

ATLANTIC GRUPA

**SUSTAINABILITY
REPORT 2016**

Ocean of opportunities

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LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD

Atlantic Grupa in 2016 continued its announced strategy of intensive internationalisation of operations, investing in brands that were, according to their potential, defined as the forerunners in this strategy (Bakina Tajna (Granny's Secret), Argeta, Donat Mg, Multipower, Cedevita) as well as investing in the development of own distribution capacities and strengthening distribution partnerships, primarily in West and East European countries. In the domicile region of South-East Europe, we have continued the intensive and successful development of our own portfolio and expansion of distribution activities through organic growth and new distribution partnerships.

Among key business developments in 2016, we should point out the establishment of our own distribution companies in Germany and Austria, expansion of the distribution portfolio in the wider regional market and continuation of restructuring the business unit Sports and Functional Food. Despite many challenges in the business environment, particularly in Eastern markets where we operate, we are continuously successful in generating progress. In addition to the strong support of our own distribution system and cooperation with renowned distribution partners in the markets where we do not have own companies, smooth implementation of internationalisation as the dominant strategic direction is also facilitated by highly efficient production capacity allocation.

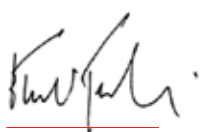
Responsibility is an integral part of the company's business and development strategy with an actual awareness about the need to exert its own influence on improving the general conditions in the social environment. Special attention is paid to building a unique and recognizable corporate culture that respects individual diversity and fosters cooperation between the different business segments – production, innovations, marketing and sales and corporate support functions.

As a responsible company, we have realised the announced results for 36 successive quarters, on the basis of which the capital market as well as our shareholders recognise us as a transparent, responsible and perspec-

tive company. In addition to constantly working on building and developing quality working conditions and distinguishable corporate culture, we have placed additional focus on strengthening our management team and developing capacities. At the same time, the company is continually dedicated to risk management, liquidity maintenance and debt management. Therefore, the awards that the company received in the last year are not surprising: In 2016, Atlantic won the award for the best corporate governance in Croatia as well as the award for transparent relations with investors not only by the Zagreb Stock Exchange on which the company's share is listed, but also by the neighbouring Belgrade Stock Exchange. We were also recognised as the best employer in Slovenia in the category of large enterprises which, together with special awards the company received in the last three years as an employer, signifies the quality of integration processes after the acquisition of Droga Kolinska in 2010.

Finally, we should mention that last year we have celebrated 25 years since the company's formation, so I will use this opportunity to thank everyone whose contribution has left a permanent mark on the development of Atlantic Grupa.

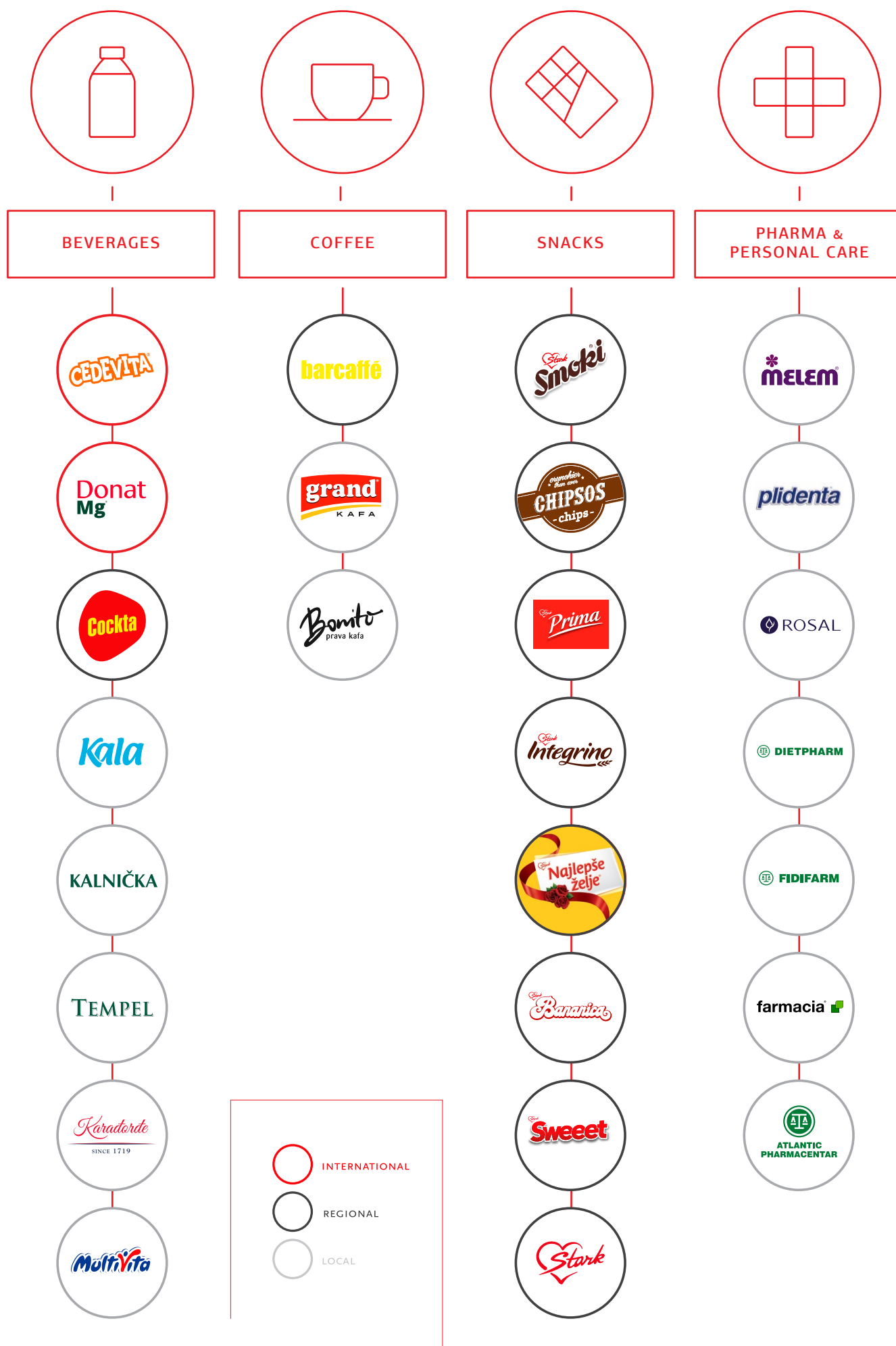
Emil Tedeschi, President of the Management Board

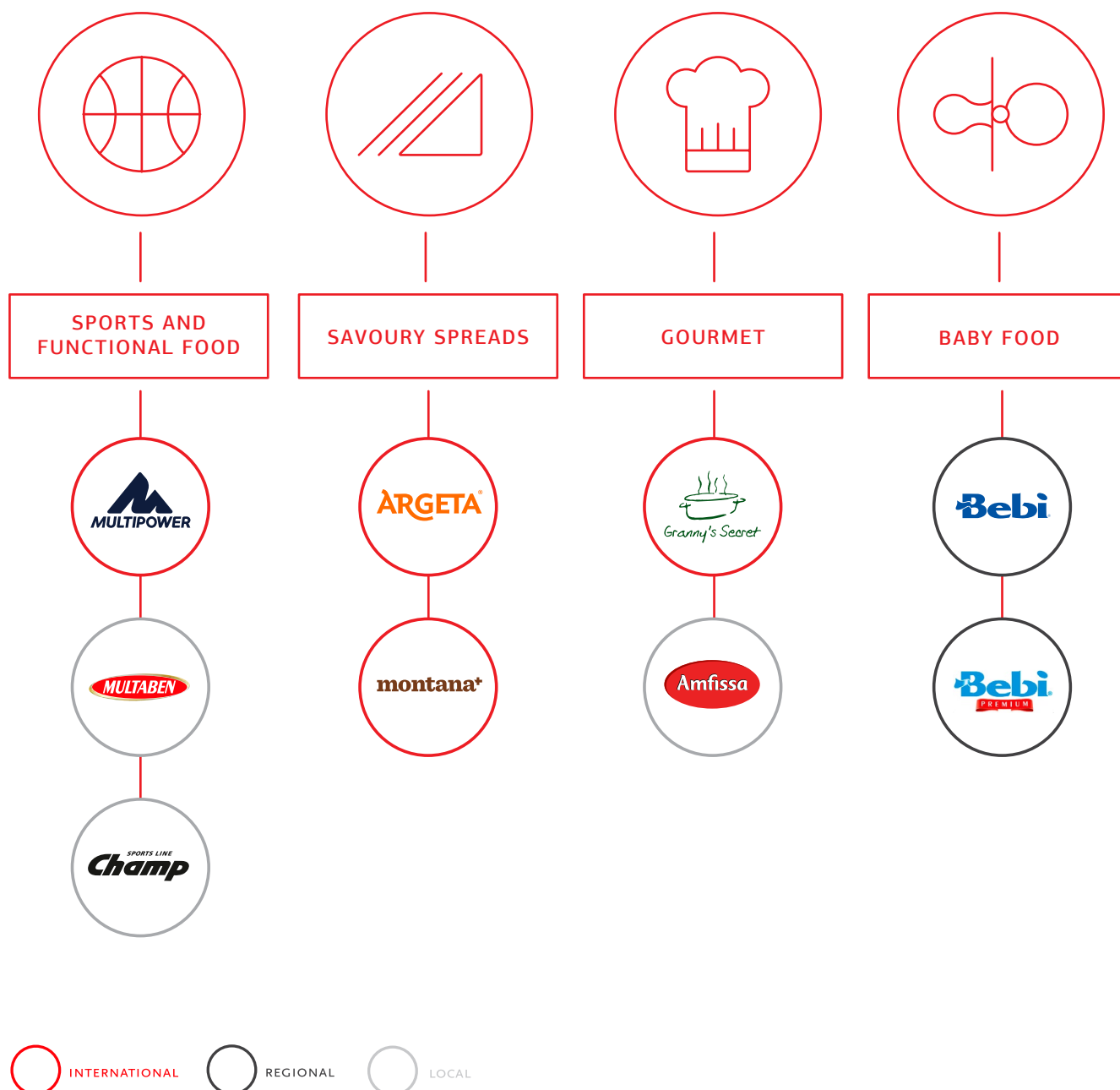


1. ORGANIZATIONAL PROFILE

ABOUT THE COMPANY

Atlantic Grupa is a vertically integrated multinational company whose business activities incorporate research and development, production and distribution of fast moving consumer goods in Southeast Europe, the West European markets and Russia and Commonwealth of Independent States. Since the company's inception in early 1990's, Atlantic Grupa pursued a growth strategy based on combination of organic growth and mergers and acquisitions activities that culminated with the company's largest acquisition ever – acquisition of Droga Kolinska in 2010.





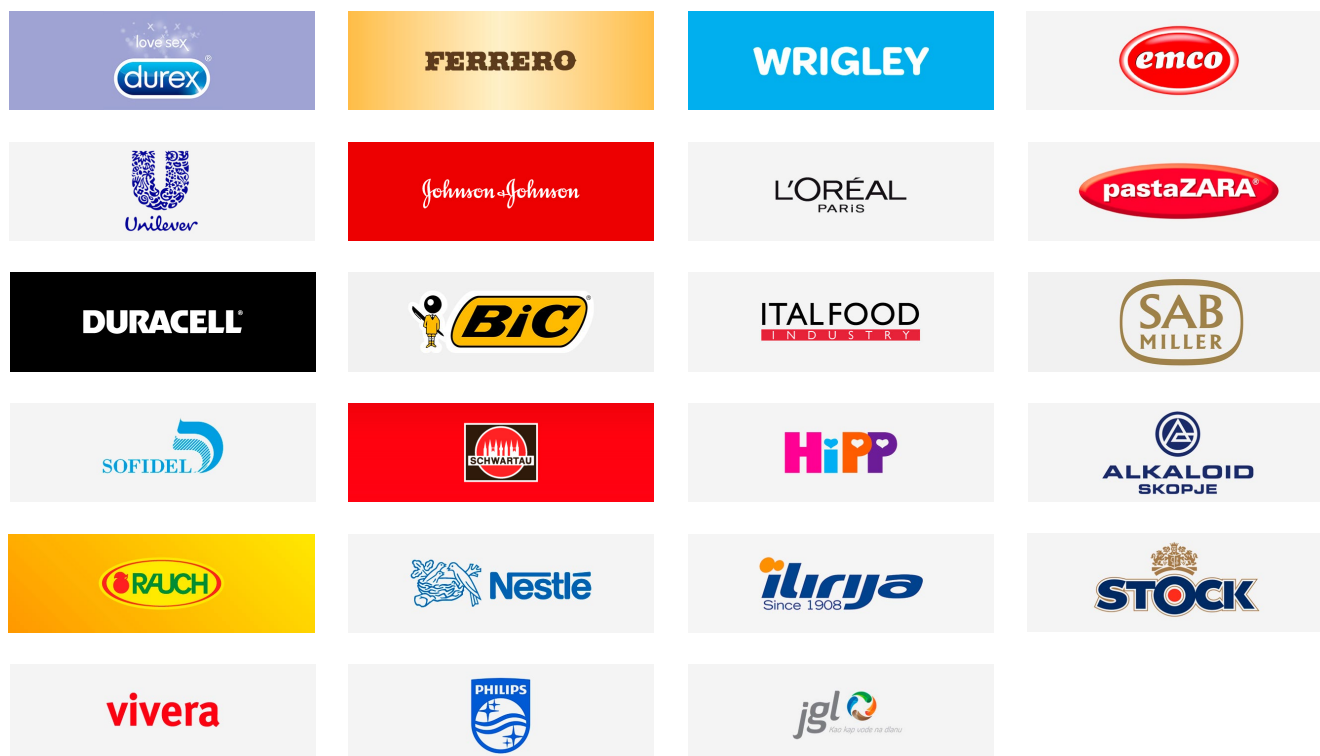
Atlantic Grupa stands out today as one of the leading food and beverage manufacturers in Southeast Europe with prominent coffee brands Grand Kafa and Barcaffè, range of beverage brands Cockta, Donat Mg, Cedevita, Kala and Kalnička, portfolio of sweet and salted snacks brands Smoki, Chipsos, Najlepše Želje and Bananica, savoury spread brands as Argeta, and Granny's Secret as new BU Gourmet. Additionally, Atlantic Grupa has a wide personal care product portfolio, owns the leading Croatian producer of vitamins, minerals, sup-

plements and OTC drugs as well as the leading pharmacy chain in Croatia under Farmacia brand. Furthermore, Atlantic Grupa manufactures and distributes the leading European brand in the sports nutrition – Multipower and has a strong foothold on the Russian and CIS markets with its baby food portfolio under Bebi brand. With its own distribution network in Croatia, Slovenia, Serbia and Macedonia, Austria and Germany, the company also distributes a range of products from external partners.

