



ATLANTIC
GRUPA

SUSTAINABILITY
REPORT 2013

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LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD

Dear stakeholders,

In the increasingly complex global circumstances of change and uncertainty, business sector, as a major driver of development, is challenged to be more responsible and more sustainable in all aspects of its operations. As Atlantic Grupa aspires to contribute to economic development and ensure both long-term business success and prosperity of the local communities, all our activities are deeply rooted in sustainability values. We strive to build a more secure future for our employees, customers, suppliers, consumers and society as a whole.

The conditions in which we have been working over the past several years have become seriously challeng-

ing, primarily due to the ongoing economic crisis and the aftermath it leaves on the business and social environment. This is especially the case in Southeast Europe where Atlantic Grupa makes most of its revenues. However, by successfully implementing our strategy, in 2013, Atlantic Grupa continued with its organic growth in sales and improved profitability. We are particularly pleased that our business model is proven stable in these difficult economic times, as is demonstrated by the results we have achieved and the new investments we have instigated.

Despite the challenges, we continue to generate growth in conditions of overall downfall or stagnation, including the region. Our results in Commonwealth of Independent States (CIS) markets, as well as in major European markets corroborate our company's inclination towards internationalization as our focal strategy. We are thus constantly working on building and developing high-quality working conditions and an identifiable corporate culture, with added focus on strengthening our managerial team and developing managerial capacities. At the same time, the company is continuously dedicated to the risk management, liquidity maintenance and the management of financial liabilities.

Our expectations are always as realistic as they are ambitious and aspiring. As a transparent company listed in the first quotation of the Zagreb Stock Exchange, we

continue to deliver the results we have promised for an ongoing 25 quarter-periods. We are thus recognizable to capital market and to our shareholders as a conscientious and prospective company. Our vision, nevertheless, surpasses the parameters that are solely measurable in financial terms. Owing to a clear vision of our development, we have, since 1991, grown and matured from a local distributor with six employees, into one of the leading corporations in Southeast Europe. We engage nearly 4500 employees, with companies in 11 countries and revenues of over 670 million Euros – a regional multinational company, leader in the manufacturing and distribution of consumer goods. We have ambitious plans for development and above-average growth rates in Eastern and Western Europe; namely Germany, Austria, Italy, Great Britain, Sweden, Switzerland, and CIS countries. Russia and neighbouring countries are a particularly potent and prospective market for our products, into which we intend to significantly invest in the forthcoming future, and achieve our utmost growth. The progress we made in 2013 substantiates the claim for such a strategic focus.

In terms of interaction with all stakeholders, our trustworthiness is constant from day one; while with the same dynamic, the growth and expansion of our business parallels the expansion and spectrum of responsibility towards the internal and external environment, as well as the awareness of the potentials and necessity of

our own impact on the improvement of overall circumstances surrounding us. Responsibility, for us, signifies an attitude and belief, which as an integral part of our development strategy, parallels our continual growth. We are thus thoroughly committed to the social responsibility we abide by on all our business markets, aiming at always returning a portion of the profits we make to the community where we make it.

In 2013 we made good progress across a number of areas of growing interest to stakeholders. Since our ultimate goal is to provide our consumers sustainable and quality products, our quality system is totally integrated and combines the requirements of business process management with the highest product safety and quality assurance principles and the environmental management requirements. Environmental awareness and the long-term sustainability of our business model oblige us to be concerned with the ecological impact of the industry. Within our company, care for the environment, consistent with the Environmental Management System, has developed from a local point all the way to the corporate level, with the main focus being on sustainability and protection for the future. Atlantic Grupa has taken a significant step towards sustainability through major activities in three areas – environment and energy efficiency, people and society, and management. The sustainable environmental management system is centred on the well-planned and economic use of natu-

ral resources, the utilization of environmentally-friendly technologies in manufacturing, waste reduction, and reduced energy and water consumption. The ISO 14001 International Environmental Management Certification confirms that our environmental management system is in accord with the standards of best practice.

Finally, in order to fully integrate sustainability into our business operations in 2013 we have adopted the Global Reporting Initiative (GRI) reporting methodology, which provides a globally recognised framework through which to monitor and improve our sustainability performance. Our sustainability reporting is constantly evolving and underpins our strategic priorities, shapes our values and influences the way we do business. We stay committed to making our sustainability principles part of the strategy, culture and day-to-day operations of our company, and to engaging as a reliable partner in collaborative projects with our stakeholders.

Emil Tedeschi, President and CEO

1. ORGANIZATIONAL PROFILE

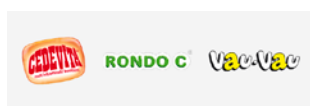
ABOUT THE COMPANY

Atlantic Grupa is a Croatian multinational company whose business operations include the production, development, sales and distribution of consumer goods with simultaneous market presence in over 30 countries around the world. Atlantic Grupa is one of the leading food companies in the region (Croatia, Slovenia, Bosnia & Herzegovina, Serbia, Montenegro, Macedonia and Kosovo), whose product portfolio includes coffee, sports food, soft drinks, sweet and salted snacks, savoury spreads and baby food.

Additionally, Atlantic Grupa has a wide portfolio of personal care products; it is the owner of the leading Croatian producer of vitamins, minerals, supplements and OTC medicines and the owner of one of the leading private pharmacy chains united under the name Farmacia. Atlantic Grupa has a strong regional distribution network through which, in addi-

tion to its own range of well-known brands, it also distributes a range of products from external partners. Moreover, Atlantic Grupa's products have significant market presence in Russia, Commonwealth of Independent States (CIS) and Europe, and with its sports food assortment Atlantic Grupa is one of the leading European producers in this segment.

STRATEGIC BUSINESS UNIT BEVERAGES



STRATEGIC BUSINESS UNIT COFFEE



STRATEGIC BUSINESS UNIT SNACKS



STRATEGIC BUSINESS UNIT **SAVOURY SPREADS**



STRATEGIC BUSINESS UNIT **PHARMA AND PERSONAL CARE**



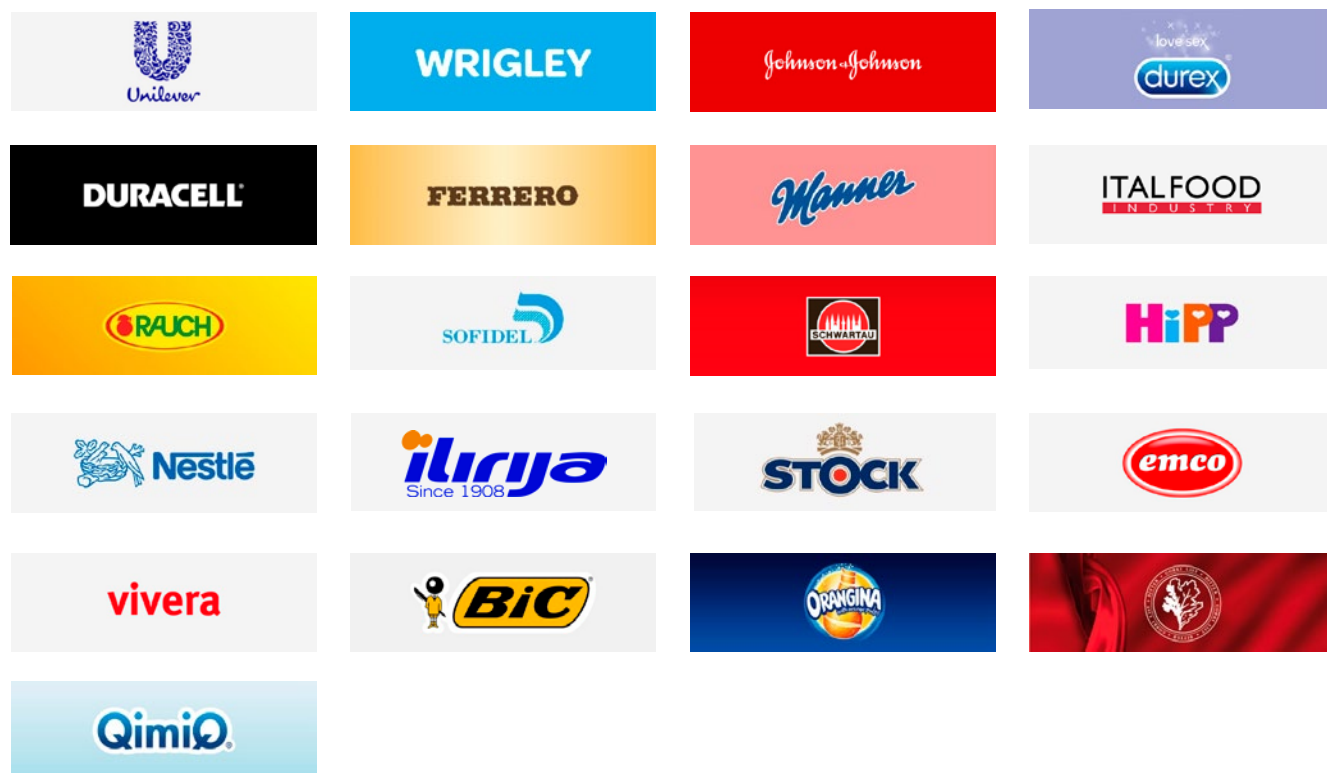
STRATEGIC BUSINESS UNIT **SPORTS AND FUNCTIONAL FOOD**



BUSINESS UNIT **BABY FOOD**



LEADING DISTRIBUTOR OF MULTINATIONAL BRANDS



The company's headquarters is in Zagreb, while production facilities are located in Croatia, Germany, Slovenia, Bosnia & Herzegovina, Serbia and Macedonia. Atlantic Grupa has companies and representative offices in 11 countries, while in those markets where it is not present with its own operating companies, Atlantic Grupa has developed partnerships with regional and national distributors.

Today, Atlantic Grupa is a company with:

- sales revenues of HRK 5.1 billion
- over 4,200 employees and over 440 freelancers(FTE) in Serbia
- developed regional distribution
- 17 production facilities in 6 countries

► NATIONAL COMPANY

- 1991** Incorporation of Atlantic Trade and the development of consumer goods distribution
Establishing cooperation with the company Wrigley
- 1992** Opening of the distribution centre Split
- 1994** Opening of distribution centres Osijek and Rijeka
- 1996** Cooperation with Procter & Gamble
- 1997** Investment in the Ataco distribution system in B&H
- 1998** Launch of Montana, the first Croatian ready-made sandwich for broad distribution
- 1999** Establishing cooperation with Johnson & Johnson



► REGIONAL COMPANY

- 2001** Establishing a representative office in Bosnia & Herzegovina
Start up of a distribution company Atlantic Trade d.o.o.* Serbia
Acquisition of Cedevida d.o.o.
Establishing cooperation with Ferrero
- 2002** Incorporation of Atlantic Grupa d.o.o.
- 2003** Acquisition of Neva d.o.o.
Start up of a distribution company Atlantic Trade Skopje d.o.o.
- 2004** Start up of a distribution company Atlantic Trade d.o.o. Ljubljana
Acquisition of the brand Melem



▶ EUROPEAN COMPANY

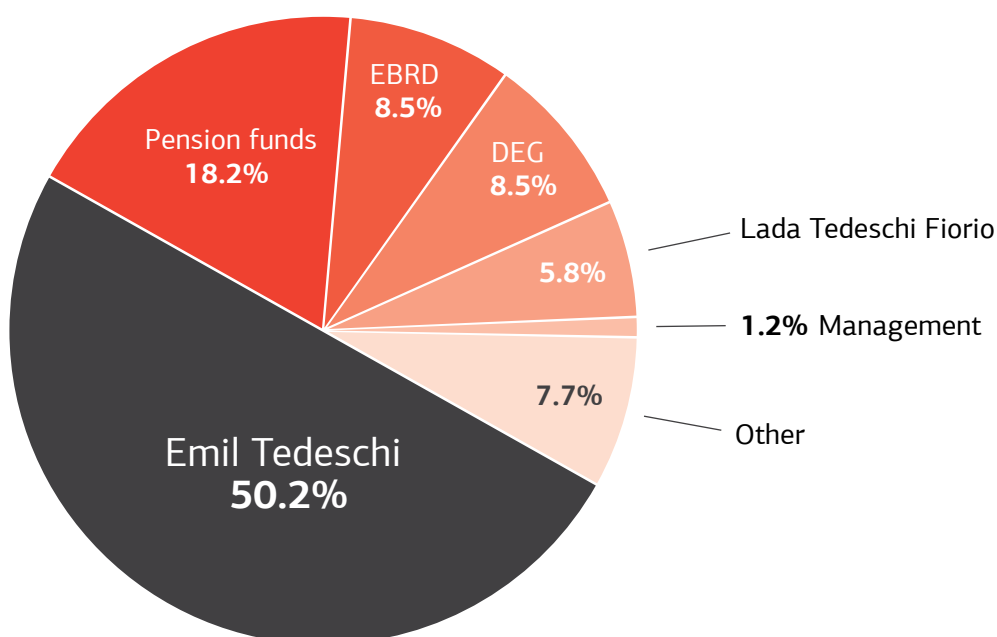
- 2005** Acquisition of a German sports food producer Multipower
- 2006** Establishing a representative office in Moscow
Transformation of Atlantic Grupa into a joint-stock company
- 2007** Acquisition of Fidifarm d.o.o.
Acquisition of Multivita d.o.o.
Listing of Atlantic Grupa d.d. **shares on the official market of the Zagreb Stock Exchange
- 2008** Acquisition of pharmacies and forming of the pharmacy chain Farmacia
- 2010** Acquisition of Droga Kolinska d.d.
- 2013** Establishing cooperation with Unilever

* d.o.o. - Croatian abbreviation for "limited liability company" (Ltd)

** d.d. - Croatian abbreviation for "joint-stock company" (Inc.)

Following the completed capital increase in 2010, the total number of Atlantic Grupa shares is 3,334,300, which are quoted on the official market of the Zagreb Stock Exchange (ZSE) under the code ATGR-R-A.

