment of their environmental awareness.

Standards and legal provisions regarding the management of the natural environment

The Droga Kolinska has established a system for monitoring amendments to environmental legislation at all locations in all countries. It has an internal register of environmental legislation that is accessible to all employees. In addition, the person responsible for monitoring legislation informs all locations of legislative developments.

Accordingly, the DK has established a system of activities at all locations that are required for the appropriate implementation of legislative changes. The system also ensures that all of the Group's activities comply with environmental legislation.

The environmental management system at the production facility in Izola, Slovenia (Barcaffé and Argeta) is certified in accordance with the requirements of the ISO 14001:2004 standard.

ENVIRONMENTAL MANAGEMENT POLICY OBSERVED BY Bleckede business operations

A number of important environmental goals we set ourselves in 2011 also at a production site Multipower Bleckede. In 2011 we successfully reduce dust so that dust collectors have been implemented in the filling area of production site.

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.

A 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.

Integral components of the business policy pursued by the ATLANTIC GRUPA, 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 members has established and certified their quality and environmental management systems, Cedevita thereby observing also the International Food Standard.

CEDEVITA- ISO 9001, ISO 14001, HACCP, IFS **NEVA** - ISO 9001, ISO 14001 **MONTANA PLUS** - ISO 9001, HACCP **MULTIVITA (Hemofarm)** - ISO 9001, ISO 14001 **FIDIFARM** - ISO 9001, HACCP **MULTIPOWER** - 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 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 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. 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).

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 prescribes by the Whistle blowing Procedure Rules the reporting procedure, rights as well as duty of each and all employees of Atlantic

Grupa 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 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 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 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 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 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's Communication on Progress shall be available on UN Global Compact web pages and Atlantic Grupa's corporate web site. Atlantic Grupa's 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 bargaining	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, EN26, EN27; EN28, EN30, SO5
	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	