LEADING DISTRIBUTOR OF MULTINATIONAL BRANDS

ATLANTIC GRUPA is one of the leading distributors (both own and principal brands) high-quality FMCG brands in SEE whose brands are regional and global leaders. Our Strategic Distribution Units and Distribution Units have a highly developed know-how in the fields of key client management, product category management, supply chain management, trade marketing and sales improvement, which is continuously adapted to market trends. The primary activity of the Strategic Distribution Units and Distribution Units is distribution of the entire product range from Atlantic's own production and the portfolio of external principals in two main zones, Zone East and Zone West, whereas Zone East is divided into seven regions: Croatia, Serbia, Slovenia, Macedonia, CIS & Baltic, HoReCa, and Kosovo, Bulgaria and Romania, while Zone West is divided into regions: Dach&Benelux, Mediterranean & Africa, Northwest Europe and Australia, and Central Europe and Overseas. Distribution in BiH and Montenegro is organised in cooperation with the partner company Ataco.

LEADING DISTRIBUTOR OF MULTINATIONAL BRANDS

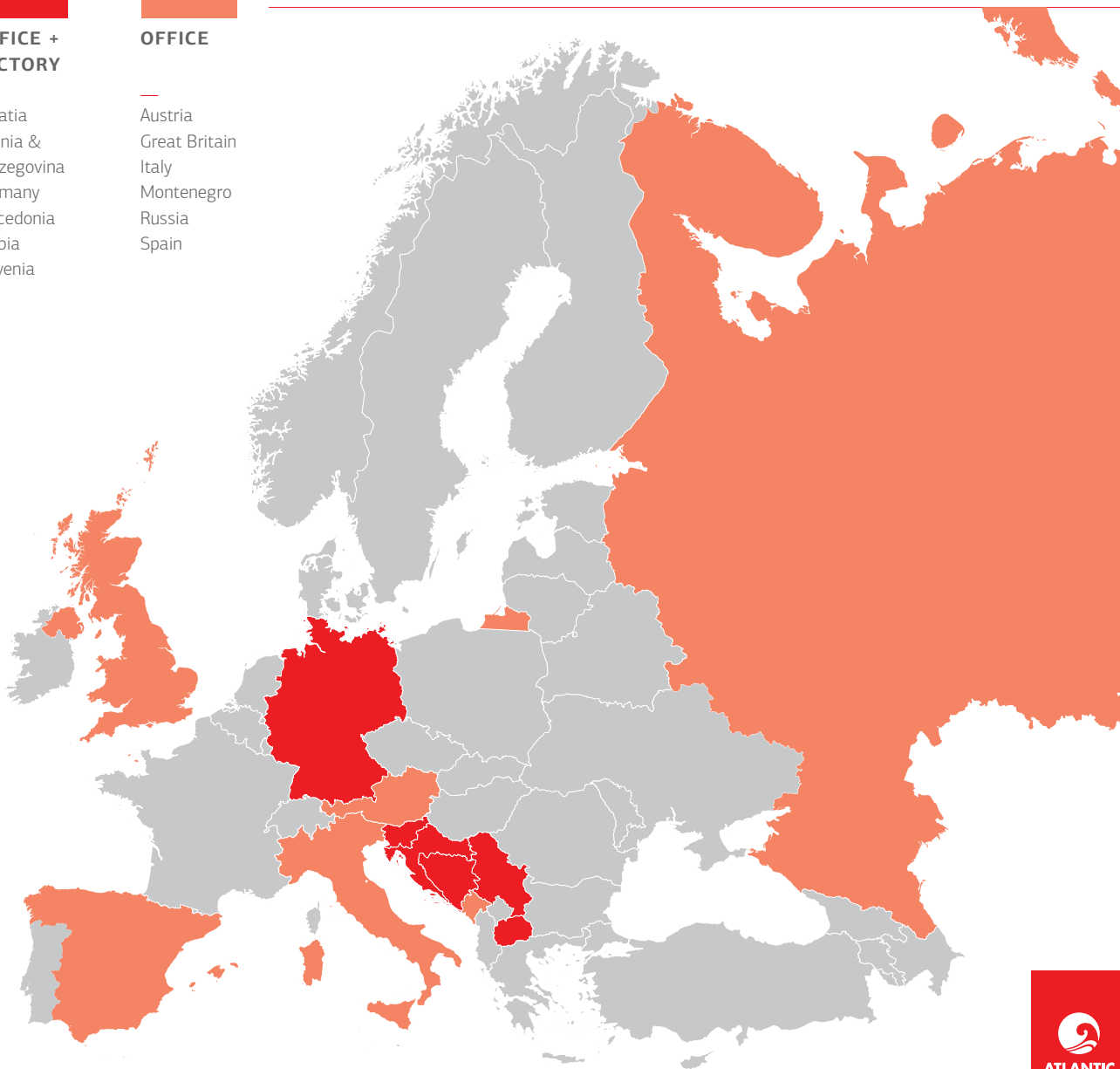


OFFICE + FACTORY

Croatia
Bosnia &
Herzegovina
Germany
Macedonia
Serbia
Slovenia

OFFICE

Austria
Great Britain
Italy
Montenegro
Russia
Spain



TODAY, ATLANTIC GRUPA IS A COMPANY WITH:

- HRK **5.1 billion** in sales revenues,
- modern production network (in Croatia, Slovenia, Germany, Serbia, Bosnia and Herzegovina and Macedonia),
- regional distribution infrastructure
- **11 brands** with sales above HRK 120 million, high market shares and consumer recognisability.

Atlantic Grupa has a well-balanced presence in **Southeast Europe accounting for 83.3% of total sales**, while 16.7% refers to the company's presence in West Europe and CIS countries.

Weste Europe, CIS countries and other countries. Since 2014, the Group's business operations are organised through the system of business units that monitor the operations related to specific product groups from the company's production portfolio and distribution units allocated to two main zones: Zone East and Zone West. Such an organisation model was further adjusted in 2015 and 2016, and today it allows the company to efficiently manage its sales and distribution operations on all its markets.

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 Bosnia&Herzegovina
- 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 Cedevita 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.
Acquisition of Kalničke vode Bio Natura d.d.
- 2013** Establishing cooperation with Unilever
- 2015** Acquisition of Foodland d.o.o. and construction of the factory of
Atlantic Multipower Croatia in Nova Gradiška
- 2016** Establishing distribution companies in Austria and Germany

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

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

ORGANISATIONAL STRUCTURE

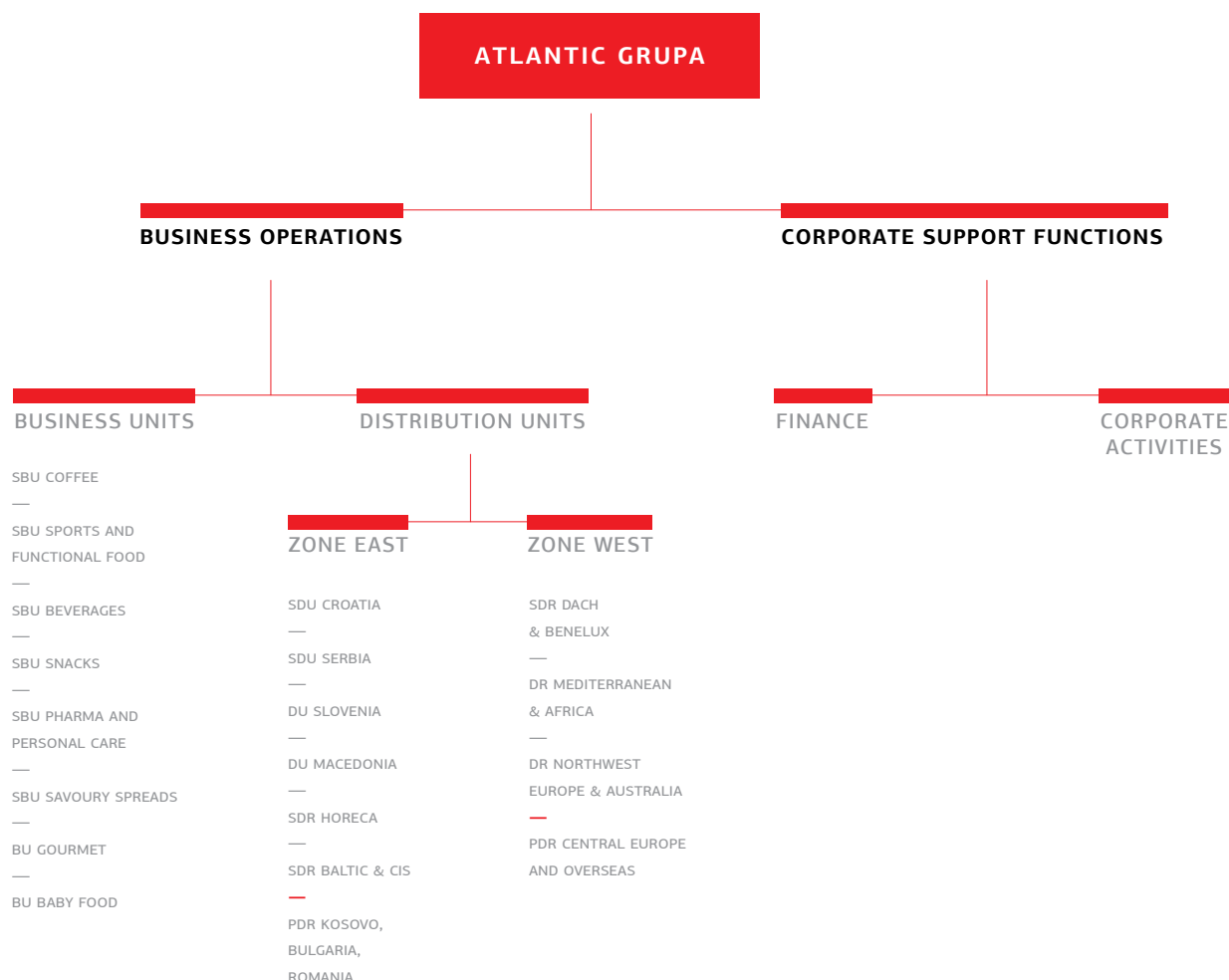
The business organisation of Atlantic Grupa comprises two basic segments:

- Business Operations and
- Corporate Support Functions

Business operations of Atlantic Grupa in 2016 may be followed through business activities of special business units related to individual product type, and special sales units which

cover all major markets as well as strategic sales channels, namely:

- six Strategic Business Units (SBUs) – Coffee, Snacks, Beverages, Savoury Spreads, Pharma and Personal Care, and Sports and Functional Food;
- two Business Units (BUs) – Baby Food and Gourmet;



In line with Atlantic Grupa's strategic focus on the internationalisation of operations, in 2016 the Group's business operations were, with the aim to manage particular distribution markets and business segments as effectively as possible, organised in two main distribution zones: Zone East and Zone West, where the Zone East covers South-East Europe, the CIS & Baltic, and the Zone West covers Central and South-West Europe, the Nordic countries and all overseas markets.

Each business unit has its own internal organisational structure which is, depending on its activity and business volume, composed of organisational areas: business units, organisational units and departments.

Along with Strategic Business Units, Business Units, Strategic Distribution Units and Distribution Units, the Business Operations segment of the company also includes the functions of Central Purchasing, Central Marketing and Corporate Quality Management, established in order to take advantage of all synergies within the system and to ensure efficient coordination of purchasing, marketing and quality assurance tasks as well as to establish uniform standards on the entire Group's level.

Corporate support functions ensure the implementation of uniform corporate standards and more transparent and efficient business operations at the company level. Corporate support functions are centrally organised and, depend-

ing on their respective functional area, provide support to the development and management of the entire Atlantic Grupa.

These corporate support functions are divided into:

- Corporate Activities; and
- Finances.

The strategic corporate function **Corporate Activities** includes the following departments: **Human Resources, Corporate Communications, Legal Affairs, Investments and Asset Management, and Corporate Security.**

The strategic corporate function **Finance** includes the following units: **Corporate Report-**

ing and Consolidation, Corporate Controlling, Corporate Tax, Corporate Treasury and Investor Relations.

The organisational structure includes the newly established **Department for Business Development, Strategy and Information Technology** responsible for providing support to the Company's Management Board in the segment of identifying strategic initiatives, implementing the long-term development strategy and business development activities with a focus on M&A and strategic partnerships, and for managing Information Communication Technology functions required for maintaining and improving Atlantic Grupa's operations, level of service and competitiveness.