Ownership structure on 31/12/2013



In 2013 Atlantic Grupa continued its intensive and dynamic business growth and development, which was reflected in the number and structure of our employees. **The company has 4,228* employees out of which 51% are women.** The majority of our employees work

in Serbia (36%), Croatia (34%) and Slovenia (14%). In 2013, 98% of our employees had full time contracts while 2% were part time employees. In the same period, 7.5% of employees had short-term contracts, while 92.5% had long-term contracts.

Region (market)	No. of employees	M	F	Age group		
				< 30	30 – 50	> 50
B&H	156	113	43	18	115	23
Croatia	1.521	644	877	272	1.006	243
Germany	173	94	79	29	97	47
Italy	8	3	5	1	6	1
Macedonia	163	107	56	38	112	13
Montenegro	2	1	1	0	2	0
Russia	53	19	34	15	24	14
Serbia**	1.542	759	782	70	1.211	260
Slovenia	588	311	278	81	352	156
Spain	10	7	3	2	8	0
UK	12	6	6	1	6	5
Total	4.228	2.064	2.164	527	2.939	762

Atlantic Grupa strongly supports the right of its employees to participate in decisions concerning their economic and social rights, and interests in accordance with the Labour Law. As a responsible employer, we have 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 of Atlantic Grupa 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. In 2013, 90% of our employees were covered with collective agreements. Out of this number, 85% of employees have their own company's collective agreements and 15% are covered with industrial or federal collective agreements.

* Without freelancers in Serbia

** Without freelancers

ATLANTIC GRUPA'S SUPPLY CHAIN

With our 17 production facilities present in 6 European countries with a wide portfolio of different feedstock, materials, services and equipment which we procure, Atlantic Grupa offers many opportunities and possibilities for cooperation to its suppliers. From our suppliers we procure all the raw materials for our products, packaging, machines for producing and finishing the products, other equipment and technical devices, as well as other services that are necessary support to our processes. Our supply chain consists of both large multinational business corporations and local suppliers. From some of the suppliers we procure products and services in significant amounts, while with others we cooperate on an occasional basis. **In 2013, Atlantic Grupa cooperated with more than 200 suppliers.**

The strategy of the purchasing organization of Atlantic Grupa is based on a careful selection of adequate suppliers capable to supply the company with goods and services of requested quality. Atlantic Grupa constantly encourages suppliers to improve their own efficiency and to develop innovative products and technologies.

Basic principles for procurement and relations with suppliers are defined in the Purchasing Guidelines, the fundamental document of the purchasing organization of Atlantic Grupa, which is followed by the procedures, manuals and instructions describing in detail the specific areas of purchasing activities in Atlantic Grupa's operating companies. The Guidelines foresee that Atlantic Grupa's purchasing organization takes only such actions and prac-

tices that ensure sustainable sourcing and procuring by helping reducing waste, improving environmental impact and protecting human and labour rights. Besides the criteria regarding quality and commercial terms and conditions, we require from all our suppliers to act with integrity, to comply with all applicable laws of their countries, including laws related to discrimination, employment, health, safety and environment. Therefore, we actively seek such suppliers who share our values and business principles, and promote the application of high standards within their business environment. These standards include:

- compliance with the laws, including the prohibition of giving or receiving bribe or personal payment
- respecting human rights and employees' rights
- health protection and work safety laws and standards compliance
- prohibition of child work as well as bonded labour
- prohibition of workers abuse, discrimination or harassment
- obeying applicable environmental laws, rules and regulations and demonstrated commitment to preserving the environment

The purchasing organization of Atlantic Grupa is committed to select only such suppliers that comply with these standards for conducting the business with our company. Monitoring standards and performance of our suppliers is challenging but crucial to protect our business and our company's reputation, and most importantly our consumers who use our products.

Evaluation of suppliers is conducted once a year, and is generally based on two main criteria: quality and commercial terms and conditions. Evaluation based on quality of delivered materials and suppliers' quality systems is performed in Quality assurance department.

Supplier proves his quality system with certificates

HACCP or GMP certificate	ISO 9001 certificate	ISO 14001 certificate	FSSC 22000 / IFS / BRC or adequate certificate	Other certificate: ISO 26000 Social responsibility; ISO 50001 Energy manage- ment; OHSAS 18001; Information security ISO 27001...
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Each evaluated supplier is assigned with one of the evaluation ratings: A – excellent, B – good, or C – conditionally acceptable/not acceptable.

Aimed at improving two-way communication, Atlantic Grupa encourages the existing and potential suppliers to use the online supplier portal available at the company's website. The

portal contains information on goods and services which Atlantic Grupa is procuring, selection and awarding contracts procedures etc. In addition, the portal provides the suppliers the opportunity to share their suggestions for improving the relationship with Atlantic Grupa, quality and functionality of products and services, and other aspects of cooperation.

MANAGING SUSTAINABILITY RISKS

The corporate culture that Atlantic Grupa nurtures is reflected in our Quality Policy, confirming our commitment to the principles of sustainable development, economic efficiency, environmental responsibility and social responsibility. This means that, beyond complying with national laws and international standards, we are developing internal procedures and policies concerning the most material issues for our company as well as for our stakeholders, as we take into account local and global sustainability trends. Having high quality standards as our fundamental commitment, we are operating in ways that generate shared

value for the community and help protect the environment for future generations.

In addition to macroeconomic conditions that largely dictate the trends in the consumption goods industry, in particular personal consumption as a component of the GDP, our company must consider major global risks such as the ongoing financial crisis causing the recession in Europe as well as in the region. While climate change and resource scarcity increasingly affect our business and social environment, we made a big step toward sustainability by expanding our concern for the environment from a local approach to the corporate level within a consistent Environmental Management System (EMS) based on three main pillars: environment and energy efficiency,

people and society, and governance. With the consumers' expectations constantly growing, the development of the consumer goods industry is also largely influenced by the ability of companies to adapt to consumer needs and market trends, which in turn requires investments in research and development, innovation and technology. Finally, as a company, we are best positioned to create shared value by promoting healthy lifestyles to our consumers and the community in which we operate.

In response to the main challenges, our sustainability commitments are deeply implemented in our core business:

- Risk control is implemented in the process of designing and developing or improving product when it comes to the use of raw materials, components or substances that may jeopardize or jeopardize human health. In Atlantic Grupa, procedures with the purpose to assure safety and conformity of any new or improved product are in place. There are many internal demands that must be followed in terms of legal and sustainable aspects in order to assure the production of safe foods. Furthermore, we are committed to developing new product recipes in order to improve our products and support healthy eating habits of our consumers.
- When conceptualising, planning and designing new products, in addition to the aforementioned, the environmental aspect and the sustainable development aspect also have to be taken into account. Through the careful selection of raw materials and packaging materials, we can reduce environmental impacts throughout the entire life cycle of the product – from raw materials to final disposal of the waste packaging after the use of the product.
- The extension of the principle of sustainable development is reflected in the relationship with our suppliers. By including environmental criteria in the process of selecting suppliers, we have expanded environmental care along our supply chain.

COMMITEMENTS TO EXTERNAL INITIATIVES

In 2007, Atlantic Grupa joined the United Nations Global Compact by committing to support the ten universally accepted principles with respect to human rights, labour, environment and anti-corruption. The UN Global Compact and Global Reporting Initiative (GRI) signed an agreement in May 2010 to align their work in advancing corporate responsibility and transparency. According to this agreement, GRI is developing its reporting guidelines to integrate UNGC issue areas, while the UNGC adopts GRI Guidelines as the recommended reporting framework for the businesses that have joined

this world's largest corporate responsibility platform.

Atlantic Grupa in Serbia is one of the founding members of the Business Leaders Forum - the first and only network of companies in Serbia dedicated to social responsibility – whose activities contribute to further development of socially responsible projects and exchange of experience on the current practice. Since 2013, a representative of Atlantic Grupa holds a position in the Governing Board of this network. In Croatia, Atlantic Grupa is a member of The Croatian Business Council for Sustainable Development (HR BCSD) since 2005. This business association gathers companies in a joint mission of seeking solutions for growth, by balancing business success, social well-being and environmental protection.

HOW WE SUPPORT UN GLOBAL COMPACT PRINCIPLES

HUMAN RIGHTS

Principle 1 - Businesses should support and respect the protection of internationally proclaimed human rights and

Principle 2 - Businesses should make sure that they are not complicit in human rights abuses.

The company's politics and procedures concerning **human rights, equal opportunities, safe and healthy working conditions.**

Ethical code of the purchasing organization applying, among others, the criteria of sustainable purchasing: when making sourcing and purchasing decisions, Atlantic Grupa's purchasing organization is committed to consider both environmental and social factors aiming at minimizing the environmental and social impact that the items we purchase have. Purchasing business must be conducted in such a way to respect social, ethnic, cultural, sexual and racial diversity, and business decisions must not be directed in a way that favours any of the categories of ethnic, sexual or racial criteria.

Purchasing Guidelines ensuring sustainable sourcing and procuring by helping protecting human rights in our value chain.

A number of humanitarian actions supporting vulnerable social groups: blind and visually impaired persons, children without parental care, children with special needs etc.

LABOR

Principle 3 – Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4 – Businesses should uphold the elimination of all forms of forced and compulsory labor.

Principle 5 – Businesses should uphold the effective abolition of child labor.

Principle 6 – Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Atlantic Grupa strongly supports the right of association of its employees and the work of its Union alliance. In 2013, 70.84% of our employees were covered with **collective agreements**.

The company's politics and procedures concerning **human rights, equal opportunities, safe and healthy working conditions** are available on the company's intranet and on all of our bulletin boards.

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.

Our corporate culture respects any type of individual diversity and fosters cooperation. Each tender stresses gender equality when hiring. 51% of our employees are women. All of our employees, regardless of the contract they have, are guaranteed equal rights and opportunities to develop and grow. Employee engagement ratio in 2013 increased to 2.02:1 compared to 2012 when it was 1.1:1 (engaged vs. not engaged employees).

ENVIRONMENT

Principle 7 – Businesses should support a precautionary approach to environmental challenges.

Principle 8 – Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 9 – Businesses should encourage the development and diffusion of environmentally friendly technologies.

Purchasing Guidelines require from all suppliers to protect their employees' rights (prohibition of child work as well as bonded labour, prohibition of workers abuse, discrimination or harassment) and ensure health protection and safety at work.

Integrated Environmental Management System (EMS) based on well-considered and economical use of natural sources, using environmental friendly technologies in our production, reduction of waste and lower consumption of energy and water (full integration of all 17 production facilities in the region in 2013).

The total amount of energy consumption 2011-2013 is decreasing (from 140,286 MWh in 2011 to 117,413 MWh in 2013). In 2013 we started implementing the **Energy Management System (EnMS)** as an upgrade to the corporate EMS.

The environmental aspect and the sustainable development aspect also have to be taken into account when designing new products. Through the careful selection of raw materials and packaging materials we can reduce environmental impacts throughout the entire life cycle of the product – from raw materials to final disposal of the waste packaging after the use of the product. The principle of maintaining biodiversity also has to be considered in this process.

Purchasing Guidelines requiring from all suppliers to obey applicable environmental laws, rules and regulations and demonstrate commitment to preserving the environment.

ANTI-CORRUPTION

Principle 10 – Businesses should work against corruption in all its forms, including extortion and bribery.

Since its foundation and listing on the Zagreb Stock Exchange (ZSE), Atlantic Grupa bases its business activities on its own **Code of Corporate Governance of Atlantic Grupa** whereby the standards of business transparency are aligned with Croatian and EU legislation. The Code defines the procedures for the functioning of the Supervisory Board, Management Board and other bodies and structures responsible for decision-making, ensuring the avoidance of conflicts of interest, efficient internal control and an effective responsibility system.

Moreover, considering the fact that Atlantic Grupa is company publicly listed on the Zagreb Stock Exchange, the Company also applies the **Code of Corporate Governance issued by the Croatian Financial Services Supervisory Agency (HANFA) and the ZSE**. Based on the principles set therein, the Company announces the Statement of its application for each business year, confirming its actions and development in accordance with the good corporate governance practice in all business segments. The Statement can be found on the Company's website (www.atlanticgrupa.com) as well as on the official website of the ZSE (www.zse.hr).

