



Communication on Progress

Year 2008 – 2009

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 its founding in Croatia. This is our first report which encircles years 2008 and 2009. 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 Croatian multinational company 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. Based on the business results achieved so far, Atlantic Grupa developed into the leading European producer of sports food, the regional leader in the production of vitamin drinks and food supplements, a prominent producer of cosmetics and personal care products as well as the leading distributor of consumer goods in South-Eastern Europe. In addition to further development of the listed activities, a significant step forward in the current business operations was made through acquisitions of Health Institutions, a process that started at the end of 2007 and continued throughout 2008, thus making Atlantic Grupa the leading national private chain of pharmacies in Croatia united under the name Farmacia.

Atlantic Grupa's business operations may be divided into two key components - **Consumer Health Care and Distribution**.

The Consumer Healthcare segment incorporates the following areas: Health Food - which is dominated by products under the brand **Cedevita** (instant vitamin drinks, tea, vitamin candies), **Multivita** (vitamin drinks) and **Montana** (sandwiches and ready-to-eat products); Nutraceuticals and VMS (vitamins, minerals, supplements) - whose principal brands are **Multipower** (functional food for athletes), **Multaben** (assortment of weight control products) and **Dietpharm** (vitamin products, food supplements containing herbal extracts and medicinal substances of natural origin); **Over-the-Counter Medicines** (OTC) - Purisan and Uvin H Forte and Personal Care - in this segment the leading brands are **Plidenta** (dental care), **Melem** (universal cream), **Rosal** (lip, face and body care). Since 2008, this segment also includes the pharmacy chain **Farmacia**.

Distribution, as the second key component of Atlantic Grupa's business operations, works in close correlation with the first and merges the distribution of brands from own production with the distribution of well-known international brands, for which it is an authorised distributor, such as: **Wrigley, Johnson's Baby, Ferrero, Durex, Scholl, etc.**, which together form the company's strong distribution portfolio.

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.

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), 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

For a number of years now, Atlantic Grupa has been named one of the most attractive employers based on the survey, by the independent consulting company and the biggest recruitment agency in Croatia – **Selectio/ mojposao.net** - giving it a respectable 10th place as most desirable employer in 2009. The survey, which was carried out in February 2009, included over 2,300 participants. The results of this survey has once again demonstrated Atlantic is a company with sound business foundations which is increasingly recognized.

EMPLOYMENT

In 2008-2009 Atlantic Grupa continued its intensive and dynamic business growth and development, which was reflected in the number and structure of our employees. Atlantic Grupa, as a stable working environment, entered into 2009 with **1,670 employees**, of which **60% is under 40 years of age** and with almost **equal share of female and male employees**. More than **30% of employees have college or university degrees** and the **management structure includes 30% of women**.

In 2008, 327 candidates were employed and, subsequent to the acquisitions of private pharmacies, we successfully integrated 200 employees and delivered a **22% growth in relation to the previous year**.

Keeping in mind that employees are investments with long-term effects that significantly surpass the investment value, we specially focused on activities associated with improving working conditions. To that end we secured manager training, included the exit interview as an integral part of employee monitoring, conducted salary analyses, carried out market comparisons and, in line with the analyses, implemented specific measures.

The values of **material rights** at the level of all company members have been harmonized; *jubilee awards, paid annual leave, Christmas bonus, Easter bonus, recourse, gifts for children.*

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.**

Being that Atlantic Grupa operates in over 10 markets (namely Germany, Great Britain, Italy, Slovenia, Bosnia and Herzegovina, Serbia, 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 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 and it is, marketing-wise, supported by all media as the certified employer - **Employer Partner.**

As a result of Atlantic Grupa’s entry into the pharmacy segment and future strong development in that direction, the need for additional investments in the development of new pharmacy personnel was created and Atlantic established an active cooperation with the **Pharmaceutical Biochemistry Faculty** and defined the scholarship model for students in their final year of studies.