FAST FORWARD

Fast Forward- F2 is a corporate strategic project initiated in 2016, with the aim to ensure that by 2018 Atlantic Grupa develops into a fully consumer centric company. Increased focus on the customer is the heart of this initiative, through creating change by encouraging new organizational culture and developing competencies in order to better anticipate and respond to consumers' needs. This process is targeting the entire value chain, in the areas of client and customer focus, development of digital technology, human resources and optimisation of the value system. It focuses on achieving a higher level of understanding of consumers' needs, developing digital tools in order to optimize data analytics and decision-making, and fostering employee satisfaction and wellbeing, as a necessary precondition for creativity and growth. Ten complex projects have been planned and will be implemented throughout the following two years. In 2017, we expect full implementation of the majority of projects, including a range of corresponding benefits that will be felt in the area of client and customer focus, development of digital technology, human resources and optimisation of the value system.

The 10 F2 projects, and areas of activity are:

Focus on the client/consumer: the need to achieve a higher level of understanding of their needs

- UNDERSTANDING OF CONSUMER NEEDS AND PROFITABILITY
- MARKETING CAPABILITY REVIEW

Digital technologies and analyses: the need to work on real time analytics, to use digital technologies to find a route to market information, and align management expectations with business requirements

- MANAGEMENT INFORMATION IMPROVEMENT
- REAL TIME ANALYTICS
- DIGITAL TECHNOLOGIES TO ENHANCE MARKET INNOVATION

People, behaviour, culture: the need to retain talent and further management development

- TALENT AND SUCCESSION PLANNING FOR CRITICAL POSITIONS
- RETENTION PROGRAM AND COMPENSATION SCHEME REVIEW

Optimisation of the value system: the need to improve the quality of planning, setting key performance indicators, and the additional use of IT tools in their monitoring

- IT TO ENABLE KPI TRACKING
- OPERATIONAL STRATEGY ALIGNMENT AND KPI'S
- FORECASTING QUALITY IMPROVEMENT

INTERNAL AUDIT

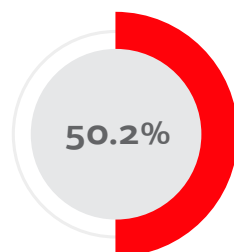
The organisational structure also includes the support function of Internal Audit, which operates as an independent function that reports to the Supervisory Board of Atlantic Grupa. The corporate internal audit of Atlantic Grupa performs an independent audit and control function and informs managers through comprehensive audit reports (findings and proposed improvements). Internal audit is responsible for estimating the level of risk management in business processes, reviewing the efficiency of the internal control systems with the purpose of advancing risk management and compliance with procedures, testing and analyses of compliance of the existing business systems with adopted policies, plans, procedures, laws and regulations that can have a significant influence on business reports. It is responsible for recommending preventive measures in the area of financial reporting, compliance, business and control in order to eliminate risks and eventual deficiencies that could lead to inefficient processes or fraud. Internal audit informs the Board of Auditors on its activities and audit plans, while its findings and recommendations help the management to improve processes, preventively eliminate potential risks or reduce risks to an acceptable level. In 2016, fourteen audits were performed in the following areas: information systems, distribution, logistics and non-current assets, detecting no significant irregularities.

OWNERSHIP STRUCTURE

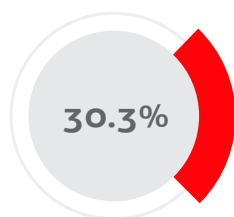
ON 31/12/2016

Atlantic Grupa has a stable ownership structure: 50.2% of the company is owned by Emil Tedeschi and 5.8% by Lada Tedeschi Fiorio, while 30.3% of Atlantic Grupa is owned by pension funds. At the end of 2016, the free-float was 44.0% which put the Atlantic Grupa's share in ninth place according to the free float market capitalisation of HRK 1.294 million.

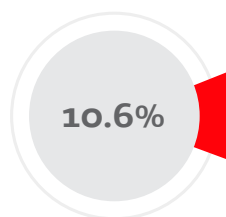
According to the decision of the Company's General Assembly held on 16 June 2016, the dividend distribution was approved in the amount of HRK 13.5 per share, i.e. a total of HRK 45 million. The dividend was distributed in July 2016.



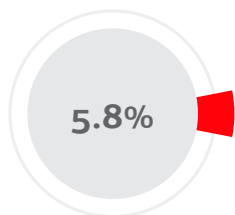
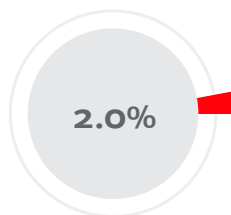
EMIL TEDESCHI



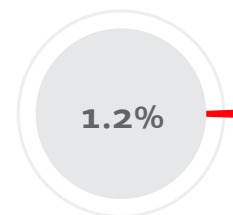
CROATIAN PENSION FUNDS



OTHERS

LADA TEDESCHI
FIORIO

EBRD



MANAGEMENT

OVERVIEW OF TOP 10 SHAREHOLDERS OF ATLANTIC GRUPA D.D. ON DEC 31ST 2016

SHAREHOLDER	NO. OF SHARES	% OWNERSHIP
EMIL TEDESCHI	1,673,819	50.2 %
RAIFFEISEN OBLIGATORY PENSION FUND, CATEGORY B	322,729	9.7 %
AZ OBLIGATORY PENSION FUND, CATEGORY B	286,372	8.6 %
ERSTE PLAVI OBLIGATORY PENSION FUND, CATEGORY B	202,328	6.1 %
LADA TEDESCHI FIORIO	193,156	5.8 %
PBZ CO OBLIGATORY PENSION FUND, CATEGORY B	98,146	2.9 %
EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT - EBRD	66,686	2.0 %
RAIFFEISEN VOLUNTARY PENSION FUND	49,549	1.5 %
ZAGREBAČKA BANKA D.D./JOINT CUSTODIAL ACCOUNT FOR UNICREDIT BA	34,225	1.0 %
KAPITALNI FOND D.D.	24,830	0.7 %

STOCK MARKET PERFORMANCE

The average price of an Atlantic Grupa's share in 2016 was HRK 832.5, while the average daily turnover amounted to HRK 717.8 thousand. With the average market capitalisation of HRK 3,783.0 million, Atlantic Grupa holds fourth place among the components of the CROBEX10 stock index. Also, according to the total turnover in 2016, the Atlantic Grupa's share holds ninth place compared to all the shares quoted on the Zagreb Stock Exchange.

PERFORMANCE ON BOND MARKET

In June 2016, Atlantic Grupa successfully issued corporate bonds in the amount of HRK 200 million, denominated in HRK, at a fixed annual interest rate of 3.125% with a semi-annual payment of interest and maturity as at 17 June 2021. The bonds were issued on the domestic capital market and listed in the first quotation of the Zagreb Stock Exchange, whereby Atlantic Grupa continued its practice of continuous improvement of own sources of financing, as well as fostering the development of the domestic capital market.

INVESTOR RELATIONS IN 2016

In 2016, at the annual conference of the Zagreb Stock Exchange, Atlantic Grupa has for the fourth time in a row won the first prize for best relations with investors, an award given by Poslovni dnevnik as the investment community's recognition of companies who have fair and transparent relations with investors. The award has been given for seven years in a row now, out of which Atlantic Grupa has six times been the winner of one of the top three awards. At the conference of the Belgrade Stock Exchange, Atlantic Grupa was awarded a silver plaque for investor relations in a regional competition. Moreover, in 2016 Atlantic Grupa participated in various investor conferences in Europe and the United States of America and held numerous meetings with domestic and foreign investors.

WORKFORCE IN 2016

In 2016 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 4901 employees* out of which 52.2% are women. The majority of our

employees works in Croatia (37.73%), Serbia (36.71%) and Slovenia (13.53%).

In 2016, 10.79% were part-time and 89.21% were full-time employees. In the same period, 8.50% of employees had short-term contracts, while 91.50% had long-term contracts.

Region (market)	No. of employees	%	M	F	M%	F%	Age group			Age group%		
							< 30	30 – 50	> 50	< 30	30 – 50	> 50
AT	19	0.4%	12	7	63.2%	36.8%	4	13	2	21.1%	68.4%	10.5%
BA	148	3.0%	106	42	71.6%	28.4%	7	102	39	4.7%	68.9%	26.4%
DE	167	3.4%	97	70	58.1%	41.9%	22	89	56	13.2%	53.3%	33.5%
ES	7	0.1%	4	3	57.1%	42.9%	-	7	-	0.0%	100.0%	0.0%
HR	1,849	37.7%	773	1,076	41.8%	58.2%	336	1,124	389	18.2%	60.8%	21.0%
IT	5	0.1%	1	4	20.0%	80.0%	-	5	-	0.0%	100.0%	0.0%
ME	2	0.0%	1	1	50.0%	50.0%	-	2	-	0.0%	100.0%	0.0%
MK	172	3.5%	106	66	61.6%	38.4%	27	116	29	15.7%	67.4%	16.9%
RS	1,799	36.7%	882	917	49.0%	51.0%	148	1,194	457	8.2%	66.4%	25.4%
RU	60	1.2%	26	34	43.3%	56.7%	11	38	11	18.3%	63.3%	18.3%
SI	663	13.5%	332	331	50.1%	49.9%	73	373	217	11.0%	56.3%	32.7%
UK	10	0.2%	4	6	40.0%	60.0%	2	2	6	20.0%	20.0%	60.0%
Total*	4,901	100.0%	2,344	2,557	47.8%	52.2%	729	3,115	922	14.9%	63.6%	18.8%

* Without freelancers

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 2016, 40.78% of our employees were covered with collective agreements, comparing to 90.0% in 2014 (in 2015 not signed a collective agreement for trading). Out of this number, 69.92% of employees have their own company's collective agreements and 30.08% are covered with industrial or federal collective agreements.

ATLANTIC GRUPA'S SUPPLY CHAIN

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 2016, Atlantic Grupa cooperated with more than 4.000 suppliers.

Regardless of the supplier's category, we aim to have a high quality relation with our suppliers, by creating through this relationship added value both for our company and also for our suppliers. Although we collaborate with a large number of suppliers, we constantly need to enrich the database of our suppliers with new vendors capable to contribute to create user and consumer satisfaction by their higher quality, more innovative, functional and more competitive products or services. In order to ensure constant product enhancements, we continuously evaluate our suppliers and stimulate them to improve their own efficiency and to develop innovative products and technologies.

Our relation with suppliers is built on criteria of professionalism, transparency and fair relationship, by fully respecting both the legal requirements and high ethical and moral standards. In the same manner we would also like to build relations with suppliers sharing our values and promoting equal standards with their partners they make business and stay in contact with.

For these reasons Atlantic Grupa dedicates special attention to selection of suppliers. Besides the above stated criteria, we expect from our suppliers to act in line with the legislation valid in the country of their origin but also in the countries with which they make business with, including the anti-discriminatory laws, employment legislation, health and safety protection, as also environment protection legislation.

Therefore we are actively looking for suppliers sharing our values and business principles, as also promoting the implementation of high standards in the environment within which they work.

These standards first of all include:

- Abiding by laws, including banning bribing or receiving bribes or personal premiums for making deals or realisation of cooperation
- Respecting human rights and workers' rights
- Protection of health and personal security of their employees
- Banning child labour
- Prohibiting discrimination based on race, religion, sex or any other criteria as also prohibiting sexual harassment
- Abiding by valid laws and standards of environmental protection, animal and plant species

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 practices that ensure sustainable sourcing and procuring by helping reducing waste, improving environmental impact and protecting human and labour rights.

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 re- sponsibility; ISO 50001 Energy management; OHSAS 18001; Infor- mation security ISO 27001...
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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. The common model for monitoring the Atlantic Grupa's suppliers was defined and established in 2014. The system includes unique criteria for approval, evaluation and auditing of suppliers, while intensive work was performed on the data collection and processing system as well as on the evaluation and monitoring model based on the risk management model.

Evaluation of suppliers is conducted once a year, and is generally based on two main criteria: quality and commercial terms and condi-

tions. Evaluation based on quality of delivered materials and suppliers' quality systems is performed in Quality assurance department.

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.

Ocean of opportunities

Ocean of excellence

CREATIVITY NURSING LOYALTY

Atlantic Grupa continuously innovates and improves **business processes** by keeping track of new developments in the industry and sharing the best practices among strategic units in the company. The spirit of openness, respect, loyalty, trust, fairness and personal responsibility spreads through our horizontal as well as vertical structures boosting creativity, maintaining our competitive edge and creating **a great place to work**. Rewarding and promoting activities and people who help create a better future for all of us through their work is an integral part of our **corporate culture**.



PASSION **SATISFYING CONSUMER AND CUSTOMER NEEDS AND DESIRES**

We are passionately dedicated to developing **extraordinary brands** and making them highly available to both our customers and consumers. In order to achieve our goal of delivering **the best product and service** we implement the highest process management standards (ISO 9001, HACCP, ISO 14001, FSSC 22000, IFS, BRC). Our **top management** sets ambitious quality, product safety and environmental aspect objectives and **our team** shares an unambiguous dedication to deliver accurate and timely information throughout the process chain. Our corporate culture supports and promotes the principles of **sustainable development**: economic efficiency, environmental and social and ethical responsibility.



GROWING WITH **RESPONSIBILITY**

We are growing with **full responsibility** to our colleagues, customers, partners, environment and other interested parties. All our processes, equipment and infrastructure, products and services are **compliant** with the relevant legislation and fulfill the high requirements of different markets and customers. Through systematic **risk assessments** we identify and implement all the necessary preventive measures in order to minimize risks across business operations. We share information and knowhow with all the interested parties (employers, external providers, service production, distributors, retail chains, consumers, shareholders and community) to create a successful **long term partnership**. By selecting raw materials and service that are environmentally friendly, recyclable packaging and rational use of natural resources we impact our environment **in a positive way**.