In addition to the above, Atlantic Grupa acceded to the **Code of Ethics in Business** issued by the Croatian Chamber of Economy. The Code lays down guidelines for ethical behaviour of business subjects in the Croatian economy, contributing to more transparent and efficient business operations and high quality relations between economic operators in Croatia and the business environment in which they

ANTI-CORRUPTION

Principle 10 – Businesses should work against corruption in all its forms, including extortion and bribery.

operate. By adjoining the Code, parties are obliged to responsible and ethical behaviour towards the other companies on the market as well as the development of high quality relations and loyal competition.

Supporting the application of the principles of the good corporate governance practice, Atlantic Grupa adopted its own **Whistleblowing Procedure Rules**, prescribing the reporting procedure, rights as well as duties of each and all employees of Atlantic Grupa who in his/her work observes or becomes aware of either an actual or a potentially illegal action or potential violation of the accepted rules of business conduct in the Company carried out by another employee(s).

By application of the **Ethical code of the purchasing organization** the Company supports conduct of a fair market competition among potential suppliers, prohibiting any conflict of interest (personal interest in the process of selection, receiving gifts and money from the potential suppliers etc.).

Also, implementing the provisions of the **Purchasing Guidelines** the Company requires from all suppliers to act with integrity, to comply with all applicable laws of their countries including the prohibition of giving or receiving bribe or personal payment.

2. ABOUT THIS REPORT

REPORT PARAMETERS

As a company committed to transparency and responsible business operations, in 2013 we decided to improve our reporting practices and to start annual reporting about our economic, social and environmental performance following for the first time GRI Sustainability Reporting Guidelines. In these areas in recent years, we significantly enhanced our contribution to sustainable development, having also ambitious projects planned for the future. Our intention is to share our successes and challenges even more transparently with all stakeholders.

This is a logical continuation of our previous reports that were based on ten principles of the United Nation's Global Compact with respect to human rights, labour, environment and anti-corruption. We have supported the UN Global Compact since 2007 and have reported on our progress regularly, except for the year 2010:

Report on progress 2008-2009

<http://unglobalcompact.undp.hr/show.jsp?page=111580>

Report on progress 2011-2012

<http://www.atlantic.hr/en/social-responsibility/towards-environment/>

Besides complying with UN Global Compact principles, Sustainability report 2013 is prepared in accordance with the G4 Sustainability Reporting Guidelines, the fourth generation of guidelines from GRI, at a "core" application level.

In 2013, we have selected nine performance indicators for which we believe can help us significantly improve the ability to participate in competitive markets. Unless otherwise stated, all information mentioned in the report is for the year 2013. The results for years 2011 to 2013 are for the first time presented in this report. We are already working on complete adoption of measurements in accordance with

the new G4 version of GRI methodology for the future 3-year period.

With the intention of providing a comprehensive and balanced account of the important non-financial aspects of our operations, this report covers the entire Atlantic Grupa and its strategic business units, referring to all companies falling within the scope of Consolidated audited financial results for FY 2013. Full information about financial results and risk management practices can be found in our Annual report 2013 and Financial report 2013 (<http://www.atlantic.hr/en/investors/financial-reports/annual-reports/>).

Atlantic Grupa management is responsible for all aspects of this report.

If you have any feedback or questions on this Sustainability report, please contact



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Secretary General

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MATERIALITY

To determine the content of the report, we have followed a systematic and rigorous materiality assessment process, guided by the criteria defined by the Global Reporting Initiative (GRI-G4).

The sustainability issues have been analyzed on the basis of an initial broad list of topics that may affect our business or be of concern to our stakeholders. Sources for this list include relevant issues addressed by media, industry and sector benchmarks, matters raised by stakeholders in public debate, internal documents and business strategy. Considering the significance of our economic, environmental and social impacts helped us focus on aspects that deliver the greatest value to our business and stakeholders, within four major areas: economic performance, product responsibility, workplace responsibility and environment responsibility. The company's senior decision-makers are actively involved in this process, as the results of the analysis were reviewed and approved by the Social Responsibility Committee.

LIST OF PRIMARY TOPICS:

ECONOMIC IMPACTS

ASPECT: ECONOMIC PERFORMANCE

ENVIRONMENT RESPONSIBILITY

ASPECT: ENERGY

ASPECT: BIODIVERSITY

ASPECT: WASTE

WORKPLACE RESPONSIBILITY

ASPECT: EMPLOYMENT

ASPECT: OCCUPATIONAL HEALTH AND SAFETY

ASPECT: TRAINING AND EDUCATION

PRODUCT RESPONSIBILITY

ASPECT: CUSTOMER HEALTH AND SAFETY

ASPECT: PRODUCT AND SERVICE LABELLING

In this Report, only material topics identified by internal and external stakeholders as significantly important will be reported on.

In terms of the extent of the impact, all aspects that the analysis showed to be material have impacts within the organization as a whole. Furthermore, the aspects analyzed have impacts outside the company in geographical areas where Atlantic Grupa conducts its operations and for all the stakeholder categories identified.

STAKEHOLDER ENGAGEMENT

Our ability to generate value through business choices also depends on listening and recognizing the needs and expectations of those stakeholders who, directly or indirectly, affect the activities of Atlantic Grupa or are influenced by them. As a multinational company, we have an impact on the decisions of a large number of stakeholder categories, both internal and external, as our results and activities depend in a certain degree on the fulfilment of stakeholder needs.

According to the Atlantic Grupa Code of Corporate Governance, stakeholders are considered to be the persons who take over certain direct

or indirect risks in relation to our company. Aside from shareholders, the stakeholders, among others, are: employees, customers and users of the company services, suppliers, creditors, local community and public authority bodies.

The Management Board is responsible for the transparent and quality relationships of Atlantic Grupa and its stakeholders, being bound to take care that the company respects all rights of stakeholders based on the law and good business customs. Furthermore, going beyond legal requirements, acting responsibly for us means engaging in an ongoing dialogue, both locally and internationally, with the main stakeholders, in order to understand their different motives and concerns, as well as global trends that are important to them. Stakeholder engagement is carried out regularly through many channels:

KEY STAKEHOLDERS	STAKEHOLDER ENGAGEMENT
EMPLOYEES	Regular employee engagement survey Corporate interactive intranet
CUSTOMERS AND USERS OF THE COMPANY SERVICES	Regional contact center Brands' Facebook pages
SUPPLIERS	Supplier portal
CREDITORS	Corporate web page
LOCAL COMMUNITIES	Regional contact center Donations and sponsorships procedure Direct cooperation with local community representatives, meetings and consultations, open calls for donations Brands' Facebook pages
PUBLIC AUTHORITY BODIES	Meetings and consultations

This report presents our answer to the interests of our stakeholders in the areas of economy, product responsibility, workplace, and environment, as indicated on the list of our primary topics.

3. CORPORATE MANAGEMENT

Atlantic Grupa's corporate management structure is based on a dual system consisting of the Company's Supervisory Board and Management Board. Together with the General Assembly, they represent the three principal bodies of the Company under the Articles of Associations and the Companies Act.

Since its foundation Atlantic Grupa adopted and implemented its own **Code of Corporate Governance of Atlantic Grupa** whereby the standards of business transparency are aligned with Croatian and EU legislation. With the given Code, Atlantic Grupa defined the procedures for the functioning of the Supervisory Board, Management Board and other bodies and structures responsible for decision-making, thus ensuring the avoidance of conflicts of

interest, efficient internal control and an effective responsibility system. In line with consistent appliance of the Code's principles, Atlantic Grupa develops and operates in accordance with the good corporate governance practice and strives to contribute with its business strategy, business policy, key internal acts and business practice to transparent and efficient business operations and quality relations with the business environment in which it operates.

Commitment to external initiatives for good corporate governance

Considering the fact that Atlantic Grupa is company publicly listed on the Zagreb Stock Exchange, the Company also applies the **Code of Corporate Governance issued by the Croatian Financial Services Supervisory Agency (HANFA)** and the Zagreb Stock Exchange. Based on the principles set therein, the Company announces the Statement of its application, confirming its actions and development in accordance with the good corporate governance practice in all business segments. The Statement of Application of the Code of Corporate Governance for 2013, as well as for each business year, has been published on the Company's website (www.atlanticgrupa.com) as well as on the official website of the Zagreb Stock Exchange (www.zse.hr).

Moreover, Atlantic Grupa acceded to the **Code of Ethics in Business issued by the Croatian Chamber of Economy**. The Code lays down guidelines for ethical behaviour of business subjects in the Croatian economy, contributing to more transparent and efficient business operations and high quality relations between economic operators in Croatia and the business environment in which they operate. By adjoining the Code, parties are obliged to responsible and ethical behaviour towards the other companies on the market as well as the development of high quality relations and loyal competition.

GOVERNANCE STRUCTURE OF THE ORGANIZATION

GENERAL ASSEMBLY

The General Assembly is a body in which shareholders accomplish their rights in Company matters. In order to decide on issues prescribed by law and the Company's Articles of Association, the regular General Assembly of Atlantic Grupa d.d. was held on 20 June 2013. The following decisions were made at that Assembly: issuing the note of release to the members of the Management Board and the Supervisory Board, amendment of the Company's list of business activities, appropriate amendment of the Articles of Association, appointment of an independent Auditor of the Company for the year 2013 and the decision on paying a dividend to the Company shareholders in the amount of HRK 9.00 per share, in proportion to the number of shares held by each shareholder. All decisions from the General Assembly were made in line with legal regulations and are available on web pages of Atlantic Grupa (www.atlanticgrupa.com) and the Zagreb Stock Exchange (www.zse.hr).

SUPERVISORY BOARD OF ATLANTIC GRUPA

The joint stock company Atlantic Grupa has a Supervisory Board consisting of seven members. In 2013, the Supervisory Board held four sessions in accordance with the previously announced Schedule posted on web pages of the Company (www.atlanticgrupa.com) and the Zagreb Stock Exchange (www.zse.hr).

The members of the Supervisory Board in 2013 were:

Zdenko Adrović / President

Lada Tedeschi Fiorio / Vice President

Željko Perić / Member

Siniša Petrović / Member

Franz-Josef Flosbach / Member

Saša Pekeč / Member

Vedrana Jelušić-Kašić / Member

The members of the Supervisory Board have been remunerated for their work and have the right to remuneration that is appropriate for the tasks performed as well as the Company's situation and business performance. In 2013, members of the Supervisory Board of Atlantic Grupa d.d. on the said grounds received compensation in the total gross amount of HRK 1,005,851.04.

SUPERVISORY BOARD COMMITTEES

Three Committees function within the Supervisory Board with the purpose of assisting the operation and functioning of the Supervisory Board: Audit Committee, Nomination and Remuneration Committee and Corporate Governance Committee. Each of these Committees consists of three members, of which two are appointed from the ranks of the Supervisory Board members while one member is appointed from the ranks of top experts in the subject area.

The Corporate Governance Committee defines a system of mechanisms for ensuring a balance between the rights of the shareholders and the needs of the management with regard to steering the Company's business and managing its operations.

The Nomination and Remuneration Committee suggests the candidates for the Management Board, Supervisory Board and senior management personnel and the content of contracts with the members of Management Board and the structure of their compensation and the compensation of the Supervisory Board's members.

The Audit Committee analyses in detail the financial reports, provides support to the Company's accounting and establishes good and quality internal control within the Company. It monitors the integrity of financial information of the company, particularly the accuracy and consistency of accounting methods used by the company and the group, to which it belongs, including the criteria for consolidation of financial reports of the companies that belong to the group. The Committee also assesses the quality of the internal control and risk management system, with the aim of properly identifying, publicizing and managing the major risks to which the company is exposed to.

The members of the said Committees who are not members of the Supervisory Board have received remuneration for their work and contribution to the functioning of the Supervisory Board of Atlantic Grupa in 2013 in the total gross amount of HRK 21,912.94.

MANAGEMENT BOARD OF ATLANTIC GRUPA

The Management Board of Atlantic Grupa consists of the President and Group Vice Presidents. Twenty sessions of the Management Board were held in 2013.

The Management Board of Atlantic Grupa operates in the following composition:

Emil Tedeschi

/ President of the Management Board

Mladen Veber

/ Senior Group Vice President
for Business Operations

Neven Vranković

/ Group Vice President for Corporate Affairs

Zoran Stanković

/ Vice President for Finance and IT

STRATEGIC MANAGEMENT COUNCIL

Since its establishment in early 2012, the Strategic Management Council operates as a multifunctional body that discusses vital strategic and operational corporate issues, business analysis, priority definition, supervision of strategic plans, coordination between organisational units and key decision-making. In 2013, the Council included the following members: President of the Management Board, Senior Group Vice President for Business Operations, Group Vice President for Finance and Information Technology, Group Vice President for Corporate Affairs, and directors of all Strategic Business Units and Strategic Distribution Units, Senior Executive Director for Regional Key Accounts Management and Sales Croatia, Secretary General, Executive Directors of Central Purchasing, Human Resources and Corporate Controlling and the Head of the Investment Committee.