In a broader sense Atlantic Grupa has established **cooperation with esteemed Business Schools and Universities** such as *The American College of Management and Technology (ACMT), Bled School of Management- IEDC, INSEAD, International Graduate Business School (IGBS), The Fuqua School of Business at Duke University, Bocconi University in Milan, Harvard University, Leiden University, University of Zagreb and Zagreb School of Economics and Management (ZSEM).*

ATLANTIC ACADEMY

The acquiring of new knowledge and professional and personal development of employees are the prerequisites and guarantee of business success. Atlantic’s employee education model is based on the competence model divided into professional, social and business competencies.

In Atlantic competencies are defined as the acquiring, use, development and sharing of knowledge, skills and experiences. In order to ensure adequate competence development of our employees, we organized **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".

As a special project directed to competition development - **Educational center Farmacia** is developed as a special project directed to competition development within Pharma division. Main intention of Center is professional education of Pharmacists.

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 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

HR 5

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 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 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

Ninety 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 is a stable work environment with 1847 employees. Sixty two percent of the employees are younger than the age of forty. The ratio of male/female employees is almost the same. More than 29% of the employees have higher education and 40% of the employees in managerial positions are women (June 30th, 2009).

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

This report was written when our fluctuation rate was 5.6%, while our employee structure was on June 30th, 2009 as follows:

Total number of employees	Employee gender		Age		Education		
1.847	female	male	18-40	>40	primary	secondary	higher
	52%	48%	62%	38%	12%	59%	29%

Number of employees in AG's management	Gender		Age	
94	Female	Male	18-40	>40
	40%	60%	25%	75%

Health, occupational safety and training

LA 6

Atlantic Grupa systematically takes care of its employees 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 check ups for the workers working under special conditions, periodical check ups 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 2008 we didn't have any registered occupational illnesses. Twenty seven occupational accidents in AG were registered which is 16 percent. Thirty five percent of those injuries happened outside the facilities of the company. Only two out of that total were characterised as "severe".

There weren't any fatal or group injuries.

Out of the total number of occupational accidents, 5 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 26,03% (statistics, Haleko) which is around 50% less than the average in the Republic of Croatia. The total amount of working days lost because of occupational accidents was 1009 in 2008.

Employee training

In 2009 we introduced "ATLA-NOVA" a specialized programme for recruiting and training new employees.

The aim of this program is to strengthen activities that effect corporate culture, to strengthen the feeling of togetherness and belonging, to get a broader picture of the way AG does business, easy adjustment inside the organization, working inside a cohesion, and finally acting on work productivity. The programme can be divided into three logical wholes: 1. Information about the organization of Atlantic Grupa, turnover, sales and the specifics of each division. The second is based on human resources and **employee rights**. New employees receive the basic information about employee structure, the system of managing competencies, the system of managing results, communication channels, business etiquette, etc. They also receive information about their material rights and other benefits that the company offers as well as explanations from the Labour Law acts. The third part is about **educating in the field of occupational safety**, work protection, and fire protection.

The employees may also look at the "welcome book". This is an informative handbook that includes all relative data for new employees. It can be seen on the company's intranet or in a printed version.

The handbook contains all necessary information about the company's organization and structure, relevant contents concerning employee rights and duties, work regulations, occupational safety regulations and all other important information for the employees.

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.

The percentage of internal advancements in relation to external employing in 2008:

- 43% internal promotions
- 57% external employing

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.

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

The company also encourages sports, culture and healthy habits for the employees. It co-finance the expense for various programmes in fitness centers; employees have the right to free gynecological examinations based upon a contract with a private practice; 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*

Employee education

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: professional, social and business.

Professional competencies are competencies needed to successfully complete a specific role, tasks or duties.

Social competencies are important for inter-human relationships, as well as for self management. Business competencies are connected with understanding the way the company conducts business and its surroundings.

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 Croatia and abroad.

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 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 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

After the successful line of certifications of Atlantic's companies Cedevita and recertification of Neva and Montana plus in the Consumer Health Care Division according to **ISO 9001:2000** and **HACCP standards** (Cedevita, 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. Cedevita 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...