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 Responsible Business 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. In the period 2013 - 2015, a representative of Atlantic Grupa held 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 policies 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.

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

LABOUR

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 2016, 40.78% of our employees were covered with collective agreements.

The company's policies 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. 52.2% 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 2016 decreased for 1% (69%) compared to 2015 when it was 70% (engaged vs. not engaged employees).

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.

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.

Fully Integrated Environmental Management System (EMS) and Energy Management System (EnMS) 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

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 operate.

ANTI-CORRUPTION

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

By adjoining the Code, parties are obliged to responsible and ethical behavior 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. This report provides a transparent overview of the Group's performance and progress in social responsibility for 2016, in line with our intention to share our successes and challenges with all stakeholders.

Our responsibility with regard to all stakeholders has been an integral part of the company's development strategy, while business growth and expansion have at the same time extended the range of responsibility towards our internal and external surroundings and raised the awareness about the possibilities and the need to have own influence on improving the general conditions around us.

In these areas in recent years, we significantly enhanced our contribution to sustainable development, and our previous reports 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/>
- Sustainability reports 2013, 2014 and 2015
<http://www.atlantic.hr/en/media/publications/gri-report>

Sustainability report 2016 is prepared, as both previous reports, in accordance with the G4 Sustainability Reporting Guidelines, the

fourth generation of guidelines from GRI, at a "core" application level. Atlantic Grupa reports against 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 2016.

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 2016. Full information about financial results and risk management practices can be found in our Annual report 2016 and Financial report 2016: <http://www.atlantic.hr/en/media/publications/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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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 LABELING

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.

We know that we create value through our relationships. Building and maintaining our stakeholder relationships is therefore fully embedded in the way we do business. Everywhere we operate, we actively participate in forums, industry platforms and collaborative programmes. We create value for our stakeholders which, in turn, build value for our business over time.

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 consultations are carried out regularly through many channels. Topics of interest for our stakeholders are addressed in various sections of this report.

Key stakeholders	Communication channels	Areas of interest	Mutual benefits
Employees	Regular employee engagement survey Corporate interactive intranet Annual U3 process (setting personal goals) Organization & People panel	Occupational health and safety Equal opportunities Talent development Community engagement Career opportunities	Skilled and motivated workforce, ensured through providing equal opportunities, training, development and rewarding schemes, talent retention
Consumers, shoppers	Regional contact center Brands' Facebook pages Product labels Marketing campaigns Social media Education of consumer/shopper on points of sales	Products' health and safety Accessible nutritional information, Healthy diets Packaging waste management Convenience Animal wellbeing Preserving biodiversity	Consumer loyalty Products with low environmental impact
Customers and users of company services	Sales agreements Meetings and B2B events	Economic impacts Supply chain with low environment impacts	Meeting consumer needs by offering them choice and quality

Key stakeholders	Communication channels	Areas of interest	Mutual benefits
Suppliers	Supplier portal Purchasing agreements Quality agreements	Economic impacts Sustainable procurement Business ethics Supply chain with low environment impacts	Achieving highest responsible and sustainable procurement standards, with support in developing innovative and efficient products and services
Shareholders	General Assembly Corporate web page	Economic impacts Transparent governance Sustainable procurement Development strategies	Delivering strong sustainable earnings and dividends, thus establishing supportive shareholder base
Creditors	Corporate web page	Economic impacts Transparent governance Sustainable procurement Development strategies Environmental impacts Business ethics	Ensuring fruitful long term partnership, by excelling in all areas of business
Communities and environment	Regional contact center Donations and sponsorships procedure Direct cooperation with local community representatives Meetings and consultations Open calls for donations Brands' Facebook pages	Community engagement Environmental impacts	Establishing trust and long term relationship by improving quality of lives and preserving the environment
Public authority bodies	Meetings and consultations	Economic impacts Transparent governance Accessible nutritional information Environmental impacts Development strategies	Collaboration on contributing to public good

3. CORPORATE MANAGEMENT

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.

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 and listing on the Zagreb Stock Exchange, Atlantic Grupa based its business activities on the Code of Corporate Governance of Atlantic Grupa with which 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. The Code also prescribes the obligation of publishing data belonging to categories of price-sensitive information, all in an effort to ensure equal treatment of shareholders and information transparency for present and future investors.

Considering that the shares of Atlantic Grupa d.d. are quoted on the Zagreb Stock Exchange, Atlantic Grupa applies the valid Code of Corporate Governance of the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange. In accordance with relevant regulations, Atlantic Grupa in 2016 issued a Statement of Application of the Code of Corporate Governance, thereby 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 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 is a signatory of the Code of Ethics in Business initiated by the Croatian Chamber of Economy. The listed Code lays down guidelines for ethical behaviour of business subjects in the Croatian economy. Such definition of ethical criteria contributes 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 signing the Code of Ethics, its 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.

At the business conference on Corporate Governance in Croatia held in September 2016, Atlantic Grupa won the award for the best corporate governance in Croatia. Atlantic Grupa is developing and acting in accordance with good practice of corporate governance and endeavours, through its business strategy, business policy and key internal acts, to contribute to transparent and efficient business and quality relationships with the business environment in which it operates, following global and European trends.

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 16 June 2016. The following decisions were made at that Assembly: issuing the note of release to the members of the Management Board and the Supervisory Board, paying a dividend to the Company shareholders in the amount of HRK 13.50 per share, in proportion to the number of shares held by each shareholder, amendments of Atlantic Grupa's Articles of Association, appointment of a member of the Supervisory Board, and appointment of an independent Auditor of the Company for the year 2016. All decisions from the held 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 2016, 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). After the end of term for Vedrana Jelušić Kašić, under the decision of the General Assembly dated 16 June 2016, Jean-Louis Gourbin was appointed as a new member of the Supervisory Board, with his term beginning on the date of adopting the said decision.

The members of the Supervisory Board are:

Zdenko Adrović/President
Lada Tedeschi Fiorio/Vice President
Siniša Petrović/Member
Franz-Josef Flosbach/Member
Aleksandar Pekeč/Member
Jean-Louis Yvon Gourbin/Member
Lars Peter Elam Håkansson/Member

The members of the Supervisory Board have been remunerated for their work and have the right to remuneration which is appropriate for the tasks performed as well as the Company's situation and business performance. In 2016, members of the Supervisory Board of Atlantic Grupa d.d. on the said grounds received compensation in the total gross amount of HRK 1,370,904.39.

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 shareholders and the needs of management to direct and manage the company's operations. It provides a framework to establish the company's objectives and define the funds required to achieve those objectives as well as to monitor the implementation and efficacy of those objectives. The Committee is chaired by Siniša Petrović, Nina Tepeš was appointed as a member from the ranks of external experts,

while Vedrana Jelušić Kašić, until expiry of her term in the Company's Supervisory Board, i.e. 15 June 2016, acted as the member appointed from the ranks of the Supervisory Board.

The Nomination and Remuneration Committee proposes candidates for the Management Board, Supervisory Board and senior management personnel as well as contents of contracts with the members of Management Board, structure of their compensation and compensation of the Supervisory Board's members. The Committee is chaired by Aleksandar Pekeč, Lars Peter Elam Håkansson was appointed as a member from the ranks of the Supervisory Board and Zoran Sušanjan as a member from the ranks of external experts.

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. Also, the Committee 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 Committee is chaired by Lada Tedeschi Fiorio, Franz-Josef Flosbach was appointed as a member from the ranks of the Supervisory Board and Marko Lesić as a member from the ranks of external experts.

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 2016 in the total gross amount of HRK 71,936.19.

MANAGEMENT BOARD OF ATLANTIC GRUPA

The Management Board of Atlantic Grupa consists of the President and Group Vice Presidents. Nineteen sessions of the Management Board were held in 2016.

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 Activities

Zoran Stanković

/ Vice President for Finance

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. The Council includes the following members: President of the Management Board, Senior Group Vice President for Business Operations, Group Vice President for Finance, Group Vice President for Corporate Activities, directors of Zone West, Zone East, Strategic Business Units, Strategic Distribution Units and the Business Unit Gourmet, Senior Executive Director of Corporate Legal Affairs, Investments and Asset Management, Senior Executive Director of Business Development, Strategy and Information Technology, Senior Executive Director of Corporate Key Accounts Management, Secretary General, Executive Directors of Central Purchasing, Corporate

Human Resources, Corporate Controlling , Corporate Information and Communication Technologies 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 Manage-

ment 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 operations, 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 Corporate Human Resources, the Director of Corporate Communications and the Director of Corporate Quality Management.

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 EBIT plan for the consolidated Atlantic Grupa's business year. Provided that all contractual criteria were satisfied, board members are paid the amount of realised bonus remuneration through the Stock Option Programme by acquiring own shares of Atlantic Grupa. For the President of the Management Board, the whole bonus remuneration amount is paid in cash.
- Life insurance policy for the members of the Management Board contracted by Atlantic Grupa at the reputable insurance companies in Croatia, with the annual premium of HRK 8,250.00.
- Personal accident insurance policy with the annual premium of HRK 8,300.00.
- Voluntary health insurance policy that includes the Management Board members, with which Atlantic Grupa, as the insurance contractor, with an annual premium of HRK 7,500 per person, provides a quality health treatment through an annual comprehensive health examination, any required specialist medical tests with the application of

most contemporary and efficient medical devices and equipment in specialised polyclinics with the best health experts.

- 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 which 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 member 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, regard-

less 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 2016, 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 17,778,162. 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 2016 received a gross amount of HRK 5,157,683.00.

ETHICS AND INTEGRITY

Atlantic Grupa 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.

In addition, as described above, 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. Furthermore, as also described, Atlantic Grupa acceded to the Code of Ethics in Business issued by the Croatian Chamber of Economy.

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

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 Corpo-

rate 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.

ETICAL CODE OF 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, eth-

nic, 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

In 2016, Atlantic Grupa continued its announced strategy of intensive internationalisation of operations, investing in brands that were defined as the forerunners in this strategy, and in the development of own distribution capacities and strengthening distribution partnerships, primarily in West and East European countries.

Atlantic Grupa ended the year 2016 in line with its business plans, and for the ninth year in a row achieved the announced expectations. Although the termination of cooperation with the major buyer in the segment of private labels could not be fully compensated, sales of own brands increased in almost all Strategic Business Units, coupled with the market share growth in nearly all categories of both own and principal brands in the markets of South-East Europe. In addition to the above, the 2016 financial results were significantly affected by investments related to establishing own distribution companies in Germany and Austria, continuation of the restructuring of the Strategic Business Units Sports and Functional Food, the continuing economic crisis in Russia, and the related depreciation of the Russian rouble. Regarding financial consolidation, the company

refinanced long-term loans and signed agreements with more favourable financial terms, while successfully issuing five-year corporate bonds in the amount of HRK 200 million, at a fixed annual interest rate of 3.125%.

Among key determinants of the Atlantic Grupa's financial position in 2016, the following should be pointed out:

- Due to the decrease in net debt of HRK 176.1 million, i.e. by 10.5% at the end of 2016, the gearing ratio decreased by 362 basis points. Despite the decrease in net debt, the debt measured as the net debt to EBITDA ratio increased from 3.0 to 3.2, due to the decrease in EBITDA. At the same time, the coverage of interest expense by EBITDA increased from 5.4 to 6.1.

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DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED



Atlantic Grupa Consolidated '000 HRK	2015	2016	Change 2016/ 2015
DIRECT ECONOMIC VALUE GENERATED	5,423,295	5,124,348	-5.5%
REVENUES	5,423,295	5,124,348	-5.5%
ECONOMIC VALUE DISTRIBUTED¹	5,165,029	4,984,896	-3.5%
Operating costs -incl. Education & Freelancers	4,089,317	3,846,536	-5.9%
Employee wages and benefits -excl. Education, freelancers ²	713,075	744,713	4.4%
Payments to providers of capital ³	145,673	168,273	15.5%
Payments to Government ⁴	65,165	68,601	5.3%
Community investments	36,266	40,756	12.4%
CAPEX	115,534	116,017	0.4%
ECONOMIC VALUE RETAINED	258,266	139,452	-46.0%

¹ Excluding provisions (bad debts, inventories, employee future commitments as per IAS 19)

² Including taxes and contributions on salaries

³ Interest expense (P&L item) and dividend paid

⁴ Refer to P&L items (corporate income tax, other taxes and contributions not related to result)

In 2016, Atlantic Grupa recorded sales of HRK 5.1 billion, which is a 5.5% decrease compared to the same period of the previous year. The decrease is largely a consequence of the decrease in sales of the Strategic Business Unit Sports and Functional Food, caused mainly by the terminated cooperation with the major buyer of the private label. If the effect of the sales revenue of this buyer is excluded, sales are 0.6% lower, and if the effects of the average depreciation of the Russian ruble of 9.6% and the average depreciation of the Serbian dinar of 2.9% compared to the same period of the previous year are also excluded, sales grew by 0.3%.

Decrease of Economic value retained comparing to prior year is primarily result of sales decrease and also of increase in employee costs and payments to providers of capital.

Revenues – In 2016, Atlantic Grupa recorded lower sales, mainly influenced by lower sales in the strategic business unit Sports and Functional Foods primarily due to the terminated cooperation with a major buyer of the private label but also due to the targeted restructuring of the overall strategic business unit. Strategic business units Coffee and Beverages also recorded lower sales comparing to 2015. Analysing by markets, the largest growth has been achieved in the market of Croatia while the second largest market, Serbia experienced a decrease in sales.