BUSINESS COMMITTEES

The Investment Committee assists the Management Board by providing expert analyses and opinions on strategic decisions regarding the acquisition of companies, brands, businesses, or the sale of existing organisational business parts and on all individual investment projects exceeding EUR 2 million. The Investment Committee is headed by the Management Board Advisor, and its members are the Director of Internal Audit and the Director of Corporate Treasury.

The Social Responsibility Committee contributes to the implementation of principles of sustainable development in the company's everyday business activities, monitors its status and starts initiatives for the improvement of socially responsible business conduct.

The Social Responsibility Committee is headed by the Company's Secretary General, while its members are the Executive Director of Human Resources, the Director of Corporate Communications and the Director of Corporate Quality Assurance.

REMUNERATION POLICY FOR MANAGEMENT BOARD MEMBERS

The contract on performing activities of a member of the Management Board i.e. the employment contract for board members who are employed at Atlantic Grupa lays down the rights and obligations of board members based on their function as the Management Board members, as follows:

- monthly salary for board members, set in the gross amount,
- annual bonus (bonus remuneration) per year of contract duration, set in the defined percentage of the realised principal annual gross salary and remuneration on the grounds of membership in supervisory boards of associated companies. The payment of the annual bonus is conditioned upon the realisation of planned business results in the ratio of at least 95% of the EBT plan for the consolidated Atlantic Grupa's business year,
- life insurance, personal accident and health insurance policy for the members of the Management Board contracted by Atlantic Grupa at the reputable insurance companies in Croatia,

- right to use an official vehicle, right to compensation of all costs incurred by the Management Board member while performing his/her functions.

All Management Board members have manager contracts that include a whole set of binding provisions as well as incentive ones, as follows:

- confidentiality clause – board members are obliged to keep confidential the Company's business secrets during and after their employment, regardless of the reasons for employment termination. The obligation of confidentiality extends to business secrets of AG's associated companies as well,
- no-competition clause – binds a board member to a period of one year from the date of receiving severance pay, if he/she is entitled to it,
- contract penalty - in case of breaking the no-competition clause, any board member shall be liable to pay the contract penalty in the amount of twelve average net monthly salaries paid to that board mem-

- ber in the period of three months before contract termination,
- prohibition of participation of any board member in the ownership and/or management structure, whether directly or indirectly, in any company which is in market competition with Atlantic Grupa and associated companies, or in a company with which Atlantic Grupa and associated companies have business cooperation, as well as to act as an advisor or consultant in such companies, regardless of being paid or not for such activities,
 - performance of other activities as a board member, except those performed for Atlantic Grupa's associated companies, regardless of being paid or not for such activities, including the membership in supervisory boards, advisory bodies, etc. shall only be allowed pursuant to the prior approval of the Management Board of Atlantic Grupa,
 - employment, contract duration and termination periods – board members are employed for an indefinite period in Atlantic Grupa or its associated companies, and the contract on performing the function of a board member is concluded for the period of 3 years, with the possibility of termination in accordance with the periods prescribed by law,
 - severance pay – severance pay is contracted in the amount of six average monthly gross salaries of the board member and gross remunerations based on the membership in supervisory boards of associated companies paid to that board member in the period of three months prior to contract termination. The obligation of severance payment occurs in a case of contract termination by Atlantic Grupa in the period of its duration, unless the contract is terminated due to reasons caused by the fault of the board member.

In 2013, members of the Management Board of Atlantic Grupa d.d., on the grounds of salary and remuneration for supervisory board membership in operating companies and annual bonus received a gross amount of HRK 13,758,172.01. From that amount, on the basis of salary, remuneration for supervisory board membership in operating companies and annual bonus, President of the Management Board Emil Tedeschi in 2013 received a gross amount of HRK 3,298,523.25.

ETHICS AND INTEGRITY

Further to the above-mentioned Atlantic Grupa adopted its own **Code of Corporate Governance of Atlantic Grupa** whereby the standards of business transparency are aligned with Croatian and EU legislation. By its implementation the Company consistently incorporates the highest standards of corporate governance into its business activities and resolved to regulate its actions, both in regard of the other entities it enters into business relations with and in regard of its own employees.

Basic principles of the Corporate Governance Code of Atlantic Grupa are:

- transparency of business activity
- clearly elaborated procedures for the operation of the Supervisory Board, Management Board and other bodies and structures making important decisions
- avoiding conflicts of interest
- efficient internal control
- efficient responsibility system.

Due to the fact that Atlantic Grupa is company publicly listed on the Zagreb Stock Exchange, the Company also applies the Code of Corporate Governance issued by the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange. Based on the principles set therein, the Company announces the Statement of its application, confirming its actions and development in accordance with the good corporate governance practice in all business segments. The Statement of Application of the Code of Corporate Governance for 2013, as well as for each business year, has been published on the Company's website

(www.atlanticgrupa.com) as well as on the official website of the Zagreb Stock Exchange (www.zse.hr).

In addition to the above, Atlantic Grupa acceded to the **Code of Ethics in Business** issued by the Croatian Chamber of Economy. The Code lays down guidelines for ethical behaviour of business subjects in the Croatian economy, contributing to more transparent and efficient business operations and high quality relations between economic operators in Croatia and the business environment in which they operate. By adjoining the Code, parties are obliged to responsible and ethical behaviour towards the other companies on the market as well as the development of high quality relations and loyal competition.

WHISTLEBLOWING PROCEDURE

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 adopted the Whistleblowing Procedure Rules which prescribes the reporting procedure, rights as well as duties of each and all employees of Atlantic Grupa who in his/her work observes or becomes aware of either an actual or a potential illegal action or potential violation of the accepted rules of business conduct in the Company carried out by another employee(s). By such Rules, illegal action or violation of the accepted business conduct (Misconduct) are defined as 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 has the right as well as the duty to report it immediately in writing to the Head of Corporate Security of Atlantic Grupa and the member of the Management Board of Atlantic Grupa competent for Corporate Affairs. Immediately after receiving the report, they issue a certificate indicating the date of receipt of the report to the employee and, 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 – 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 - 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 competent for Corporate Affairs, an employee who in his/her work observes or becomes aware of Misconduct of the persons listed has the right as well as the duty to immediately report it in writing to the President of the Management Board of Atlantic Grupa. In such a case, the President of the Management Board is obliged to issue a certificate indicating the date of receipt of the report to the employee and carry out further procedure in accordance with the provisions of the Rules.

Within the period of 4 weeks after receiving a report on the potential Misconduct, the Head of Corporate Security of Atlantic Grupa is 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 is obliged, within the given period, to inform him/her of the actions taken in the process and, immediately after the conclusion of the process, on its outcome.

In case that it has been identified that the employee has undoubtedly committed the Misconduct, with respect to all the circumstances of the case, the Company is obliged to take all reasonable measures against that employee pursuant to the provisions of the Labour Act, the Company's internal acts, as well as submit necessary notifications to the competent state authorities.

The employee who submitted a report on the potential Misconduct in accordance with the Rules is guaranteed with full confidentiality of any information regarding his/her identity and the content of the report with which he/she reported the potential Misconduct.

Besides, any employee who in his/her work observes or becomes aware of Misconduct shall have the right, at his/her own discretion, to submit an anonymous report on the potential Misconduct, without providing information on his/her identity.

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 is considered a violation of the Company's internal acts. In this respect, in 2013 there were no recorded complaints from our employees.

ETHICAL CODE OF THE PURCHASING ORGANIZATION

Ethical code of the purchasing organization is a set of values, standards, principles and rules, which all the staff of the Atlantic Grupa's purchasing organization, responsible for procurement in the company, has to respect in performing their business activities.

The Ethical Code covers the following areas:

- **Legal compliance** - The purchasers are obliged to inform themselves on any law and regulation change pertaining to purchasing and apply them in their business. In addition to various national and international laws and regulations of a general character, the purchasers have to follow and apply all other laws and regulations that are related to trade, industry, protection of patents and copyrights, environmental protection, work safety, labour law etc.
- **Applying the criteria of sustainable purchasing** - When making sourcing and purchasing decisions, Atlantic Grupa's purchasing organization is committed to consider both environmental and social factors aiming at minimizing the environmental and social impact that the items we purchase have. Purchasing business must be conducted in such a way to respect social, ethnic, cultural, sexual and racial diversity, and business decisions must not be directed in a way that favours any of the categories of ethnic, sexual or racial criteria.
- **Fair treatment of suppliers** - The purchasing organization and the purchasing staff have to enable and support fair market competition among potential suppliers

who are interested in entering into a business relationship with Atlantic Grupa. This means that the supplier selection process has to be always defined and conducted in such a way to prioritize the suppliers that are capable to provide quality products or services at competitive prices, or that have visible and proven advantages to the business of Atlantic Grupa, compared to other suppliers. While selecting the suppliers or later when the cooperation with the suppliers is already established, any influence which is not of a business nature, or which is affected by a personal interest of the purchasing staff is not allowed. In this regards, the purchasers have no right to ask or to receive money, favours or gifts from suppliers or potential suppliers. Exceptionally, only business gifts that are of symbolic value could be accepted as an expression of common business practice or business partner's courtesy, but their giving or accepting in no way should influence the decision making process, supplier's selection, negotiations or agreements with suppliers. The manners of dealing with suppliers, regardless of their negotiating position and power of the purchasing department, must be civilized and fair, and the purchasing staff is bound to respect all agreed terms with suppliers, providing that the other side respects its obligations too. The purchasing staff also commits to keeping secrets and professional data, and their selective use, which also applies to all confidential information that is obtained from suppliers during the competition for goods and services supply, as well as offers or business reports. This information may not, without the consent of the party that placed this information at the disposal, be made available to third parties.

- **Respect to the purchasing profession** - The purchasing staff has to develop and maintain their professional competences, which means that they are obliged to continuously develop and improve their professional value both in terms of specific skills and knowledge in the purchasing area (technical knowledge, knowledge of commerce, trade, laws and regulations), and in terms of communication and other „soft” skills. For achieving this, the purchasers should be open to communicate with other purchasing professionals outside the company and with purchasing associations and institutions, in order to exchange and share experiences and opinions. As the representatives of the purchasing profession, the purchasers of Atlantic Grupa have to act in such a way to maintain dignity of the purchasing profession, and at the same time to ensure that the others who are in contact with the purchasers also recognize the dignity of the purchasing profession.
- **Loyalty towards the employer** - The purchasing staff has to show loyalty towards the employer, in whose interest they work. This loyalty is expressed through acting in accordance with the general policy and the strategy of Atlantic Grupa, with the directives and instructions received from the company's management, and in accordance with the authorization of the purchasing department and the purchasers, given by the company's management.

4. ECONOMIC IMPACTS

With continuous investments in production facilities, developments of new processes, following the latest technologies and educating production and sales personnel, Atlantic Grupa became one of the most dynamic business systems in the region and even wider with the internationalisation of operations as our main strategic focus of development. We have concluded the year 2013 with 4,228 employees in 11 markets.

Owing to successful implementation of the strategy, in 2013 Atlantic Grupa continued with the organic sales growth and profitability improvement. We are particularly pleased that our business model has proven stable in a difficult economic environment, as confirmed by reported results and launching of new investments. Despite the challenges, we managed to be continuously successful in generating growth in an environment of general decline or stagnation, which also includes the region, while by the results and growth achieved in the

CIS markets and key European markets we confirm the company's orientation towards internationalisation.

With its financial results in 2013, Atlantic Grupa for the seventh consecutive year delivers announced guidance and confirms its focus on business development with continuous monitoring of operating costs, management of financial and operating risks, prudent liquidity management, further deleveraging and achievement of strong cash flows from operating activities.

Atlantic Grupa Consolidated '000 HRK	2011	2012	2013	Change 2012/2011	Change 2013/2012	Change 2013/2011
Direct economic value generated	4,749,172	4,958,463	5,067,054	4.4%	2.2%	3.3%
Revenues	4,749,172	4,958,463	5,067,054	4.4%	2.2%	3.3%
Economic value distributed**	4,605,856	4,766,942	4,791,526	3.5%	0.5%	2.0%
Operating costs – incl. Education & Freelancers	3,595,812	3,753,010	3,777,075	4.4%	0.6%	2.5%
Employee wages and benefits – excl. Education, Freelancers***	589,909	597,845	619,772	1.3%	3.7%	2.5%
Payments to providers of capital****	221,167	257,546	189,273	16.4%	-26.5%	-7.5%
Payments to Government*****	44,301	42,341	57,838	-4.4%	36.6%	14.3%
Community investments	37,212	44,741	50,635	20.2%	13.2%	16.7%
CAPEX	117,456	71,458	96,933	-39.2%	35.6%	-9.2%
Economic value retained	143,316	191,521	275,529	33.6%	43.9%	38.7%

* Compound Annual Growth Rate

** Excluding provisions (bad debts, inventories, employee future commitments as per IAS 19)

*** Including taxes and contributions on salaries

**** Interest expense (P&L item) and dividend paid

***** Refer to P&L items (corporate income tax, other taxes and contributions not related to result)

In the 2011–2013 period, Atlantic Grupa posted compound annual growth in Economic value retained of 38.7%. In 2012, higher Economic value retained was driven by higher revenues, lower payments to government and capital expenditures. In 2013, higher Economic value retained was a result of higher revenues, lower payments to providers of capital, lower capital expenditures and only a modest growth in operating costs (including education and freelancers).