In November 2008 Cedevita and Neva successfully completed their periodic audits of the environmental management system in accordance with the standard ISO 14001.

During 2008 Cedevita installed one more explosion proof mill thus decreasing the possibility of adverse emission into the environment and Neva decreased its waste packaging by 50% as non-hazardous packaging waste. 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

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.

In 2008-2009, 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 Investitionen und Entwicklungsgesellschaft mbH).

Aspect: Materials

Key	EN1	Utilised materials clustered according to weight or volume.	
<p>Pursuant to the Ordinance on Packaging and Packaging Waste, we fulfil 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 2007 and 2008 are displayed below.</p> <p>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).</p>			
The amounts of primary packaging released to the Croatian market (expressed in kg):			
	2007	2008	
ATLANTIC TRADE	631,257	542,395	
CEDEVITA	339,549	312,507	
MONTANA PLUS	21,102	19,979	
MULTIPOWER	3,264	6,024	
NEVA	226,430	199,509	

Aspect: Energy

Key	EN3 EN4	Direct energy consumption displayed by the primary energy source utilised; Indirect energy consumption displayed by the primary energy source utilised.
Supplemen	EN5	Energy saved due to the improvements attained by the

-tal	EN7	pursuance of resource-sparing strategy and energetic efficiency behaviour; Initiatives for the reduction of indirect energy consumption and missions accomplished in this regard.
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Electric power consumption has become an issue of importance due to the multitude of power-driven machines used in the production facilities (2007 and 2008 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 rationalisation, a consensus has therefore been reached not to set air conditioners so as to cool the air below 25 °C (except for those utilised 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	2007	2008
Location Planinska: Cedevita & Montana plus		
Steam	8,862 t > 1.15 t/t of product	9,632.6 t > 1.24 t/t of product
Electric power	4,279,535 kWh (15,406.3 GJ) > 555.3 kWh/t of product	4,402,455 kWh (15,848.8 GJ) > 568.0 kWh/t of product
Location Tuškanova: Neva		
Gas	164,452 m ³ (6,415.3 GJ) > 200.4 m ³ /t of product	162,883 m ³ (6,354.1 GJ) > 215.9 m ³ /t of product
Electric power	556,670 kWh (2004.0 GJ) > 678.3 kWh/t of product	500,284 kWh (1801.0 GJ) > 663.0 kWh/t of product
Location Rakitje: Fidifarm		
Gas	16,910 m ³ (659.7 GJ)	16,762 m ³ (653.9 GJ)
Electric power	92,000 kWh (331.2 GJ)	102,000 kWh (367.2 GJ)
Location Vršac: Multivita, operating under the wing of Hemofarm		
Gas	5,287,012 m ³	5,865,618 m ³
Electric power	30,463,251 kWh	30,962,033 kWh
Location: Multipower		
Gas	223,495 kWh	190,667 kWh
Electric power	549,785 kWh	544,747 kWh
Oil	60,168 L	66,799 L

Aspect: Water**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 (2007 and 2008 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, equalled to 37% (Cedevita; 1 million Croatian Kuna worth investment).

Energy source	2007	2008
<u>Location Planinska: Cedevita and Montana plus</u>		
Water	67,148 m ³ -> 8.7 m ³ /t of product	78,717 m ³ -> 10.1 m ³ /t of product
<u>Location Tuškanova: Neva</u>		
Water	25,542 m ³ -> 31.1 m ³ /t of product	23,062 m ³ -> 30.6 m ³ /t of product
<u>Location Rakitje: Fidifarm</u>		
Water	407 m ³	376 ³
<u>Location Vršac: Multivita, operating under the wing of Hemofarm</u>		
Water	484,822 m ³	333,932 m ³
<u>Location: Multipower</u>		
Water	1,363 m ³	1,241 m ³

Aspect: Biological diversity: n/a**Aspect: Emissions, wastewaters and waste**

Key	EN16 EN17 EN18 EN19 EN20	Total direct and indirect greenhouse gas emissions, displayed by weight. Other relevant indirect greenhouse gas emissions, displayed by weight. 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 weight.
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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

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

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_{Cl}, total suspended substance, precipitating substances, sulphates, mineral oils, anionic and non-ionic detergents).