Operating costs -incl. Education & Freelancers – Looking closely at 2016, costs of goods sold decreased as a result of lower sales. Production material expenses in 2016 decreased due to lower prices of raw coffee and lower production in the sports and functional food segment, following the terminated cooperation with the major private label buyer. Costs of services grew due to costs of logistics services related to beginning of own distribution in Germany and Austria, increased logistics costs in Russia and higher IT investments. Marketing costs grew due to increase in marketing expenses in the coffee, beverages and savoury spreads segments. Other operating expenses appear higher in 2016 due to one off gains in 2015 related to sale of tea business.

Employee wages and benefits -excl. Education, freelancers – Employee wages and benefits grew in 2016 primarily due to a higher number of employees, as a result of opening new distribution companies in Austria and Germany despite significant savings from the restructuring of strategic business unit Sports and Functional Foods.

Payments to providers of capital – As a consequence of continuous repayment of long-term borrowings and successful refinancing in 2016, payments to providers of capital, i.e. interest payments, were lower in 2016. This was offset by dividend payment of HRK 40 million (HRK 12.00 per share) in 2015 and HRK 45 million (HRK 13.50 per share) in 2016, as well as by payment of finance fee for pledge of shares to a major shareholder.

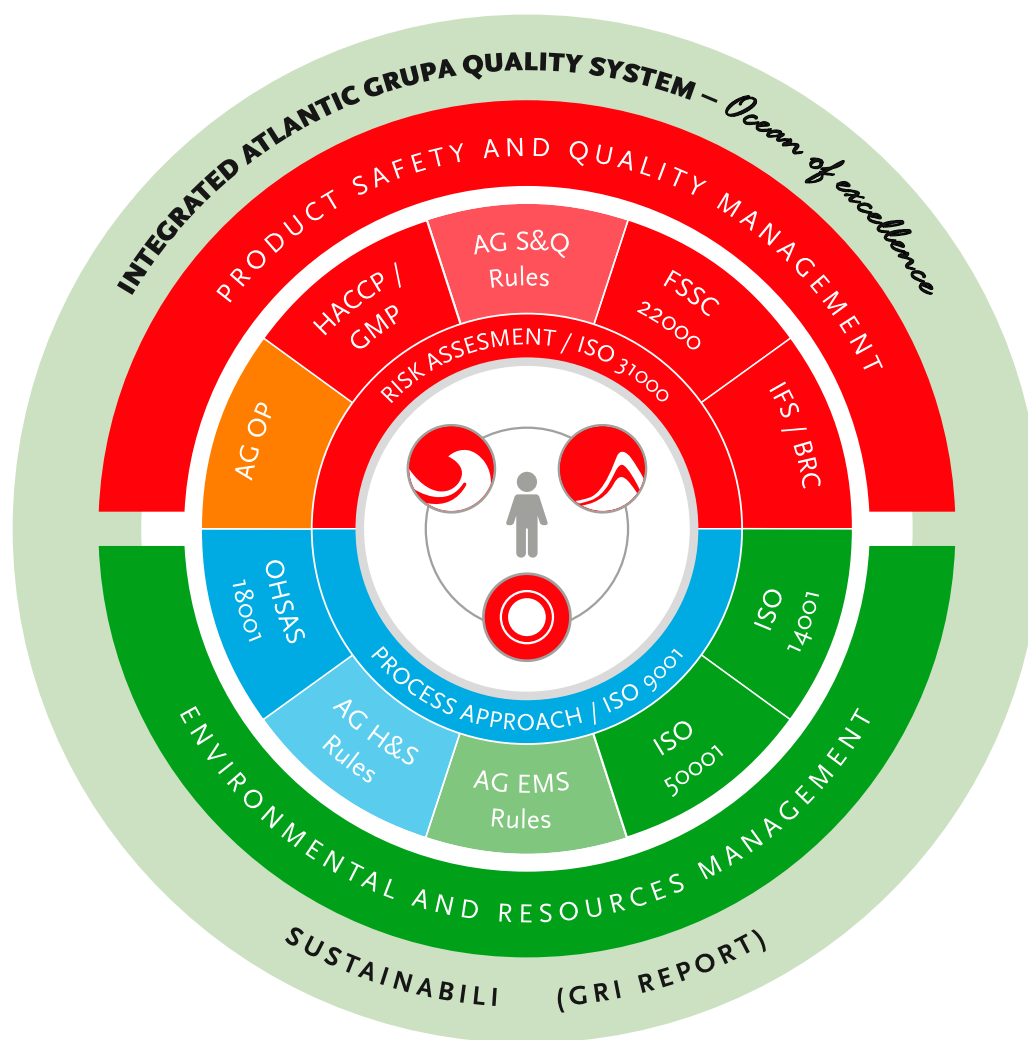
Payments to Government – Increase in payments to government reflected higher corporate income tax as well as higher other taxes and contributions not related to result.

Community investments – Atlantic Grupa is a major sponsor focused primarily on the promotion of sports where most funds and involvement are dedicated to supporting projects such as the basketball club Cedevita. Atlantic Grupa is also an active participant and organiser of a number of humanitarian actions and it systematically supports a whole series of organisations and associations involved in protecting and helping vulnerable social groups. In 2016, Multipower, among others, sponsored sports such as cycling, triathlon, running, as well as adrenaline sports. In the culture and knowledge segment, Atlantic Grupa has again in 2016 supported the 21st Sarajevo Film Festival as a central cultural manifestation in the region and has established a sponsorship agreement with the European carrier centre and Triple Bridge artists.

Capex – In 2016 the amount of the company's capital expenditure increased slightly compared to the previous year and mostly relates to investment in production equipment aiming to increase efficiency of SBU production processes, and to development of IT infrastructure, business systems and applications.

5. PRODUCT RESPONSIBILITY

Every day, the numerous consumers of our products show us their trust because we build the 100% safety of our products with full responsibility. We listen for the needs and desires of our consumers with passion, transforming them into the excellence of our brands and services. The satisfaction of customers and consumers is the daily mission we share. The head management of the company sets goals and secures the resources for reaching those goals, and promotes quality awareness through example as a part of the 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. We manage our safety policy in accordance with local and European legal regulations, along with market and consumer demands. 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. In addition, we are 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.

In 2016, Atlantic Grupa's activities in this segment were directed at:

IMPROVING THE SYSTEM IN ACCORDANCE WITH THE REQUIREMENTS OF ISO 9001 & 14001:2015 STANDARDS

Based on the GAP analysis of compliance with new requirements of ISO 9001:2015, we were focused on certain system elements that directly affect the efficiency of business processes. The identification of risks and opportunities for improving the system was recognised as

an important tool in improving and developing business processes. In 2016, special attention was given to implementing the corporate risk management methodology and connecting the different risk management levels and methodologies in Atlantic Grupa.

The identification of risks and potential opportunities became an integral part of the process performance analysis, and it is included in annual reports on process efficiency. In parallel

with activities at the corporate level and activities in the Group's specific strategic business and distribution units, we carried out a series of trainings aimed at promoting the decision-making model based on risk analysis as the basis for a proactive approach to risk management in all processes. At the same time, we analysed and tested the corporate model for risk management in crisis situations (basis for a reactive approach to risk management).

Risk management levels in Grupa	
CORPORATE LEVEL	SBU / SDU LEVEL
PROCESS / OPERATIONAL LEVEL	PROJECT LEVEL

IMPROVING THE NON-CONFORMITY MANAGEMENT SYSTEM

The common platform for managing non-conformities was implemented in all the key markets by the end of 2016. The implementation of this new tool allowed for easier reporting of non-conformities, process standardisation, transparent monitoring of every non-conformity during the life-cycle, communication during the solving process, monitoring costs related to non-conformities, traceability through tool-based records, real-time analytics and reporting, management of tasks and activities resulting from corrective measures, quality management of follow-up activities and establishing a knowledge base. In addition to the new tool, the process of non-conformity management was reconstructed by focusing on key non-conformities (status of deviation/non-conformity), introducing the new improved classification of non-conformities, linking each non-conformity to one primary process, clear

system of responsibilities and authorisations, and raising knowledge and awareness about the importance of non-conformity management on all our markets. In addition, one of the important objectives in 2016 was to interconnect the different forms of reporting on the system efficiency in order to improve transparency and clarity of information for review by the management.

IMPROVING THE CONTROL OF EFFICIENCY PROCESSES AT THE SBU LEVEL

In 2015 we introduced a new monitoring model that includes management reviews at the level of each site, with the aim of focusing on individual goals and risks specific for that site. In 2016, our focus was on monitoring levels, i.e. SBU management review. The achieved specific objectives were to put more focus on meeting the key performance indicators (KPI), focus on risk management and clearer, shorter presentation and improved communication within the department.

ANALYSING THE POTENTIAL BENEFITS OF ISO 50001 STANDARD (ENERGY EFFICIENCY) CERTIFICATION

The analysis of the existing system confirmed that, within environmental management, there is already a whole series of activities aimed at efficient energy management. As the company's next step towards sustainable development, a decision was made to implement the ISO 50001 standard in all key sites in the next three years. The first 5 sites operating under Droga Kolinska (Izola, Rogaški Vrelci and Mirna) and Cedevita (Planinska, Apatovac) will be included in Atlantic Grupa's integrated certification supervision scheme in early 2017.

Analysis of the three-year cycle of integrated certification

The project of implementing the integrated quality and environmental management system was initiated at the end of 2012, aimed at integrated certification of all members of Atlantic Grupa. The project involved a new innovative approach to certification and implementation of the so called "multi-site" certification model for Atlantic Grupa, which was in March 2015, after three years of intensive work, successfully implemented.

>> [Certificates table on the next page](#) >>

PRODUCT HEALTH AND SAFETY

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

For six consecutive years Atlantic Grupa has been working on the organisation of quality control in order to balance the goals and results of business units and maximise the satisfaction of consumers of our products. The processes of quality control in Atlantic Grupa are organised through independent quality assurance departments within the company's operating structure, and directed according to balanced goals from the corporate level.

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
- good and coordinated cooperation with other business processes
- 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.

The Atlantic Grupa certificate family comprises:

Legal entity (location)	Market	Quality Management Standard	Food Safety System Certification	Food Safety Standard	Environmental Management Standard	Good Manufacturing Practice
Atlantic Grupa	CRO	ISO 9001			ISO 14001	
Cedevita (Planinska)	CRO	ISO 9001	FSSC 22000	HACCP	ISO 14001	GMP (CL)
Cedevita (Apatovec)	CRO	ISO 9001	FSSC 22000	HACCP	ISO 14001	
AMHR	CRO	ISO 9001	IFS		ISO 14001	
APHC				HACCP		
Neva	CRO	ISO 9001	IFS		ISO 14001	ISO 22716
Montana	CRO	ISO 9001		HACCP	ISO 14001	
Fidifarm	CRO	ISO 9001		HACCP	ISO 14001	GMP
Atlantic Trade	CRO	ISO 9001		HACCP	ISO 14001	
Bionatura	CRO			HACCP		
Droga Kolinska (Ljubljana)	SLO	ISO 9001			ISO 14001	
Droga Kolinska (Izola)	SLO	ISO 9001	FSSC 22000	HACCP	ISO 14001	
Droga Kolinska (Mirna)	SLO	ISO 9001		HACCP	ISO 14001	
Droga Kolinska (Rogaška)	SLO	ISO 9001	FSSC 22000	HACCP	ISO 14001	
Argeta	BIH	ISO 9001	FSSC 22000	HACCP	ISO 14001	
Kofikom Product	BIH	ISO 9001			ISO 14001	
Soko Štark	SER	ISO 9001	FSSC 22000	HACCP	ISO 14001	
Soko Štark Ljubovija	SER	ISO 9001	FSSC 22000	HACCP	ISO 14001	
Palanački kiseljak	SER	ISO 9001		HACCP	ISO 14001	
Grand Prom	SER	ISO 9001		HACCP	ISO 14001	
Foodland	SER	ISO 9001	FSSC 22000	HACCP		
Atlantic Brands	SER	ISO 9001		HACCP	ISO 14001	
Atlantic Multipower	GER	ISO 9001	IFS	HACCP	ISO 14001	
Droga Kolinska (Skoplje)	MAC	ISO 9001		HACCP	ISO 14001	
Atlantic Trade (Skoplje)	MAC	ISO 9001		HACCP	ISO 14001	

*New standards implemented in the last three years are highlighted in red

The achievement of complex goals in the field of quality control requires a proactive and coordinated involvement of experts from the processes of new product development, procurement, legal affairs and quality assurance. The following factors have an important role in the production of health-safe products: selection of source materials (non-toxic, allergen-free, GMO-free, etc.), quality control of all input materials and ingredients, monitoring of all production and distribution phases, quality assurance of finished products and monitoring customer satisfaction.

In 2016, our experts shared their experiences in an internal professional conference that covered the following topics:

- risks related to foreign material management,
- allergens – new and more structured approach to allergen control,
- more efficient handling of complaints through the reorganised “Call center”,
- new microbiological risks (viruses) and their control,
- new knowledge in the field of microtoxins, argument-based risk assessment and control measures,
- service quality management, which directly affects the product quality (transport, hygiene services, etc.),
- use of control cards for monitoring the process.

In addition, several trainings were organised within the internal programme for improving functional knowledge in the field of quality and

product safety management systems, with a primary focus on service quality management, and in all nineteen production facilities we held workshops with quality assurance teams for the purpose of confirming the efficiency of control plans.