Revenues - In the 2011–2013 period, Atlantic Grupa recorded compound annual growth in sales of 3.3%. The main engines behind the growth in 2012 were strategic business units Coffee, Pharma and Personal Care and Savoury Spreads, and in 2013 strategic business units Sports and Functional Food, Pharma and Personal Care and Snacks. Analysing by markets, the largest growth has been achieved in the markets of Russia and CIS countries in both years.

Operating costs - incl. Education & Freelancers - In the 2011–2013 period, operating costs grew 2.5% annually on the back of growth in Costs of goods sold, Production materials, Services and Marketing expenses. Looking closely at 2013 only, Costs of goods sold increased as a result of the change in the sales mix as the share of private labels and own brands with outsourced production grew. In 2013, Production materials decreased mainly due to favourable movements in the prices of certain raw materials in the global commodity markets, primarily the prices of raw coffee. Service costs grew as a consequence of higher transportation, logistics and rent expenses. Marketing and promotion expenses advanced on the back of aggressive marketing activities.

Employee wages and benefits - excl. Education & freelancers - Employee wages and benefits from 2011 to 2013 recorded compound

annual growth of 2.5% due to higher salaries and wages.

Payments to providers of capital - Atlantic Grupa's payments to providers of capital were higher in 2012 than in 2011 on the back of higher interest expenses arising from the acquisition financing of Droga Kolinska in 2010. Simultaneously, there was no dividend payment in 2012. The company successfully refinanced long-term borrowings at the end of 2012 that resulted in significantly lower interest expenses in 2013 and thus lower payments to providers of capital. This was to some extent offset by dividend payment of HRK 30 million (HRK 9.00 per share) in 2013.

Payments to Government - Increase in payments to government reflected higher corporate income tax on the back of better business results of Atlantic Grupa in the period 2011–2013 that completely annulled decline in other taxes and contributions not related to result.

Capex - In 2012, the company's capital expenditures were mostly aimed at SBU Beverages, SBU Snacks, SBU Coffee and SAP licences for Slovenia. The capital expenditure in 2013 were mostly related to investments in SBU Coffee, SBU Snacks, SBU Beverages, SBU Pharma and Personal Care, investments related to the HRIS system (human resources information system) and the project of developing, implementing and relocating the regional data centre in Zagreb.

Community investments - Atlantic Grupa is an active participant and organiser of a number of humanitarian actions and we systematically support a number of organisations and associations involved in protecting and helping vulnerable social groups. We gave donations to the Centre for Education Dubrava, raised funds and donations for humanitarian actions aimed at blind and visually impaired persons, children

without parental care, children with special needs and gave donations to various health institutions. Believing that our contribution to the community is more than just a monetary support, more than a thousand of Atlantic's employees in Great Britain, Italy, Germany, Spain, Russia, Slovenia, Croatia, Bosnia & Herzegovina, Serbia and Macedonia celebrated another Value Day by participating in socially beneficial activities: cleaning of public areas (parks, forests, green areas around the company site), visiting children with special social needs and helping animal shelter associations. This in the best possible way demonstrated our values – sun, mountain and wave - symbols of passion, responsibility and creativity, and reminded each other that our job is more than just a job – it is also a way to act in the community.

In addition to a wide range of donor projects, our sponsorship activities are also notable, especially when it comes to the promotion of sports and healthy lifestyle for youth and adults. Atlantic Grupa continued to be actively involved in the promotion of basketball as a sport of national importance by managing the Basketball Academy of the Basketball Club Cedevita with over 700 children, thus ensuring both the future of this sport and the option for a healthy and useful free time activity. Apart from basketball, Atlantic Grupa also sponsored sports including cycling, bodybuilding, triathlon, etc. Among the most significant sponsorship collaborations, the Italian bicycle race Giro d'Italia can be pointed out in 2013. In the culture and knowledge segment, sponsorship of the 18th and 19th Sarajevo Film Festival stands out as well as projects such as the UNICEF project "Schools against violence" in Serbia in 2013.

5. PRODUCT RESPONSIBILITY

In our business environment, we nurture a corporate culture that represents a framework for our Quality policy. We are dedicated to following new scientific achievements and creatively integrating them into our products and services, as well as to raising the quality of life and business of our loyal consumers in an inspiring and innovative way. The satisfaction of customers and consumers is the daily mission we share. For that reason, we manage our safety policy in accordance with consumer and market demands, as well as respecting local and European legal regulations. We ensure product safety through a series of control activities aimed at hazard management in all links of the chain, from the supplier to the consumer. We are also strongly dedicated to informing our consumers clearly about the products helping them make informed and healthy dietary choices throughout the day.

The year 2012 was the first year of operation of the integrated process management system of quality, environmental and food safety management that was introduced at the corporate level of Atlantic Grupa i.e. in all operating companies within the Group. Implementation of this process approach and standardisation of corporate processes continued in 2013.

In 2013 special attention was given to:

- monitoring process efficiency through definition of unique key performance indicators
- implementation of defined procedures for corporate processes
- management of non-compliances
- standardisation of KPIs for the processes of technological development of new products and production
- selection, evaluation and monitoring of the service provider.

INTEGRATED CERTIFICATION

The large project of implementing the integrated quality and environmental management system was initiated in 2012. The aim was to achieve integrated certification of all members of Atlantic Grupa. The project involved a new innovative approach to certification – the implementation of the so-called “multi-site” certification model. The system completely integrates and combines:

- the business process management requirements (ISO 9001)
- the highest level of product and service safety (FSSC 22000, HACCP, GMP)
- environmental management requirements (ISO 14000)

Legal Entity	Market	Quality Standard	Food Safety and Quality Standard	Food Safety Standard	Environmental Standard	Good Manufacturing Practice
Atlantic Grupa	Croatia	ISO 9001	-	-	ISO 14001	-
Cedevita (Planinska)	Croatia	ISO 9001	FSSC 22000	HACCP	ISO 14001	-
Cedevita (Apatovec)	Croatia	ISO 9001	-	HACCP	ISO 14001	-
Neva	Croatia	ISO 9001	-	-	ISO 14001	-
Montana	Croatia	ISO 9001	-	HACCP	ISO 14001	-
Fidifarm	Croatia	ISO 9001	-	HACCP	ISO 14001	GMP
Atlantic Trade	Croatia	-	-	HACCP	-	-
Bionatura	Croatia	-	-	HACCP	-	-

Legal Entity	Market	Quality Standard	Food Safety and Quality Standard	Food Safety Standard	Environmental Standard	Good Manufacturing Practice
Droga Kolinska (Ljubljana)	Slovenia	ISO 9001	-	-	ISO 14001	-
Droga Kolinska (Mirna)	Slovenia	ISO 9001	-	-	ISO 14001	-
Droga Kolinska (Rogaška)	Slovenia	ISO 9001	-	-	ISO 14001	-
Droga Kolinska (Izola)	Slovenia	ISO 9001	FSSC 22000	-	ISO 14001	-
Argeta	B&H	-	FSSC 22000	-	ISO 14001	-
Kofikom Product	B&H	ISO 9001	-	-	ISO 14001	-
Soko Štark (Smoki)	Serbia	ISO 9001	FSSC 22000	HACCP	ISO 14001	-
Soko Štark	Serbia	ISO 9001	-	-	ISO 14001	-
Palanački kiseljak	Serbia	ISO 9001	-	HACCP	ISO 14001	-
Grand Prom	Serbia	ISO 9001	-	HACCP	ISO 14001	-
Atlantic Brands	Serbia	-	-	HACCP	-	-
Atlantic Multipower	Germany	ISO 9001	IFS	-	-	-
Droga Kolinska (Skopje)	Macedonia	ISO 9001	-	-	ISO 14001	-

The next certification cycle planned in February 2014 will include:

- integration of all logistics into the process approach,
- ISO 14001 in Multipower and logistics,
- FSSC 22000 in bottling plants in Croatia and Slovenia,
- GMP in Cosmetics (ISO 22 716).

PRODUCT HEALTH AND SAFETY

From the very beginning of developing a new product or during the improvement of an existing one, we endeavour to achieve a standard high quality of Atlantic Grupa's products recognisable to customers.

The continuous following of scientific research, EU legislation and all other targeted markets and their subsequent application from the very beginning of a new product's existence provide consumers with quality and health-safe products. To achieve such complex goals, proactive involvement of experts from the fields of research and development and quality assurance is necessary. The following factors have an important role in the production of health-safe products: selection of source materials (non-toxic, allergen-free, GMO-free, aligned with the REACH regulation, etc.), quality control of all input materials and ingredients, monitoring of all production phases, and quality assurance of finished products.

The Company's extensive activities in the field of quality control are managed by the Corporate Quality Management Department, and executed by quality assurance departments within the Strategic Business Units and persons responsible for quality assurance within the Strategic Distribution Units. Such organisational structure enables the following:

- coordinated monitoring of legislation
- implementation of best practices
- optimal improvement and use of expert knowledge in the field of microbiological, chemical and other hazards
- centralised supplier management in view of the quality of input materials
- uniform approach with balanced product

- quality objectives for all own brands and control of the whole chain from receiving materials to releasing products for sale
- specialisation of the quality assurance system according to specific issues of individual Strategic Business Units in the product segments of beverages, savoury spreads, sweet and salty snacks, children's and sports food, cosmetics and medicines
- traceability and maintenance of a high quality level in transport, storage and distribution to customers.

Laboratory testing of input materials, semi-finished products and finished products is carried out in three central laboratories specialised for chemical, sensory and microbiological tests with state-of-the-art measurement equipment. The accuracy of measurement results is regularly verified by the method of international interlaboratory testing. The prevention programme for control of food hazards prescribes regular monitoring of the following natural and technological pollutants: pesticide residues, heavy metals, allergens, microtoxins, alkaloids, PAHs and dioxins, nitrates, pharmacologically active substances and contamination by migration of substances from primary packaging. Such tests are outsourced to accredited and specialised laboratories. Monitoring is focused on input materials and adjusted to the supplier's risk assessment. The 2013 results show that the control system is efficient and that all hazards are well under control. In 2013, special attention was placed on microtoxin M1 due to cases of its presence in dairy raw materials in some markets and the differences in the highest permitted limits according to regulations. By increasing monitoring of our raw materials and active communication with our suppliers, we have successfully contained this risk.

The activities in the field of quality assurance are supported by advanced IT solutions: the SAP QM module was implemented in the

Slovenian and Croatian market, while other locations use internal IT solutions on similar platforms according to the same model. Near the end of 2013, we have started surveying SAP solution in Slovenia and Croatia in order to create one standard for QM module, which would be gradually implemented in all production facilities in the long term. The first application will be the process of quality control in the new factory for the production of energy bars (project Nova Gradiška).

CONSUMER SATISFACTION AND COMPLIANCE WITH REGULATIONS AND VOLUNTARY CODES CONCERNING HEALTH AND SAFETY IMPACTS OF PRODUCTS AND SERVICES

The efficiency of the quality assurance process is assessed on the basis of achieving target values for key indicators: the number of consumer complaints and the number of product recalls. We are investing significant efforts to receive as much comments from our consumers, so in 2013 we started free call centres in all markets, serving to additionally improve communication. All complaints were handled to the satisfaction of customers, while effective corrective actions were defined in the production process in order to prevent reoccurrence of such issues.

For our strongest brands, we try to follow the target value of max. 1.8 parts per million (ppm) of consumer complaints on annual level. The

situation observed in 2013 was that the total number of consumer complaints was increased in relation to the previous year mostly due to errors made by our contracted producers; these were handled during the year by introducing specific corrective actions to improve quality. In addition, we have also standardized and upgraded our process of managing contact production with the purpose to assure stable product quality for all brands. Our opinion is that in 2014, by implementing the listed improvements, the annual number of complaints will return to the level from previous years, thus meeting the expectations of our consumers. We will also promote as a good practice for all businesses to perform preventive withdrawals of batches even if there is no potential health and safety risk but only low level quality deviation (already practiced twice in 2013).

As regarding product safety issues, we can estimate our system as very effective. All food products that were involved in health safety testing by inspection services or internal control officers were identified as complying with the health safety requirements. There were no food safety-related recalls. Also there were no recalls of medicinal products. One medicinal product with an active component was recognised as non-compliant and withdrawn. In two other cases for batches of food products, we decided to withdraw products preventively due to unsatisfactory quality of the series. As a distributor, we have been involved in the case of withdrawal of one principal brand.

	Recalls—health and safety impacts			Withdrawals – preventive actions due to potential health and safety impacts		
	2011	2012	2013	2011	2012	2013
AG OWN BRANDS	0	0	0	1 (voluntary codes)	ISO 14001	1 +2 (Regulations + voluntary codes)
PRINCIPALS - AG DISTRIBUTION	0	0	0	No data	2 (Regulations)	1 (Regulations)

Direct financial consequences in all cases were minor (no fine or penalty paid, small quantities of products destroyed after withdrawal and selection). Indirect financial consequences were not observed.