Waste management

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 organised manner, and duly stored until taken over by the institutions licensed for its management. Data pertaining to the years 2007 and 2008 are displayed below.

One of the goals set within 2008 environmental management frame, was to reduce the amounts of non-hazardous packaging waste (in Cedevida and Neva). Timely utilisation 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	2007	2007; data displayed relative of production	2008	2008; data displayed relative of production
CEDEVITA				
Technological waste	5,670 kg	0.74 kg/t of product	7,288 kg	0.94 kg/t of product
Packaging waste (non-hazardous)	131,558 kg	17.1 kg/t of product	113,830 kg	14.7 kg/t of product
Packaging waste (hazardous)	2,690 kg	0.349 kg/t of product	481 kg	0.062 kg/t of product
Electronic waste	500 kg	0.06 kg/t of product	220 kg	0.03 kg/t of product
Communal waste	66,700 kg	8.7 kg/t of product	54,400 kg	7.0 kg/t of product
NEVA				

Technological waste	6,210 kg	7.2 kg/t of product	21,531 kg	27.1 kg/t of product
Packaging waste (non-hazardous)	54,100 kg	64.7 kg/t of product	50,043 kg	62.9 kg/t of product
Packaging waste (hazardous)	481 kg	0.55 kg/t of product	630 kg	0.79 kg/t of product
Electronic waste	626 kg	0.7 kg/t of product	28 kg	0.04 kg/t of product
Communal waste	20,120 kg	23.3 kg/t of product	and 22,070 kg	27.8 kg/t of product
MONTANA PLUS				
Technological waste	6,270 kg	0.0030 kg/product	7025 kg	0.0029 kg/ product
Packaging waste	13,714 kg	0.0066 kg/ product	15,433 kg	0.0064 kg/ product
Communal waste	8,220 kg	0.0040 kg/ product	8,460 kg	0.0035 kg/ product
FIDIFARM				
Technological waste	2,030 kg		2,752 kg	
Packaging waste	22,100 kg		23,600 kg	
Communal waste			----- 9,860 kg	
MULTIVITA, operating under the wing of Hemofarm				
Hazardous waste	32,063 kg		57,455 kg	
Non-hazardous waste	720,038 kg		769,398 kg	
ATLANTIC TRADE				
Technological waste	109,560 kg		150,770 kg	
Packaging waste	86,900 kg		74,796 kg	
Communal waste	26,230 kg		27,120 kg	

Aspect: Products and services

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.
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As manufacturers, we strive to make a difference when it comes to the 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). One of the goals set within the environmental management

frame is education of our repro-material suppliers carried out via external audits. Namely, within the frame of the supplier's assessment, the supplier's attitude towards the environment is assessed on a regular basis. Statements claiming the possession of due environmental management certificates are collected; the suppliers become acquainted with our standpoints regarding environmental protection. They are bound by the obligation to take part in the joint action aiming at raising the awareness on the importance of environmental protection, undertaken to the goal of reducing possible environmental contamination by virtue of less hazardous baseline raw materials' use (Cedevita, Neva).

Pursuant to the Ordinance on Packaging and Packaging Waste, we fulfil 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 on the grounds of collection and management of primary packaging released to the Croatian market. Data pertaining to the years 2007 and 2008 are displayed below.

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

	2007	2008
ATLANTIC TRADE	631,257	542,395
CEDEVITA	339,549	312,507
MONTANA PLUS	21,102	19,979
MULTIPOWER	3,264	6,024
NEVA	225,430	199,509

Aspect: Compliance with the regulations

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

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

Cedevita 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.

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 an actual and/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 Labour 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	