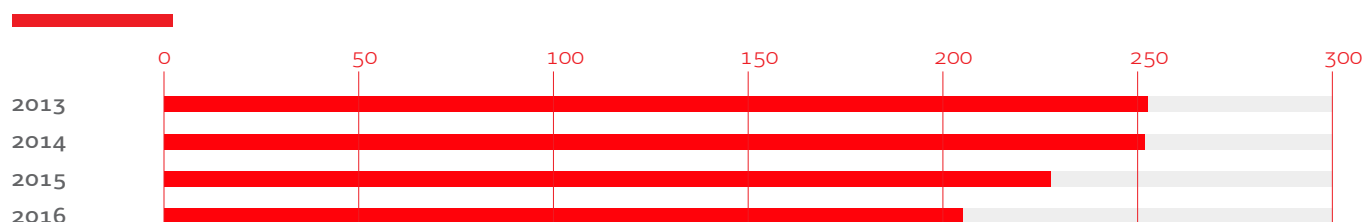
This year, special attention was given to preventing physical contamination and identifying potential additional control measures. The efficiency of the quality assurance process is assessed on the basis of achieving target values for key indicators, such as the number of consumer complaints and the number of product recalls, while significant efforts are invested in collecting reactions and comments of our consumers through the call centre. The number of justified complaints at the Group level shows a better result in relation to 2015 (by more than 10%), while taking into account the higher number of products compared to the previous year, since the data processing for the first time included the Foodland’s product assortment.

The large family of certified systems was in 2016 joined by a food safety management certificate FSSC 22000 for the company Foodland.

Furthermore, Atlantic Grupa in 2016 held several conferences aimed at improving different segments of its operations:

- Process Management
- Quality Assurance
- Environmental Management
- Distribution Quality
- Internal Audit.

NO. OF JUSTIFIED COMPLAINTS (2013 – 2016)



	Recalls-health and safety impacts					Withdrawals – preventive actions due to potential health and safety impacts					
	2013	2014	2015	2016	Estimated risk 2017	2013	2014	2015	Tolerable risk 2017	2016	Estimated risk 2017
AG OWN BRANDS	0	0	0	0	0	3 (voluntary codes)	2 (1 voluntary codes + 1 Regulations)	4 (3 voluntary codes + 1 regulations)	max 3	2 Bakina tajna	2
PRINCIPALS - AG DISTRIBUTION	0	0	0	0	0	1(Regulations)	0	0	n/a	0	n/a

*Direct financial consequences in all cases of withdrawals were minor - no fine or penalty paid, small series (small quantities of products destroyed after withdrawal and selection). Indirect financial consequences were not observed. The total number of withdrawals in 2016 was lower than in 2015.

Data in the table are for AG own brands. In year 2016 there were no withdrawals for distribution. We have no direct influence on number of withdrawal/recall for the distribution.

In 2016, we continued to raise the competence of local teams by regular targeted training, using knowledge and experience of corporate experts. Significant support for these excellent results was provided by the prevention programme for control of food hazards, which is managed at the Group level in order to summarize all experiences of the company's expert teams. Monitoring is focused on input materials and adjusted to the supplier's risk assessment. It implies the control of pesticide residues, heavy metals, allergens, microtoxins, alkaloids, PAHs and dioxins, nitrates, pharmacologically active substances, fatty acid ester content in high-fat products, and contamination by migration of substances from primary packaging. As a novelty, in 2016 we tested the content of mineral oils in sports bars and

baby food, analysed cyclo-di-badger residues in cans and initiated search for specific pesticide fosetyl-Al in raw materials and products. In 2016, we tested about 50% more samples than in 2015, for the purpose of preparing products for new target markets.

Laboratory testing of input materials, semi-finished products and finished products are 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. Depending on the type of contaminants, such tests are outsourced to accredited and specialised laboratories.

The activities in the field of quality assurance are supported by advanced IT solutions: the SAP QM module was implemented in the Slovenian market and in some legal entities in Croatia, while other locations use internal IT solutions on similar platforms according to the same model. In 2016, additional steps forward were also made in the fields of safety management and product quality in food-related distribution operations. During 2016 we started to implement the good practices already present

in our established markets within the Zone East, such as the defined quality of storage services, transparent and strictly defined procedures for managing complaints and crisis situations, etc. into business processes in new markets and distribution centres within the Zone West. Pleased with the results, in 2017 we will continue improvements and investments into control equipment, gaining further excellence and expert knowledge in this field.

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, non-genetically modified organisms, gluten, and development of products rich in positive nutrients, such as magnesium,

calcium, nutritional fibres, antioxidants, 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.



G4-PR 3

TYPE OF PRODUCT AND SERVICE INFORMATION REQUIRED BY THE ORGANIZATION'S PROCEDURES FOR PRODUCT AND SERVICE INFORMATION AND LABELING, AND PERCENTAGE OF SIGNIFICANT PRODUCT AND SERVICE 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 2013	% in 2014	% in 2015	KPI 2016	% in 2016	KPI 2017	
The sourcing of components (raw materials, packaging)	Organic product	1%	1%	1%	1%	1%	1%	
	GDA information on the label	36%	38%	38%	40%	na	na	no longer required information
Content of the product (recipe)	Decaffeinated product	3%	3%	3%	3%	3%	3%	
	Added caffeine	1%	1%	0%	0%	na	na	
Safe use of the product	Added caffeine - Not adequate to diabetics, pregnant women, children and people sensitive to caffeine	1%	1%	0%	0%	na	na	
	Store in a cool and dry place	100%	100%	100%	100%	100%	100%	
	Add cold water	5%	5%	5%	6%	6%	7%	
	Add hot but not boiling water	31%	32%	32%	35%	35%	35%	
Disposal of the product	Signs for appropriate recycling product packaging	100%	100%	100%	100%	100%	100%	



SNACKS	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next						NOTE
		% in 2013	% in 2014	% in 2015	KPI 2016	% in 2016	KPI 2017	
The sourcing of components (raw materials, packaging)								
Content of the product (recipe)	GDA information on the label	100%	0%	100%	100%	100%	100%	
	natural vanilla	5%	5%	5%	5%	5%	5%	
	rich in Calcium	5%	5%	5%	5%	5%	5%	
	chocolate with high cocoa content				6%	6%	6%	
	high in fiber	3%	5%	5%	6%	6%	6%	
	rich in vitamins and minerals	1%	0%	0%	0%	0%	0%	
	no artificial flavors	0%	1%	1%	9%	9%	9%	
	no artificial colourings	0%	3%	3%	3%	3%	3%	
	mix of 8 grains	3%	0%	0%	0%			
	no added sugar				1%	1%	1%	
	without additives				5%	5%	5%	
	without gluten				5%	5%	5%	
	Safe use of the product	Store in cool and dry place	100%	100%	100%	100%	100%	100%
laxative effects of excessive consumption					1%	1%	1%	
extended shelf life with packaging in control atmosphere					15%	15%	15%	
Easy open	Cold seal flexible packaging	0%	5%	13%	14%	14%	14%	
Disposal of the product	all signs for appropriate recycling product packaging	100%	100%	100%	100%	100%	100%	



MEAT AND FISH PATE — MONTANA SANWICHIES	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next						NOTE
		% in 2013	% in 2014	% in 2015	KPI 2016	% in 2016	KPI 2017	
The sourcing of components (raw materials, packaging)	MSC Tuna Pate	0%	<1%	1%	1%	2%	2%	
	chicken fat in recipies	90%	95%	95%	95%	95%	95%	
	bouillon in recipies	50%	60%	60%	60%	100%	100%	all bouillon is used in production
Content of the product (recipe)	nutritional information on the label	70%	99%	100%	100%	100%	100%	
	source of omega -3 claim				1%	1%	1%	3 products: sardina, sardina pikant, sardina posna
	gluten free claim			50%	50%	70%	70%	on 95g pate; no space for communication on single portion pates; Montana and argeta snack - contain gluten.
	no additives	31%	40%	45%	60%	60%	X	
	no preservatives						95%	all pate, Montana excluded
	no enhancers						95%	all pate, Montana excluded
	no colors						95%	all pate, Montana excluded
Safe use of the product	Refrigerate after opening info	55%	55%	70%	70%	70%	70%	on 95g pate; no need for single portion pates; Montana
	Do not use if the product is inflated (ARGETA)	100%	100%	100%	100%	100%	100%	
	Do not use if the product is inflated (MONTANA)	0%	50%	50%	50%	50%	50%	
Disposal of the product	all signs for appropriate recycling product packaging	100%	100%	100%	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 2013	% in 2014	% in 2015	KPI 2016	% in 2016	KPI 2017	
	The sourcing of components (raw materials, packaging)	na	na	na	na	na	na	
Content of the product (recipe)	enriched with vitamins and minerals	100%	100%	100%	100%	100%	100%	
	without additives and preservatives	100%	100%	100%	100%	100%	100%	
	without gluten	35%	na	36%	36%	43%	43%	
	with no added sugar	8%	na	9%	9%	10%	10%	
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%	100%	100%	100%	
Disposal of the product	all signs for appropriate recycling product packaging				100%	100%	100%	



CARBONATED SOFT DRINKS	INFORMATION	% of products in brand portfolio of significant product category in compliance with the require- ment described next						NOTE
		% in 2013	% in 2014	% in 2015	KPI 2016	% in 2016	KPI 2017	
The sourcing of compo- nents (raw materials, packaging)	na	na	na	na	na	na	na	
Content of the product (recipe)	GDA information on the label	95%	100%	100%	na	100%	100%	end of 2014 new legislation - GDA is not declared any more, only energy value is declared on the front of the label
	DR (daily reference) informa- tion on the label	-	-		na	75%	75%	
	caffeine and orthophosphoric acids free	70%	64%	62%	na	5%	5%	
	with sweeteners, sugar-free	6%	6%	5%	na	5%	5%	
	with fruit juice	17%	35%	33%	na	100%	100%	
Safe use of the product	serve cool	100%	100%	100%	na	100%	100%	
Disposal of the product	all signs for appropriate recycling product packaging	100%	100%	100%	na	100%	100%	Cockta classic - use recycled PET
	sign of dispose carefully	100%	100%	100%	na			



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 2013	% in 2014	% in 2015	KPI 2016	% in 2016	KPI 2017	
The sourcing of components (raw materials, packaging)	natural sources of water	100%	100%	100%	na	100%	100%	
	rich in minerals, contains hydrogen carbonate, sulphate, sodium, magnesium, calcium	100%	100%	100%	na	100%	100%	
Safe use of the product	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%	na	100%	100%	
	Drinking in huge quantities could cause diarrhoea, which ends, if you stop drinking or respect recommended intake.	100%	100%	100%	na	100%	100%	
	after opening, store in refrigerator	100%	100%	100%	na	100%	100%	
Disposal of the product	all signs for appropriate recycling product packaging	100%	100%	100%	na	100%	100%	
	sign of dispose carefully	100%	100%	100%	na	100%	100%	



VIN	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next						NOTE
		% in 2013	% in 2014	% in 2015	KPI 2016	% in 2016	KPI 2017	
The sourcing of components (raw materials, packaging)	Granules for Vitamin Beverages preparation	100%	100%	na	na	100%	100%	
	natural flavour	100%	100%	na	na	100%	100%	
Content of the product (recipe)	GDA information on the label	100%	8%	na	na	5%	5%	Only Multivita SER, Cedevita - not applicable for food supplement according new legislation
	9 vitamins	100%	100%	na	na	100%	100%	
	EFSA Health claims			na	na	0%	0%	
	with sweeteners, sugar-free	3%	3%	na	na	100%	100%	
	with calcium	9%	9%	na	na	5%	5%	
Safe use of the product	always use a dry spoon	100%	100%	na	na	9%	9%	
	after use, close the packaging tightly	100%	100%	na	na	100%	100%	
	store in dry place out of reach small children	100%	100%	na	na	100%	100%	
Disposal of the product	all signs for appropriate recycling product packaging	100%	100%	na	na	100%	100%	



CANDIES	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next						NOTE
		% in 2013	% in 2014	% in 2015	KPI 2016	% in 2016	KPI 2017	
The sourcing of components (raw materials, packaging)	Multivitamin candies	76%	76%	na	na	68%	68%	
	Pressed candies with sweetener	6%	6%	na	na	2%	2%	
	Pressed candies with vitamin C	18%	18%	na	na	32%	32%	
Content of the product (recipe)	9 vitamins	100%	100%	na	na	68%	68%	
	with vitamin C	100%	100%	na	na	32%	32%	
	with calcium	15%	15%	na	na	7%	7%	
	with sweeteners, sugar-free	100%	100%	na	na	2%	2%	
	for fresh breath	100%	100%	na	na	0%	0%	
Safe use of the product	store in cold and dry place	100%	100%	na	na	0%	0%	
	excessive consumption may have a laxative effect	100%	100%	na	na	2%	2%	
Disposal of the product	all signs for appropriate recycling product packaging	100%	100%	na	na	100%	100%	



CEDEVITA GO	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next						NOTE
		% in 2013	% in 2014	% in 2015	KPI 2016	% in 2016	KPI 2017	
The sourcing of components (raw materials, packaging)	Multivitamin Beverage	100%	100%	na	na	100%	100%	
	natural flavour	100%	100%	na	na	100%	100%	
	natural spring water	100%	100%	na	na	100%	100%	
Content of the product (recipe)	9 vitamins	100%	100%	na	na	100%	100%	
	EFSA Health claims			na	na	100%	100%	
	With sweeteners, sugar free			na	na	100%	100%	
	with calcium	6%	6%	na	na	6%	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%	na	na	7%	7%	
	store in dry place below the 25°C out of reach for small children	100%	100%	na	na	100%	100%	
Disposal of the product	all signs for appropriate recycling product packaging	100%	100%	na	na	100%	100%	