In order to achieve even better results in 2014, monthly communication was introduced between the corporate quality assurance and all quality assurance departments in business programmes aimed at speeding up the transfer of good practice.

PRODUCT AND SERVICE LABELLING

Responsibility for the production of safe foods is Atlantic Groupa's fundamental commitment, and is systematically implemented on a daily basis in the scope of the quality system. Furthermore, our company is constantly aware that the consumer expects ever more in this regard, that healthy eating habits are of increasing importance in a world of rapid technological innovations and global trade, and so the company undoubtedly assumes its share of responsibility in this respect.

Firstly, we follow internal guidelines for product improvements regarding new recipes including the use of additives, genetically modified organisms, gluten, and development of products rich in positive nutrients, such as magnesium, calcium, nutritional fibres, anti-

oxidants, products without trans-fatty acids or wellness products etc.

Secondly, we recognize our responsibility to present transparent and truthful information about our product to our consumers. In accordance with internal procedures that stand in line with local and EU legislation, we provide information about the sourcing of components, content, safe use and disposal of the product. Motivated by our consumers' suggestions, and as part of our broader efforts to contribute to health and wellness of our consumers, we also make nutritional information accessible, promoting active and balanced lifestyle and building trust within the community where we operate.

Type of product information required by the company's procedures for product information and labelling, and percentage of significant product categories subject to such information requirements:

COFFEE	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next			NOTE
		% in 2011	% in 2012	% in 2013	
The sourcing of components (raw materials, packaging)	Organic product	0%	1%	1%	Only 1 BIO product in the assortment
	GDA information on the label	30%	34%	36%	
Content of the product (recipe)	Decaffeinated product	2%	3%	3%	Only decaffeinated products - all carrying the information
	Added caffeine	1%	1%	1%	Only extra caffeinated products - all carrying the information
	Added caffeine - Not adequate to diabetics, pregnant women, children and people sensitive to caffeine	1%	1%	1%	Only extra caffeinated products - all carrying the information
Safe use of the product	Store in a cool and dry place	100%	100%	100%	
	Add cold water	2%	4%	5%	For freeze cappuccino
	Add hot but not boiling water	28%	30%	31%	For instant coffee
Disposal of the product	Signs for appropriate recycling product packaging	100%	100%	100%	

SNACKS	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next			NOTE
		% in 2011	% in 2012	% in 2013	
The sourcing of components (raw materials, packaging)					
Content of the product (recipe)	GDA information on the label	100%	24%	100%	
	natural vanilla	0%	5%	5%	For chocolate for kids
	rich in Calcium	0%	5%	5%	For chocolate for kids
	high in fiber	0%	5%	3%	For chocolate with high cocoa content
	rich in vitamins and minerals	0%	1%	1%	For biscuits for kids
	mix of 8 grains	2%	2%	3%	For salty snack for kids
Safe use of the product					
Disposal of the product	all signs for appropriate recycling product packaging	100%	100%	100%	

MEAT AND FISH PATE	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next			NOTE
		% in 2011	% in 2012	% in 2013	
The sourcing of components (raw materials, packaging)	MSC Tuna	0%	0%	0%	In plan for 2014
Content of the product (recipe)	GDA information on the label	0%	0%	0%	GDA information on web for all products
	without additives	0%	31%	31%	For Junior and Delight subbrands
Safe use of the product	refrigerate after opening	52%	55%	55%	Only for 95g products; as 45g and 27g are single portion don't need the information
	don't use the product if container is inflated	0%	100%	100%	
Disposal of the product	all signs for appropriate recycling product packaging	100%	100%	100%	

BABY DRY CEREALS	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next			NOTE
		% in 2011	% in 2012	% in 2013	
The sourcing of components (raw materials, packaging)	enriched with vitamins and minerals	100%	100%	100%	
Content of the product (recipe)	without additives and preservatives	100%	100%	100%	
	without gluten	41%	38%	35%	% are falling due to wider assortment
	with no added sugar	13%	8%	8%	% are falling due to wider assortment
Safe use of the product	after opening the product should be stored in a dry and cool place (not in fridge) not more than 3 weeks	100%	100%	100%	
Disposal of the product					

CARBONATED SOFT DRINKS	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next			NOTE
		% in 2011	% in 2012	% in 2013	
The sourcing of components (raw materials, packaging)					
Content of the product (recipe)	GDA information on the label	9%	90%	95%	
	caffeine and orthophosphoric acids free	100%	100%	100%	
	with sweeteners, sugar-free	100%	100%	80%	
	with fruit juice	100%	100%	100%	
Safe use of the product	serve cool	100%	100%	100%	
Disposal of the product	all signs for appropriate recycling product packaging	100%	100%	100%	planned for 2014 using recycled PET
	sign of dispose carefully	100%	100%	100%	

NATURAL MINERAL WATERS BOTTLED IN RV	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next			NOTE
		% in 2011	% in 2012	% in 2013	
The sourcing of components (raw materials, packaging)					
Content of the product (recipe)	natural sources of water	100%	100%	100%	
	rich in minerals, contains hydrogen carbonate, sulphate, sodium, magnesium, calcium	100%	100%	100%	
	It is not recommended to consume water by patients with acute renal failure and hyper volumetric state, with disturbances in acid-base equilibrium.	100%	100%	100%	
Safe use of the product	Drinking in huge quantities could cause diarrhea, which ends, if you stop drinking or respect recommended intake.	100%	100%	100%	
	After opening, store in refrigerator	100%	100%	100%	
Disposal of the product	all signs for appropriate recycling prod- uct packaging	100%	100%	100%	
	sign of dispose carefully	100%	100%	100%	

VIN	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next			NOTE
		% in 2011	% in 2012	% in 2013	
The sourcing of components (raw materials, packaging)	Granules for Vitamin Beverages preparation	100%	100%	100%	
	natural flavor	98%	97%	100%	
Content of the product (recipe)	GDA information on the label	53%	100%	100%	cancellation of the information in accordance with legislation
	9 vitamins	100%	100%	100%	
	refreshes and compensates the lack of vitamins in the diet	100%	100%	0%	
	with sweeteners, sugar-free	3%	3%	3%	
	with calcium	4%	8%	9%	
Safe use of the product	always use a dry spoon	100%	100%	100%	
	after use, close the packaging tightly	100%	100%	100%	
	store in dry place out of reach small children	100%	100%	100%	
Disposal of the product	all signs for appropriate recycling product packaging	100%	100%	100%	

CANDIES	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next			NOTE
		% in 2011	% in 2012	% in 2013	
The sourcing of components (raw materials, packaging)	Multivitamin candies	65%	62%	76%	
	Pressed candies with sweetener	17%	15%	6%	
	Pressed candies with vitamin C	17%	23%	18%	
Content of the product (recipe)	9 vitamins	100%	100%	100%	Only for products with added calcium
	with vitamin C	100%	100%	100%	
	with calcium	7%	13%	15%	
	with sweeteners, sugar-free	100%	100%	100%	
	for fresh breath	100%	100%	100%	
Safe use of the product	store in cold and dry place	100%	100%	100%	
	excessive consumption may have a laxative effect	100%	100%	100%	
Disposal of the product	all signs for appropriate recycling product packaging	100%	100%	100%	

CEDEVITA GO	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next			NOTE
		% in 2011	% in 2012	% in 2013	
The sourcing of components (raw materials, packaging)	Multivitamin Beverage	100%	100%	100%	
	natural flavor	100%	100%	100%	
	natural spring water	0%	100%	100%	
Content of the product (recipe)	9 vitamins	100%	100%	100%	
	refreshes and compensates the lack of vitamins in the diet	100%	100%	0%	cancellation of the information in accordance with legislation
	with calcium	0%	0%	6%	
Safe use of the product	Screw the cup of. Cedevida granules will fall into the water. Screw the cup on and shake the bottle.	100%	100%	100%	
	store in dry place below the 25°C out of reach for small children	100%	100%	100%	
Disposal of the product	all signs for appropriate recycling product packaging	100%	100%	100%	

TEAS	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next			NOTE
		% in 2011	% in 2012	% in 2013	
The sourcing of components (raw materials, packaging)					
Content of the product (recipe)	obligated text of herbs by legislation	0%	0%	73%	
	with sweeteners	38%	25%	18%	
Safe use of the product	store in dry place	0%	100%	100%	
	store in dark and dry place and below 25°C	100%	0%	0%	
	picture of tea preparation	100%	100%	100%	
	refreshing non-carbonated soft drink from plant extracts enriched with vitamin C	33%	0%	0%	% fall due changes in the assortment
	refreshing non-carbonated soft drink from plant extracts	67%	0%	0%	% fall due changes in the assortment
Disposal of the product	all signs for appropriate recycling product packaging	100%	100%	100%	
Other	story about tea which begins : "Dear lovers of cedevida teas...."	100%	100%	0%	

NATURAL MINERAL WATERS BOTTLED IN PK	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next			NOTE
		% in 2011	% in 2012	% in 2013	
The sourcing of components (raw materials, packaging)	natural sources of water	100%	100%	100%	
	natural spring water	67%	59%	67%	
	carbonated natural mineral water	33%	41%	33%	
Content of the product (recipe)	contains hydrogen carbonate, sodium, magnesium	100%	100%	100%	
Safe use of the product	store in dark place and below the 25°C	100%	100%	0%	
	Keep away from heat sources and pro- tected from direct sunlight. It is recom- mended to store in a cold place.	0%	0%	100%	
	after opening, store in refrigerator	100%	100%	100%	
Disposal of the product	all signs for appropriate recycling prod- uct packaging	100%	100%	100%	
	sign of dispose carefully	100%	100%	100%	
Other	story about spring water from Kalnik	67%	59%	67%	For still water
	story about mineral water from Kalnik	33%	41%	33%	For carbonated mineral water

6. WORKPLACE RESPONSIBILITY

Atlantic Grupa's work ethics and one of its most important priorities is that our employees have high quality and efficient management, based upon the highest standards in the field and a responsible employer. Quality of managing human capital is seen through the partner relationship between an employee and employer.

All processes connected with management in human resources are annually certified by an independent certificate (www.PoslodavacPartner.org). This certificate is awarded to organizations that fulfil the highest standards in managing people in the following fields: strategy, recruiting and selection; work, motivation and rewards; specialization and development; relationship with employees. Near the end of 2013, we started the recertification process and believe that we will retain our high standard and confirm the status of Employer Partner obtained in previous years.

In Atlantic, special attention is paid to building a unique corporate culture that respects any type of individual diversity and fosters cooperation and synergies between the different segments of production, innovations, marketing and sales. Employee protection is our priority guaranteed by our work regulation, collective agreement and Labour Law. By creating a healthy and encouraging working environment, we try to provide our employees with more than just a job – many programmes developed within the system are aimed at developing human resources and careers within the company as well as at performance management and appropriate rewarding of excellent results.

In 2013, we have continued all processes that were initiated and implemented in 2012. The job systematisation was supplemented with a new level within the family of jobs as well as with a new career direction. The performance management process (U3) continues for a third consecutive year and in 2013 the implementation of HRnet performance management module was completed, thus making the whole process of annual evaluations and bonus payments available in a single application.

In 2013, we successfully continued the project Corporate Culture at the Group's level:

- The programme “Value a Colleague” was started within this project, in which all employees may nominate a colleague and/or team for whom they think that he/she best represents the company's corporate values. The programme proved to be very successful and will continue to be implemented on an annual basis.
- At the end of 2013, we also introduced another project “Naturally Caring” at the Group's level, whose aim was to raise awareness about the attachment that connects us with our work colleagues.
- We have celebrated another Value Day when more than a thousand of Atlantic's employees in Great Britain, Italy, Germany, Spain, Russia, Slovenia, Croatia, Bosnia & Herzegovina, Serbia and Macedonia participated in socially beneficial activities.

EMPLOYMENT

In the field of managing human resources, we pay special attention to respecting the principles of emancipation and equal criteria. Our company's politics and procedures concerning human rights forbid discrimination, while at the same time protecting the employees' dignity and assuring transparency in the process of hiring or recruiting. Each tender stresses gender equality when hiring. One person from each member company of Atlantic Grupa 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 in this respect up until now we haven't received a single complaint from our employees.

This is one of the reasons why Atlantic Grupa is a stable work environment with 4,228 employees in 2013, out of which 51% are women. The majority of our employees work in Serbia

(36%), Croatia (34%) and Slovenia (14%). For more detailed information on our workforce, please see page 14 of this Report.

We work hard to create opportunities for employees to develop and grow, as we promote the career concept that unites individual and organizational interests and needs. We reward our employees fairly and attractively, in line with the prevailing conditions on the local market. Rewarding is not influenced by gender, race or any other personal characteristic.

Attractiveness of Atlantic Grupa as a responsible employer is recognized by employees, potential employees and clients, as the largest Croatian job portal MojPosao (www.MojPosao.net) listed Atlantic Grupa on the 11th place in the category of most attractive employer in 2013.