TEAS	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next						NOTE
		% in 2013	% in 2014	% in 2015	KPI 2016	% in 2016	KPI 2017	
The sourcing of components (raw materials, packaging)	na			na	na	na	na	
Content of the product (recipe)	obligated text of herbs by legislation	73%	73%	na	na	100%	na	
	with sweeteners	18%	18%	na	na	10%	na	
Safe use of the product	store in dry place	100%	100%	na	na	100%	na	
	store in dark and dry place and below 25°C	0%	0%	na	na	0%	na	
	picture of tea preparation	100%	100%	na	na	100%	na	
	refreshing non-carbonated soft drink from plant extracts enriched with vitamin C	0%	0%	na	na	0%	na	% fall due changes in the assortment
	refreshing non-carbonated soft drink from plant extracts	0%	0%	na	na	0%	na	% fall due changes in the assortment
Disposal of the product	all signs for appropriate recycling product packaging	100%	100%	na	na	100%	na	
Other	story about tea which begins : "Dear lovers of cedevita teas...."	0%	0%	na	na	0%	na	



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 2013	% in 2014	% in 2015	KPI 2016	% in 2016	KPI 2017	
The sourcing of components (raw materials, packaging)	natural sources of water	100%	100%	na	na	100%	100%	
	natural spring water	67%	67%	na	na	54%	54%	
	carbonated natural mineral water	33%	33%	na	na	46%	46%	
Content of the product (recipe)	contains hydrogen carbonate, sodium, magnesium	100%	100%	na	na	100%	100%	
Safe use of the product	store in dark place and below the 25°C	0%	0%	na	na	0%	0%	
	Keep away from heat sources and protected from direct sunlight. It is recommended to store in a cold place.	100%	100%	na	na	100%	100%	
	after opening, store in refrigerator	100%	100%	na	na	0%	0%	
Disposal of the product	all signs for appropriate recycling product packaging	100%	100%	na	na	100%	100%	For still water
	sign of dispose carefully	100%	100%	na	na	100%	100%	For carbonated mineral water
Other	story about spring water from Kalnik	67%	67%	na	na	0%	0%	
	story about mineral water from Kalnik	33%	33%	na	na	0%	0%	



SPORTS AND FUNCTIONAL FOOD	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next						NOTE
		% in 2013	% in 2014	% in 2015	KPI 2016	% in 2016	KPI 2017	
The sourcing of compo- nents (raw materials, packaging)	Designation of packaging mate- rial for tubs	na	na	100%	100%	100%	100%	
	Natural flavors	na	na	5%	10%	15%	30%	
Content of the product (recipe)	Doping Free according to WADA list	100%	100%	100%	100%	100%	100%	
	Certified Ingredients such as palm oil from sustainable sources	na	na	1%	1%	50%	100%	we use certified palm fat
	Alternative sourecs to palm fat						50%	KPI introduced in 2017
	EFSA approved claims							KPI introduced in 2017
Safe use of the product	Safe use of the product – claims for supplements	na	na	100%	100%	100%	100%	
Disposal of the product	Deposit	na	na	100%	100%	100%	100%	all RTDs



GOURMET	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next						NOTE
		% in 2013	% in 2014	% in 2015	KPI 2016	% in 2016	KPI 2017	
The sourcing of compo- nents (raw materials, packaging)	usage of fruit which is not treated with pesticide (wild fruit)			na	7%	7%	7%	
	without preservatives and coloring			na	100%	100%	100%	for the whole assortment
Content of the product (recipe)	no sugar added			na	18%	18%	100%	for juices only
	low calories - light			na	5%	5%	100%	for light jams only
	fructose instead of sugar			na	5%	5%	5%	for light jams only
	fruit juice instead of concentrated juice			na	na	na	100%	for all juice assortment
Safe use of the product	store in dark place and below the 25°C			na	100%	100%	100%	for the whole assortment , except WFP
	keep refrigerated after opening			na	100%	100%	100%	for the whole assortment, except WFP
Disposal of the product	all signs for appropriate recycling product packaging			na	100%	100%	100%	for the whole assortment



PERSONAL CARE category: LIP CARE	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next						NOTE
		% in 2013	% in 2014	% in 2015	KPI 2016	% in 2016	KPI 2017	
The sourcing of components (raw materials, packaging)	Natural	93%	93%	90%	90%	/	/	no longer required information
Content of the product (recipe)	List of ingredients using the International Nomenclature of Cosmetics Ingredients (INCI)	100%	100%	100%	100%	100%	100%	
	Paraben free	14%	27%	90%	90%	80%	90%	
	Mineral oil free	14%	27%	80%	80%	65%	70%	
	UVA and UVB protection	100%	100%	80%	80%	70%	70%	
Safe use of the product	Dermatologically tested	100%	100%	100%	100%	100%	100%	
Disposal of the product	Designation of packaging materials	100%	100%	100%	100%	1	1	



PERSONAL CARE category: SKIN CARE	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next						NOTE
		% in 2013	% in 2014	% in 2015	KPI 2016	% in 2016	KPI 2017	
The sourcing of components (raw materials, packaging)	Natural	6%	8%	17%	17%	/	/	no longer required information
Content of the product (recipe)	List of ingredients using the International Nomenclature of Cosmetics Ingredients (INCI)	100%	100%	100%	100%	100%	100%	
	Paraben free	0%	23%	49%	49%	60%	60%	
	UVA and UVB protection	26%	31%	38%	38%	/	/	no longer required information
Safe use of the product	Dermatologically tested	100%	100%	92%	92%	90%	90%	
Disposal of the product	Designation of packaging materials	100%	100%	100%	100%	100%	100%	



PERSONAL CARE category: ORAL CARE	INFORMATION	% of products in brand portfolio of significant product category in compliance with the require- ment described next						NOTE
		% in 2013	% in 2014	% in 2015	KPI 2016	% in 2016	KPI 2017	
The sourcing of compo- nents (raw materials, packaging)	na	na	na	na	na	na	na	
Content of the product (recipe)	List of ingredients using the International Nomenclature of Cosmetics Ingredients (INCI)	100%	100%	100%	100%	100%	100%	
	Contains Sodium Fluoride	86%	86%	76%	76%	74%	74%	all toothpastes containing sodium fluoride must be labelled with this wording
	Contains Sodium Monofluoro- phosphate	14%	14%	19%	19%	21%	21%	all toothpastes containing sodium monofluorophosphate must be labelled with this wording
Safe use of the product	'Children of 6 years and younger: Use a pea sized amount for supervised brush- ing to minimize swallowing. In case of intake of fluoride from other sources consult a dentist or doctor'	93%	93%	81%	81%	80%	80%	For any toothpaste containing 0,1 to 0,15 % fluoride unless it is al- ready labelled as contra-indicated for children (e.g. 'for adult use only') this information is obligatory
Disposal of the product	Designation of packaging materials	100%	100%	100%	100%	100%	100%	



PERSONAL CARE category: HAIR CARE	INFORMATION	% of products in brand portfolio of significant product cat- egory in compliance with the requirement described next						NOTE
		% in 2013	% in 2014	% in 2015	KPI 2016	% in 2016	KPI 2017	
The sourcing of compo- nents (raw materials, packaging)	na				na	na		
Content of the product (recipe)	List of ingredients using the International Nomenclature of Cosmetics Ingredients (INCI)	100%	100%	100%	100%	100%	100%	
Safe use of the product	Dermatologically tested	100%	100%	100%	100%	100%	100%	
Disposal of the product	Designation of packaging materials	100%	100%	100%	100%	100%	100%	



PERSONAL CARE category: MAN CARE	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next						NOTE
		% in 2013	% in 2014	% in 2015	KPI 2016	% in 2016	KPI 2017	
The sourcing of components (raw materials, packaging)	na	na	na	na	na	na	na	
Content of the product (recipe)	List of ingredients using the International Nomenclature of Cosmetics Ingredients (INCI)	100%	100%	100%	100%	100%	100%	
Safe use of the product	Dermatologically tested	100%	100%	100%	100%	100%	100%	
Disposal of the product	Designation of packaging materials	100%	100%	100%	100%	100%	100%	



PERSONAL CARE category: INSECTICIDES & REPELLENTS	INFORMATION	% of products in brand portfolio of significant product category in compliance with the require- ment described next						NOTE
		% in 2013	% in 2014	% in 2015	KPI 2016	% in 2016	KPI 2017	
The sourcing of components (raw materials, packaging)	na			na	na			
Content of the product (recipe)	List of ingredients using the International Nomenclature of Cosmetics Ingredients (INCI)	31%	31%	29%	29%	29%	29%	applies only on products with skin application
Safe use of the product	Dermatologically tested	31%	31%	29%	29%	29%	29%	applies only on products with skin application
	Risk statements	88%	88%	100%	100%	100%	100%	in line with EU directive relating labelling of dangerous substances
	Safety statements	94%	94%	100%	100%	100%	100%	in line with EU directive relating labelling of dangerous substances
	Chemical hazard symbols	77%	77%	86%	86%	86%	86%	in line with EU directive relating labelling of dangerous substances
Disposal of the product	Designation of packaging materials	100%	100%	100%	100%	100%	100%	



FOOD SUPPLEMENTS	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next						NOTE
		% in 2013	% in 2014	% in 2015	KPI 2016	% in 2016	KPI 2017	
The sourcing of components (raw materials, packaging)	na	na	na	na	na	na	na	
Content of the product (recipe)	Nutritional information on the label	100%	100%	100%	100%	100%	100%	
	Natural colours	65%	70%	75%	76%	76%	76%	
	Natural aroma	68%	72%	78%	78%	78%	78%	
Safe use of the product	Risk statements	100%	100%	100%	in line with EU regulation			
	Safety statements	100%	100%	100%	100%	100%	100%	
	Dosage	100%	100%	100%	100%	100%	100%	
Disposal of the product	Packaging without leaflets	80%	95%	95%	95%	95%	95%	
	Packaging without plastification (with UV lacquer)	90%	90%	95%	95%	95%	95%	
	Designation of packaging materials	95%	95%	100%	100%	100%	100%	
	All signs for appropriate recycling product packaging	95%	95%	100%	100%	100%	100%	
	Sign of dispose carefully	95%	95%	100%	100%	100%	100%	



DRUGS/OTC	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next						NOTE
		na	na	na	na	na	na	
The sourcing of components (raw materials, packaging)	na	na	na	na	na	na	na	
Content of the product (recipe)	na	100%	100%	100%	100%	100%	100%	
Safe use of the product	Risk statements	100%	100%	100%	in line with EU regulation			
	Safety statements	100%	100%	100%	100%	100%	100%	
	Dosage	100%	100%	100%	100%	100%	100%	
	Packaging with PIL	100%	100%	100%	100%	100%	100%	
Disposal of the product	Packaging without plastification (with hydro lacquer)	100%	100%	100%	100%	100%	100%	

6. WORKPLACE RESPONSIBILITY

We recognise our purpose in supporting employees to make a difference, which is important for them, the company and society as a whole. We want to be the key driver in creating the corporate culture, with engaged employees and strong leaders. It is our view that successful human resources management is realised within the role of a strategic partner who understands the company's operations and strategy, and who adjusts its actions accordingly, giving the employee perspective to all business decisions, who foresees trends and acts proactively. By timely offering quality, innovative and integrated solutions in the field of human resource management, we are gaining the trust of our internal clients.

All processes connected with management in human resources are annually certified by an independent certificate (www.PoslodavacPartner.org). This certificate is awarded to organizations that fulfill the highest standards in managing people in the following fields: strategy, recruiting and selection; work, motivation and rewards; specialization and development; relationship with employees. After the successful certification with high scores in all evaluation segments and confirming the status Employer Partner two years in a row, we are continuing the recertification process, which we would also like to expand to Western European markets.

Our most important initiatives in 2016 were:

- As internationalisation is one of the company's strategic determinants, the Human Resources Department also adjusts its programmes to new business models and in 2016 it organised the first international StartA – a corporate job orientation programme for new employees.
- Successful continuation of the project Corporate Culture at the Group 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.
- Near the end of 2014 we launched a new project called "Body and Mind – Opportunity to be fit", with the principal aim to allow our employees to apply a healthy lifestyle throughout the day. In 2016 this project developed into an event that gathered 114 teams, 144 individual runners and 110 walkers. It had many novelties; in addition to a new sport – darts, there was a digital dimension of the Sports Weekend – all participants had the opportunity to watch news and posts on social networks in real-time via the application on their mobile devices. In addition to the above, Atlantic's Body and Mind project won an excellent second place within the 13th annual Slovenian conference "Human Resources Management", where best practices in the field of human resources management are selected.
- The fifth in a row Atlantic Grupa's Value Day, that has once again exceeded all expectations and showed that hardworking Atlantic employees can, with their teamwork, limitless positive energy, humanitarian efforts and great will, leave a positive trace and live their corporate values. In 2016, more than 1,300 of our colleagues used the opportunity to help their local communities and each other.
- The programme INNOWAVE, merging the words "innovation" and "wave" in its title, symbolizes one of our core corporate values – creativity. The large letter A symbolises Atlantic, something that holds us all together. At the time of economic crisis when best companies are recognized by their ability to find new approaches to production, distribution and end consumers, Atlantic Grupa has promoted the programme aimed at promoting the idea that each individual employed in our company can with his/her unique insight contribute to the growth and development of the company. During 2016 we continued to improve the processes by awarding good ideas and establishing a system for their evaluation, and the employees' response to participating in this programme is very good. In order to promote innovative, entrepreneurial thinking, the project itself will be redesigned during the next year.
- The performance management process (U3) continues for a sixth consecutive year and in 2016 we have added the function of providing a quick feedback by using the option Real-Time Feedback. In doing so, we wanted to strengthen the culture of dialogue, objectivity and transparency of feedbacks and achieve a quality assessment of the per-

formance of employees on projects within interdisciplinary teams, with the primary goal of improving employee performance, motivation and development.