"Naturally different" is the corporate culture Atlantic Grupa thrives on, and its basic values – responsibility, creativity and passion are represented by natural symbols – a mountain, a wave, and the sun. The basic purpose of those three principles is that the company's achievements are achieved through mutual differences, but with the same values.

In 2013, we employed a total of 331 people, representing an increase/decrease in total headcount number of 1% since 2011. For 2013, 2% were part-time and 98% were full-

time employees. All of our employees, regardless of the contract they have, are guaranteed equal rights.

New employees in 2013							
Region (market)	No. of new employees	%	Age group			M%	F%
			< 30	30 – 50	> 50		
B&H	4	1.21	25	75	0	75	25
Croatia	170	51.36	32.94	54.71	12.35	45.88	54.12
Germany	43	12.99	41.86	53.49	4.65	67.44	32.56
Italy	0	0.00	0	0	0	0	0
Macedonia	14	4.23	28.57	64.29	7.14	57.14	42.86
Montenegro	0	0.00	0	0	0	0	0
Russia	15	4.53	33.33	53.33	13.33	60.00	40.00
Serbia	46	13.90	26.09	67.39	6.52	45.65	54.35
Slovenia	34	10.27	26.47	61.76	11.76	52.94	47.06
Spain	4	1.21	25.00	25.00	50.00	50.00	50.00
UK	1	0.30	0	100	0	100	0
Total	331		22	68	10	59	41

	2011	2012	2013
Number of new employees	482	400	331
% of new employees out of total headcount	11.48	9.42	7.82

Over the past couple of years, we have placed a strong focus on increasing our investment in our people and improving employee engagement. As in the previous year, the employee engagement survey was carried out in 2013. It included all employees of Atlantic Grupa in all markets, while the analysis of results and reports were prepared by an external consulting firm. The implemented action plans based on the 2012 results were efficiently accepted among employees and, according to the 2013

survey results, a positive change took place. The main purpose of the survey was to get the information on how many engaged, not engaged and actively disengaged employees we have in our company, based on 12 questions divided into 4 groups: How can we grow, Do I belong, What do I give and What do I get, and there was an increase in all areas in 2013 compared to 2012. Engagement ratio in 2012 was 1,1:1 (engaged vs. not engaged employees) and in 2013 it increased to 2,02:1.

The Engagement Index serves as an integral part of the annual performance evaluation for managers and as such serve as indicators of successful people management. We plan to carry out such research once a year in order to be able to monitor the results of our targeted

actions and to ensure that all employees give their opinion about working in the company. It has been positive to see our efforts reflected in a significant reduction in employee turnover, which has reduced by 50% since 2011.

Employee turnover									
Region (market)	No. of employees left in 2013	% turnover	Voluntary turnover in %	Involuntary turnover in %	Age group			M%	F%
					< 30	30 – 50	> 50		
B&H	4	1.27	2.55	0.00	25.00	50.00	25.00	75.00	25.00
Croatia	172	54.78	10.74	0.29	20.35	63.37	16.28	53.49	46.51
Germany	36	11.46	20.57	0.00	11.11	55.56	33.33	58.33	41.67
Italy	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Macedonia	8	2.55	4.97	0.00	12.50	62.50	25.00	62.50	37.50
Montenegro	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Russia	1	0.32	1.89	0.00	100	0	0	100	0
Serbia	57	18.15	3.52	0.16	15.79	54.39	29.82	57.89	42.11
Slovenia	31	9.87	0.81	4.42	16.13	64.52	19.35	16.13	64.52
Spain	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
UK	5	1.59	33.33	0.00	20.00	60.00	20.00	40.00	60.00
Total	314	7.33	6.66	0.67	25.80	54.86	19.34	53.56	46.44

	2011	2012	2013
Voluntary turnover in %	No record	No record	6.66%
Involuntary turnover in %	No record	No record	0.67%
Total %	14.44%	4.67%	7.33%

* Turnover rate = fluctuation (number of leavers) / total headcount; Involuntary turnover rate = involuntary fluctuation (number of leavers) / total headcount; Voluntary turnover rate = voluntary fluctuation (number of leavers) / total headcount.

We started to keep track of voluntary/involuntary turnover from 2013. Turnover for the 2013 financial year was 7.33% including involuntary turnover, which sits at 0.67%.

In the efforts to create a motivating working environment, the company offers a series of material rights to employees, defined in a special respective regulation: right to the annual award, extra monthly salary, Christmas bo-

nus, Easter bonus, Baby bonus. Company also encourages sports, culture and healthy habits for the employees. It co-finances the expense for various programmes in fitness centres; free vaccination against the flu; co-finance theatre tickets; give valuable packages on special occasions (holidays, vacations, etc), organize purchasing company products under special prices, organize team-building programmes and support various types of employee gatherings throughout the year.

OCCUPATIONAL HEALTH AND SAFETY

Atlantic Grupa systematically takes care of its employees' safety and health respecting legal ordinances: internal acts, collective agreements on occupational safety, occupational safety regulations, by being a responsible employer. Managing our employees' safety and protection is under the jurisdiction of the Corporate safety division. This division is 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 and workers.

Respecting European Union guidelines, positive legal regulations of the Republic of Croatia (Occupational safety law), and Atlantic Grupa'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 centres
 - Employees are trained in a safe and secure way
 - Expert training for specific work processes is provided
 - Jobs with specific working conditions are defined
 - A warm meal for all employees is provided.
- By educating our employees, and developing and adapting our technological processes, we are trying to prevent any accidents by creating safe working conditions. Nevertheless, it is impossible to eliminate all risks and exclude all dangers.

Injuries Illnesses*	Injury Rate (IR)**			Lost Day Rate (LDR)***			Absentee Rate (AS)****		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
B&H	0	1.21	0	0	31.46	0	0	6,672.88	0
Croatia	1.47	1.71	0.92	31.54	45.31	31.84	6,088.16	7,068.52	6,266.43
Germany	1.60	0	5.49	10.69	0	79.55	13,124.15	0	14,697.94
Macedonia	1.33	2.49	0.59	46.51	32.95	6.54	3,301	1,49.95	794.46
Russia	0	0	0	0	0	0	0	0	0
Serbia	2.21	2.17	1.92	67.49	36.59	59.65	13,251.35	11,186.31	10,897.06
Slovenia	1.61	1.60	1.13	45.60	37.66	17.30	10,737.06	10,463.11	9,743.23

* we had no fatal injuries in the last three years (2013, 2012, 2011)
 we had no occupational diseases in the last three years (2013, 2012, 2011)
 in the report were not considered injuries by gender, will be considered in 2014
 ** injury rate (IR) = total number of injuries/total hours worked x 200.000
 *** lost day rate (LDR) = total number of lost days/total hours worked x 200.000
 **** absentee rates (AR) = total number of missed (absentee) days/total number of workforce days worked for same period x 200.000

When it comes to programmes related to assisting workforce members and their families regarding serious diseases, our practices include financial support as well as education and training, counseling, prevention and risk control measures. Depending on the country of

operations, various programmes are in place – such as workshops on most common health issues, in-site first aid station, regular physical examinations, additional health insurance, paid leave and financial aid.

TRAINING AND EDUCATION

Acquisition of new knowledge and skills through the professional and personal development of employees is a prerequisite and a guarantee of employee satisfaction and motivation, and consequently of business success. Our interest is ensuring and enabling our employees the opportunity to receive, refresh and expand their knowledge and skills in compliance with the company's needs and development. Thus, we pay special attention to

the permanent education and improvement of our employees, as we develop and implement specialized programs and training on all employment levels.

The educational content and programs we prepare and offer include seminars and courses realized by our experts for our employees, as well as outside institutions through programs "tailored" to meet our needs.

Average hours of training per year per employee by gender (all AG companies/countries)			
Average training hours / person	2011	2012	2013
M**	10	10	11
F	10	10	10
Total %	20	20	21

* average training hours per employee = total number of training hours provided to employees/total number of employees

** total number of training hours provided to male employees/total number of male employees

Average training hours per employee category and function			
Level*	2011	2012	2013
Senior Management	100	117	216
Middle Management	75	77	88
Other	13	12	10

* level such as senior management, middle management

Function*	2011	2012	2013
Product Execution	44	46	45
Product Placement	45	45	45
Internal Perspective	168	150	162

* function such as technical, administrative, production

Management skills - leadership competencies “L E A R N” represent the basis for all education / development programmes created for specific groups and/or specific learning needs, such as The L E A R N development@ AG, CUTTING EDGE, INSPIRE, LEAD and MAN-AGE, ADVENTURE programmes. As a part of the new HRIS system HRnet, the module My Development was also implemented in 2013. It supports the development concept of Atlantic Grupa according to the model 70-20-10 (70% On-the-job, 20% Coaching and Mentorship, 10% Training). All development activities at the level of the entire Atlantic Grupa are managed through modules.

Talent management is the other way of supporting and strengthening of the company’s core competencies. In Atlantic Grupa, it represents a form of human capital management – a long-term, comprehensive and integrated approach with the general aim to introduce a structured process of identification, selection, development and retention of talents/successors for present and future needs of Atlantic Grupa. After the model is established at the level of the entire employee population, we expect that it will ensure a highly flexible and agile organisation through the creation of a sustainable succession of management personnel at all levels.

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.

7. ENVIRONMENTAL RESPONSIBILITY

In respect to environmental protection, we can say that, within a consistent Environmental Management System (EMS), it has expanded from a local approach to the corporate level with the key focus on sustainability and protecting the future. With its main activities in this area, which arise from three dimensions – environment and energy efficiency, people and society, and governance, Atlantic Grupa has made a big step toward sustainability. The sustainable environmental management system is based on well-considered and economical use of natural sources, using environmental friendly technologies in our production, reduction of waste and lower consumption of energy and water.

Environmental management has a long tradition in individual facilities of Atlantic Grupa. Some production facilities have been awarded the ISO 14001 environmental management system certificate more than 10 years ago. The main goal in the field of environmental management has lately been transfer of best company practice in all facilities of Atlantic Grupa. This has been achieved by implemented corporate rules, harmonized performance and efficiency indicators, green team, internal education and good communication.

The first step towards the goal of an integrated environmental management system was successful integration of production facilities in the region. In 2013, the environmental management system was extended to all 17 production facilities and distribution of Atlantic Grupa. As a result, the conditions for transition to the sustainable environmental management system of Atlantic Grupa were fulfilled. The international ISO 14001 environmental management system certificate shows that our Environmental Management System complies with the best practice standards.

Our corporate EMS is designed to ensure continuous improvement in our environmental performance. The core elements of this EMS are:

- commitment of top management and defined responsibilities
- identifying environmental impacts
- communicating the environmental management policy
- setting environmental objectives and programmes/plans
- regular audit and review cycle.

With the aim of reducing the impact on the environment, and to be sustainable, we have set the following key environmental objectives:

- rationalisation of fuel and water consumption
- reduction of waste quantities and improvement of waste separation practice
- enabling compliance with environmental legislation
- creation of environment-friendly corporate culture.

A step forward was recently made in the field of measuring performance and efficiency of environmental management processes. In addition to usual environmental performance indicators – KPI (Key Performance Indicators), required by the standard ISO 14001, we have also started to use additional sustainable development indicators recommended by the GRI (Global Reporting Initiative) which enable a balanced view of environmental and sustainable development activities.

In 2013, we can highlight the following projects and activities in the field of environmental protection:

- Droga Kolinska's beverage facility started to use water from boreholes for the production of soft drinks and construction of the storage for hazardous substances is underway,
- Neva and Fidifarm started to use groundwater in technological processes for the purpose of reducing the consumption of municipal water supply,
- preparations started at the end of the year to introduce recyclable PET packaging for the production of Cockta,
- the action of collecting waste plastic caps for charity purposes has expanded from a local to the regional level,
- internal campaign "Follow me" was implemented with the aim to motivate employees to adopt environment-friendly habits, such as saving energy, rational printing etc.



ENERGY CONSUMPTION WITHIN THE ORGANIZATION

Although Atlantic Grupa's industries are not energy intensive and are not subject to specialized regulation in this area, in 2013 we accepted a new challenge in the area of environmental care - optimizing the use of natural resources and improving technologies and work processes. We started implementing the Energy Management System (EnMS) as an upgrade to the corporate EMS. The main

goal is to achieve continuous energy efficiency improvement, more efficient energy use and consumption. The first stage involved energy audits of particular production facilities, which will serve as the basis for defining organizational and investment measures to reduce costs, CO₂ emissions and other adverse environmental impacts.

Energy consumption within the organization			
	2011	2012	2013
SLOVENIA	28,636.74	30,961.64	30,901.63
CROATIA	7,869.14	9,316.30	8,647.71
SERBIA	93,719.11	75,538.86	63,983.80
B&H	10,061.41	9,964.59	9,647.19
MACEDONIA	-	3,528.72	2,464.23
GERMANY	-	-	1,768.10
TOTAL MWh	140,286	129,310	117,413

* The company uses non-renewable energy sources (electricity) except in Izola where solar energy is used.

Energy consumption MWh							
	SLOVENIA	CROATIA	SERBIA	B&H	MACEDONIA	GERMANY	TOTAL MWH
2011							
Electricity	7,729	6,452	17,480	2,901	-	-	34,562
LPG	10,661.81	-	54,854.27	-	-	-	65,516
Natural gas	3,479.29	450.40	19,039.79	6,059.63	-	-	29,029.11
CNG	-	-	-	-	-	-	-
PROPAN	356.32	-	-	-	-	-	356
Fuel oil	-	966.72	2,345.32	1,100.75	-	-	4,413
Mazut	6,410.50	-	-	-	-	-	6,411
Total MWh	28,636.74	7,869.14	93,719.11	10,061.41	-	-	140,286
2012							
Electricity	8,013	7,529	20,437	3,092	1,660	-	40,731
LPG	12,723.95	-	23,691.67	-	1,747.28	-	38,163
Natural gas	3,559.94	447.27	19,389.22	5,588.85	-	-	28,985.28
CNG	-	-	9,376.50	-	-	-	9,377
PROPAN	301.44	-	-	-	-	-	301
Fuel oil	-	1,340.08	2,644.83	1,283.37	121.83	-	5,390
Mazut	6,363.15	-	-	-	-	-	6,363
Total MWh	30,961.64	9,316.30	75,538.86	9,964.59	3,528.72	-	129,310
2013							
Electricity	8,041	7,055	20,486	2,738	641	813	39,774
LPG	13,094.22	-	10,562.20	-	1,712.64	318.87	25,688
Natural gas	3,580.41	477.30	17,250.50	5,602.77	-	-	26,910.98
CNG	-	-	12,831	-	-	-	12,831
PROPAN	355.73	-	-	-	-	-	356
Fuel oil	-	1,115.85	2,853.87	1,306.09	110.79	636.15	6,023
Mazut	5,830.29	-	-	-	-	-	5,830
Total MWh	30,901.63	8,647.71	63,983.80	9,647.19	2,464.23	1,768.10	117,413

The total amount of energy consumption 2011 - 2013 is decreasing partially due to a reduction of the production and due to an optimisation of the consumption. The efficiency of energy consumption per unit (kg) of product is

generally improving. There is one exception on Cedevisa production location, where the consumption of electric energy per unit of product increased due to a decrease in production quantities.

BIODIVERSITY

Within the process of risk control in designing and developing a new or existing product, biodiversity is defined as an environmental aspect with respect to the selection of raw materials that may have or have bad effects on human health.

During the phase of selecting the raw materials for a new product, the principle of maintaining biodiversity has to be taken into ac-

count. The development technologist selects possible raw materials that meet the requirements of ecological and sustainable aspects. Particular attention has to be paid to threatened plant and animal species (ref. document: IUCN Red List). Number of IUCN Red list species and national conservation list species with habitats in areas affected by operations by level of extinction list is also one of the informative KPI's of the Central Purchasing monitored on a monthly, quarterly or annual basis.

Number of raw materials used from the category	
Critically endangered	0
Endangered	0
Vulnerable	0
Near threatened	1
Least concern	0

Among seven business units producing food and food supplements: Beverages, Coffee, Snacks, Savoury spreads, Sport and functional food, Pharma and Bebi, only Savoury spreads operations are using raw materials from IUSN

Red List. For the production of Argeta Tuna pate, we use the fish species Thunnus Albacore listed in NT category. In the next five years, we plan to replace this type of tuna with tuna Skip Jack, which is not on red list.

WASTE

In addition to reducing waste quantities, our main goal is to increase the separately collected waste on all production locations. For the exception of one location in Croatia, all the other locations have improved the separate collection of the waste compared with the municipal waste (landfill disposal method).

Within the improvement of business processes, we would like to point out as a good example the process of developing new products, where special attention is given to the possibility of using more environmentally acceptable packaging, reducing the weight or amount of packaging and the selection of partially recycled packaging materials.

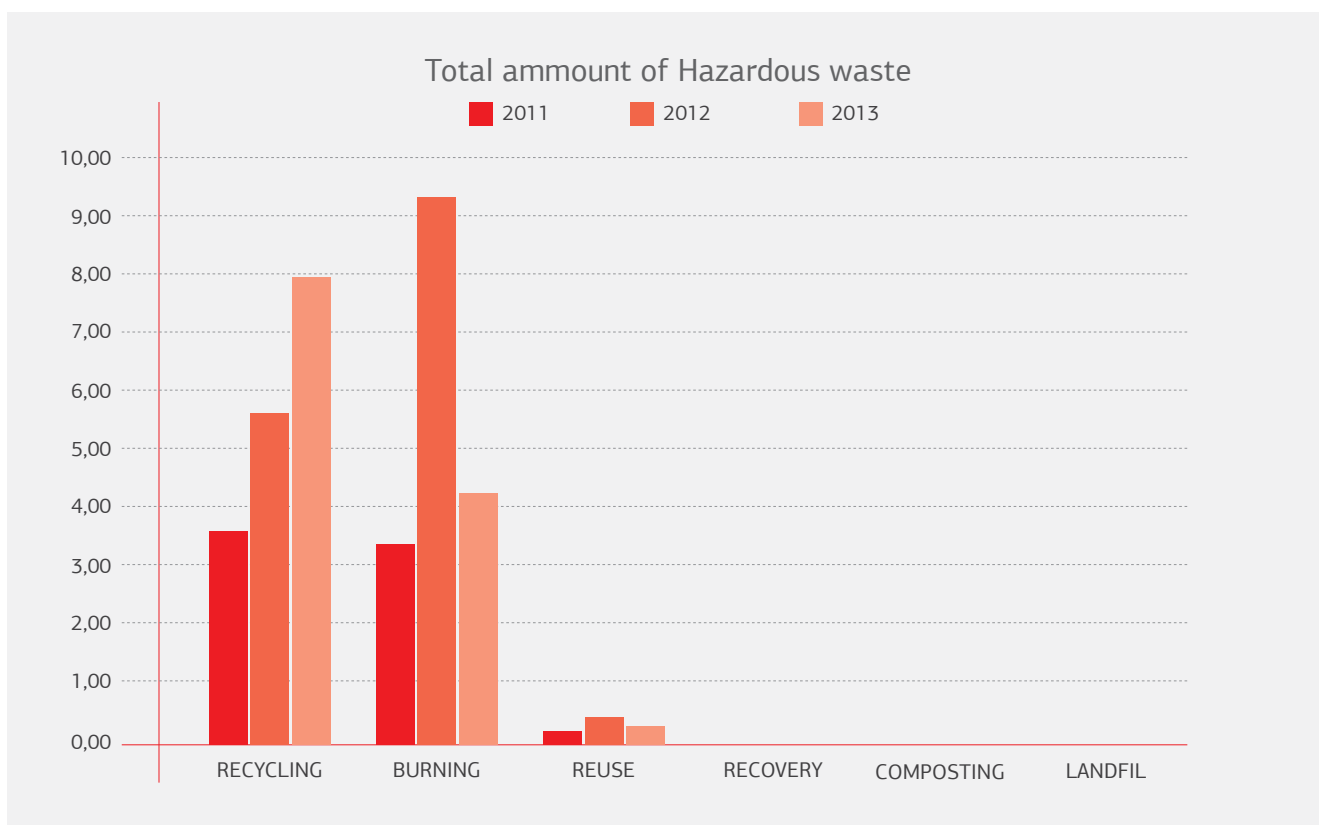
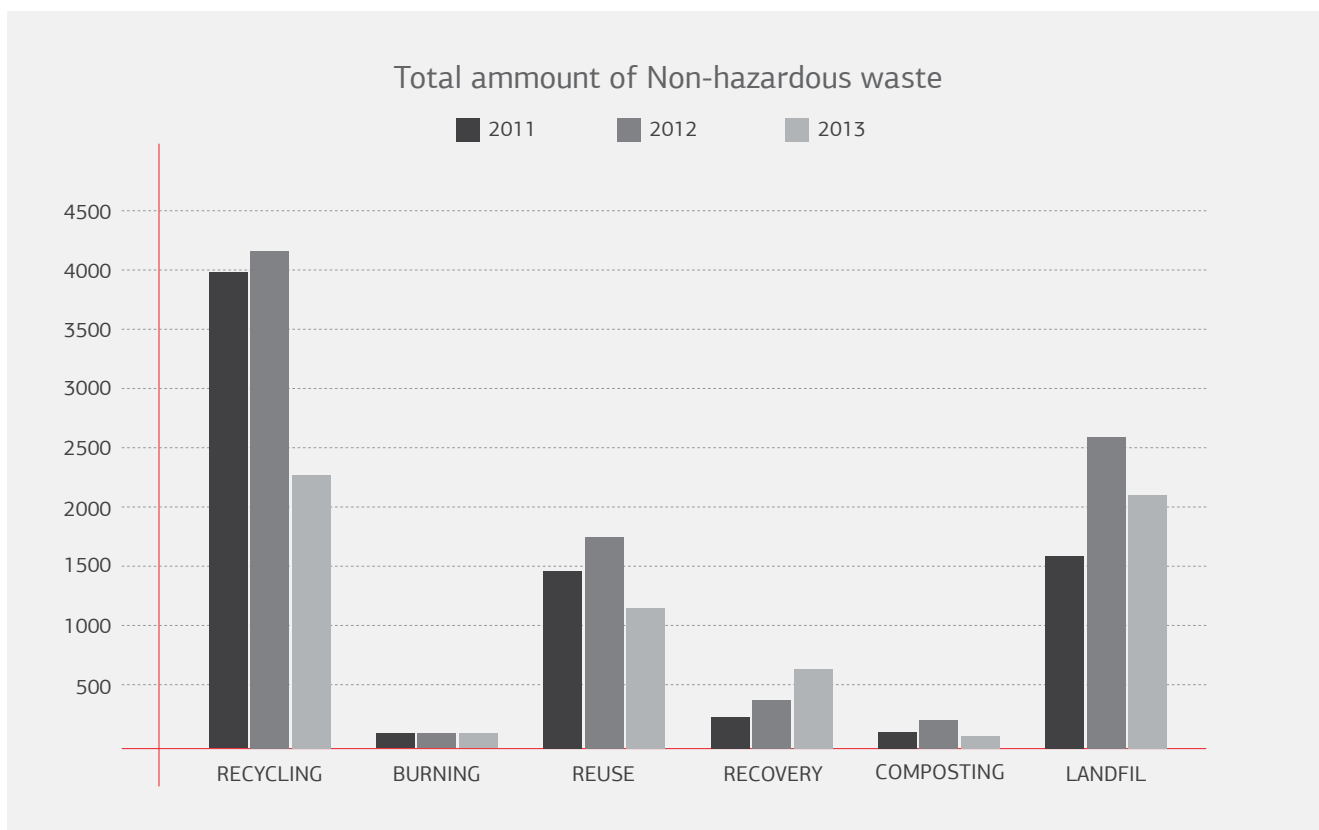
Non- hazardous waste (t/year)							
2013	RECYCLING	BURNING	REUSE	RECOVER	COMPOST	LANDFILL	TOTAL
SLOVENIA	966.93	83.64	501.34	280.16	24.30	88.07	1,944.44
CROATIA	300.82	7.01	1.19	344.00	28.55	74.59	756.15
SERBIA	674.43	0.00	259.47	0.00	0.00	1,162.92*	2,096.83
B&H	241.52	0.00	371.41	0.00	0.00	584.89*	1,197.82
MACEDONIA	15.18	0.00	40.00	0.00	0.00	57.00*	112.18
GERMANY	160.72	0.00	0.00	0.00	12.86	93.60	124.67
TOTAL	2,359.60	90.66	1,173.41	624.16	65.70	2,061.07	6,232.09

* Determined separately collected waste (Coffee Husk and liquid waste from the Waste Water treatment plant) is not yet possible to reuse or composting due to a lack of the infrastructure solutions of the National Waste Management System. Those quantities of separately collected waste are shown in the "Landfill" category.

Hazardous waste (t/year)							
2013	RECYCLING	BURNING	REUSE	RECOVER	COMPOST	LANDFILL	TOTAL
SLOVENIA	0.01	1.35	0.00	0.00	0.00	0.00	1.36
CROATIA	6.10	2.85	0.16	0.00	0.00	0.00	9.11
SERBIA	1.58	0.00	0.00	0.00	0.00	0.00	1.58
B&H	0.08	0.04	0.00	0.00	0.00	0.00	0.12
MACEDONIA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GERMANY	0.10	0.00	0.00	0.00	0.00	0.00	0.10
TOTAL	7.87	4.24	0.16	0.00	0.00	0.00	12.28

In Bosnia and Herzegovina, Serbia and Macedonia the method for collecting municipal waste (landfill) is based on two-month measurements. The billing system for the municipal

waste removal is defined per square meter of the site and does not provide the weight of the removed waste.



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G4-2, G4-35 through G4-55, G4-57, G4-58 are not mandatory in accordance with "Core".

Nevertheless, some information is reported "comprehensively": G4-2, G4-35 through G4-42, G4-51, G4-52, G4-58.

No external assurance included.

No omissions regarding the reported information.