- In 2016 we continued to improve functionalities within the HRIS system (HRnet), In the field of headcount planning and employee

costs, great steps forward were made in the previous year, by creating a new HrNet-based tool designed to standardise processes, regulate the data collection system, communicate with other departments involved in the process and in costs monitoring and reporting.

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.

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. In mid-2014, a comprehensive project "Employer Branding" under the working title "Imagine Atlantic" was initiated. A series of external and internal research of our company's perception and months of dedicated work resulted in a slogan that was adopted by consensus – "Atlantic Grupa, Ocean of Opportunities". This slogan is the basis for a wider concept of "Employer Branding" and a series of activities and projects to be implemented.

"Employer Branding" is a project dedicated to the targeted and structured building of Atlantic Grupa's image as an employer. It extends beyond as well, as a business entity in countries we are active in since, by its nature, it extends to other similar corporate areas. Until now, the second demanding phase of collecting information on how we perceive ourselves and how we are perceived by others was carried out, and the results were used as a starting point for defining Atlantic Grupa's employer brand. As a result of research and focus groups, it emerged that the company profile is that of a creator and entrepreneur.

According to the results of research and our aspirations, Atlantic Grupa is defined as an inspirational company which attracts people who operate and love to work in an inspirational environment. Open, inquisitive and motivated, Atlantic offers present and new colleagues, partners and investors an endless ocean of growth and development opportunities. Together we wish to create a vision and provide long term well-being, always keeping our fundamental corporate values in mind: CREATIVITY, symbolized by a wave, PASSION, symbolized by the sun, and GROWTH, symbolised by a mountain. In 2016, we started to build the company's image via LinkedIn, where we regularly publish initiatives and projects aimed at presenting the company as an attractive employer for potential future employees.

The market research in the initial project phase included Croatia, Serbia, Slovenia and Germany – where we have the most extensive business activities and the largest number of employees, while the entire project is related to all markets of Atlantic Grupa.

The aim of the entire project is primarily to be seen and recognised as a desirable employer on all markets. This applies to internal community – our employees, through continuous development and maintaining a high level of engagement, as well as to external community – potential employees, partners, investors. The “Ocean of Opportunities” is a framework from which all human resources activities will be developed, including different projects in this field. Moreover,

the project has an obvious effect on Atlantic Grupa’s overall image, hence the ocean tide will pull with it other related areas of corporate identity and promotional activities. The seas will surely not be calm, but we at Atlantic always knew how to seize the opportunities carried by waves. At the end of 2015 we initiated the action “Atlantic’s Reflections” by organising a contest for all our employees to submit and share their stories with us and use this opportunity to become a reflection of Atlantic Grupa. These stories became new employment ads which were used to search for new colleagues, considering that Atlantic employees represent the true image of Atlantic Grupa and their stories and actions are what makes this company.

EMPLOYMENT OF PERSONS WITH DISABILITIES

Project Employment of Persons with Disabilities, which was launched in 2016 and by which Atlantic Grupa, as one of the first in its business environment, joined the process of reviewing the status and adaptability of work positions for potential employment of persons with disabilities. The project is for now focused only on Croatia and includes two approaches; one is to review the possibilities for persons with disabilities to work in Atlantic, and the other is the possibility of employment of such persons. This includes cooperation with external partners that participate in assessing the adaptability through questionnaires-forms, analyzing work positions with different forms of tasks so that the results of analyses would be applicable to a wide range of work positions within Atlantic Grupa. Based on the analyses of work positions, assessments were made for each work position with regard to its capacity to be adapted to different types of disabilities, which contain information on proposed adaptations with a tentative cost estimate and level of feasibility. This is not the first such project in which Atlantic participates. It is already for years a partner of Poslovni dnevnik in the project Iskustvo zlata vrijedi (Experience is Golden) which every year provides practical training to students with disabilities, so this project is a logical next step with the same objectives and efforts in Croatia and, over time, in the region.

Workforce in 2016												
Region (market)	No. of employees	%	M	F	M%	F%	Age group			Age group%		
							< 30	30 – 50	> 50	< 30	30 – 50	> 50
AT	19	0.4%	12	7	63.2%	36.8%	4	13	2	21.1%	68.4%	10.5%
BA	148	3.0%	106	42	71.6%	28.4%	7	102	39	4.7%	68.9%	26.4%
DE	167	3.4%	97	70	58.1%	41.9%	22	89	56	13.2%	53.3%	33.5%
ES	7	0.1%	4	3	57.1%	42.9%	-	7	-	0.0%	100.0%	0.0%
HR	1,849	37.7%	773	1,076	41.8%	58.2%	336	1,124	389	18.2%	60.8%	21.0%
IT	5	0.1%	1	4	20.0%	80.0%	-	5	-	0.0%	100.0%	0.0%
ME	2	0.0%	1	1	50.0%	50.0%	-	2	-	0.0%	100.0%	0.0%
MK	172	3.5%	106	66	61.6%	38.4%	27	116	29	15.7%	67.4%	16.9%
RS	1,799	36.7%	882	917	49.0%	51.0%	148	1,194	457	8.2%	66.4%	25.4%
RU	60	1.2%	26	34	43.3%	56.7%	11	38	11	18.3%	63.3%	18.3%
SI	663	13.5%	332	331	50.1%	49.9%	73	373	217	11.0%	56.3%	32.7%
UK	10	0.2%	4	6	40.0%	60.0%	2	2	6	20.0%	20.0%	60.0%
Total*	4,901	100.0%	2,344	2,557	47.8%	52.2%	729	3,115	922	14.9%	63.6%	18.8%

The majority of our employees work in Croatia (37.1%), Serbia (36.9%) and Slovenia (13.5%).

New employees in 2016												
Region (market)	No. of new employees	%	Age group in NUMBER			Age group in %			Gender in Number		Gender in %	
			<30	30-50	>50	<30	30-50	>50	25,0%	F	M	F
BiH	9	1.94%	1	8	0	11.1%	88.9%	0.0%	4	5	44.4%	55.6%
Croatia	4	0.86%	2	2	0	50.0%	50.0%	0.0%	3	1	75.0%	25.0%
Germany	29	6.26%	9	17	3	31.0%	58.6%	10.3%	16	13	55.2%	44.8%
Italy	0	0.0%	0	0	0	0.0%	0.0%	0.0%	0	0	0.0%	0.0%
Macedonia	209	45.14%	106	94	9	50.7%	45.0%	4.3%	98	111	46.9%	53.1%
Montenegro	0	0.0%	0	0	0	0.0%	0.0%	0.0%	0	0	0.0%	0.0%
Russia	16	3.46%	8	8	0	50.0%	50.0%	0.0%	7	9	43.8%	56.3%
Serbia	128	27.65%	50	73	5	39.1%	57.0%	3.9%	75	53	58.6%	41.4%
Slovenia	12	2.59%	3	9	0	25.0%	75.0%	0.0%	4	8	33.3%	66.7%
Spain	54	11.66%	21	32	1	38.9%	59.3%	1.9%	18	36	33.3%	66.7%
UK	2	0.43%	2	0	0	100.0%	0.0%	0.0%	1	1	50.0%	50.0%
Total	463	100.0%	202	243	18	43.6%	52.5%	3.9%	226	237	48.8%	51.2%

In 2016, we employed a total of 463 people, representing an increase in total headcount number of 7.1% comparing to 2015.

	2011	2012	2013	2014	2015	2016
Number of new employee	482	400	331	537	663	463
% of new employee out of total headcount	11.48%	9.42%	7.82%	12.05%	13.91%	9.45%

Employee turnover									
Region (market)	No. of new employees	Turnover %			Age in %			Gender in %	
		Total	Voluntary	Involuntary	< 30	30 – 50	> 50	M	F
BiH	2	0.4%	50.0%	50.0%	50%	50%	0%	0.0%	100.0%
Croatia	6	1.3%	100.0%	0.0%	0%	67%	33%	100.0%	0.0%
Germany	75	16.4%	65.3%	34.7%	9%	76%	15%	54.7%	45.3%
Italy	0	0.0%	0.0%	0.0%	0%	0%	0%	0.0%	0.0%
Macedonia	184	40.2%	70.7%	29.3%	28%	65%	7%	47.8%	52.2%
Montenegro	3	0.7%	100.0%	0.0%	0%	67%	33%	66.7%	33.3%
Russia	6	1.3%	100.0%	0.0%	0%	100%	0%	100.0%	0.0%
Serbia	122	26.6%	8.7%	12.3%	11%	61%	27%	60.7%	39.3%
Slovenia	16	3.5%	75.0%	25.0%	13%	81%	6%	50.0%	50.0%
Spain	40	8.7%	67.5%	32.5%	15%	65%	20%	62.5%	3.5%
UK	4	0.9%	75.0%	25.0%	0%	75%	25%	75.0%	25.0%
Total	458	100.0%	75.1%	24.9%	18%	67%	15%	55.2%	44.8%

	2011	2012	2013	2014	2015	2016
Voluntary turnover/ all employees in %	No record	No record	6.66%	6.35%	4.62 %	5.21%
Involuntary turnover/ all employees in %	No record	No record	0.67%	0.69%	3.08 %	2.22%
Total %	14.44%	4.67%	7.33%	7.04%	7.7 %	7.42%

We started to keep track of voluntary/involuntary turnover from 2013.

Over the past couple of years we have placed a strong focus on increasing our investment in our people and improving employee engagement. It has been positive to see this reflected in a significant reduction in employee turnover, which has reduced by 50% since 2011. Turnover for the 2016 financial year was 7.42 % including involuntary turnover which is 2.22 %.

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.

G4 LA6

TYPE OF INJURY AND RATES OF INJURY, OCCUPATIONAL DISEASES, LOST DAYS, AND ABSENTEEISM, AND TOTAL NUMBER OF WORK RELATED FATALITIES, BY REGION AND BY GENDER



Injuries Illnesses	Absentee Rate (AS)					Injury Rate (IR)				
	2013	2014	2015	2016	Target 2017	2013	2014	2015	2016	Target 2017
B&H	0.00	0.00	4,996.56	7,356.33	7.200	0.00	0.00	0.63	2.58	2.4
Croatia	6,266.43	13,258.05	12,550.23	13,118.68	13.000	0.92	1.34	0.63	0.97	0.8
Germany	14,697.94	23,372.42	25,258.49	8,480.00	8.300	5.49	5.28	2.15	0.55	0.4
Macedonia	794.46	16,791.97	5,270.37	0.00	0.00	0.59	0.58	0.63	0.00	0.00
Russia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Serbia	10,897.06	12,259.87	10,675.47	11,749.81	11.600	1.92	1.50	2.28	2.28	2.1
Slovenia	9,743.23	17,046.83	9,743.23	10,463.11	11.400	1.13	0.31	0.77	0.90	0.8

Injuries Illnesses	Lost Day Rate (LDR)				
	2013	2014	2015	2016	Target 2017
B&H	0.00	0.00	17.1	42.04	42
Croatia	31.84	77.2	13.8	19.80	19.7
Germany	79.55	44.05	67.3	0.00	0.00
Macedonia	6.54	14	28.8	0.00	0.00
Russia	0.00	0.00	0.00	0.00	0.00
Serbia	59.65	64.98	56.93	48.70	48.6
Slovenia	17.30	14.92	8.40	18.70	18.6

* we had no fatal injuries in the last four years (2016, 2015, 2014, 2013)

** we had no occupational diseases in the last four years (2016, 2015, 2014, 2013)

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:							
Average training hours / person	2011	2012	2013	2014	2015	2016	Plan 2017
M**	10	10	11	11	10	10	13
F	10	10	10	11	10	14	13
Total*	20	20	21	22	20	24	26

* 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 employee/total number of male employee

Average training hours per employee category and function:							
Level*	2011	2012	2013	2014	2015	2016	Plan 2017
Senior Management	100	117	216	200	189	190	190
Middle Management	75	77	88	95	102	110	115
Other	13	12	10	11	9	10	12

* level such as senior management, middle management

Function*	2011	2012	2013	2014	2015	2016	Plan 2017
Product Execution	44	46	45	45	46	46	46
Product Placement	45	45	45	47	44	45	45
Internal Perspective	168	150	162	160	165	160	160

* function such as technical, administrative, production

LEARN DEVELOPMENT@AG

Development in Atlantic Grupa is defined and realised in four development **LABS: LEADER LAB, FUNCTION LAB, TALENT LAB, MY LAB**. The task of LEADER LAB is primarily to develop LEARN leadership competencies for all Atlantic Grupa leaders. By concept, it consists of two parts: Basic Leadership Skills and Leadership in Action. The Basic Leadership Skills programme is designed for newly hired or newly promoted leaders and it is realised through a set of development activities intended to develop basic leadership skills, while the Leadership in Action is a concept that supports active involvement of leaders in rethinking and maintaining the desired leadership culture. The programme Leadership in Action, initiated in 2015, with 30 teams composed of over 200 leaders who have proposed 30 projects/proposals for improvement related to business processes, continued its activities in 2016, during which 8 projects were selected that will be presented to the company's Strategic Management Council in 2017 for the purpose of making decisions on their implementation.

Furthermore, in 2016 we implemented the first module CUTTING EDGE, which included a visit of our top leaders to the European headquarters of the company LinkedIn.

FUNCTION LAB is focused on the development of functional competencies for the following areas: Quality, Safety, Pharma, Marketing and Key Account Management (KAM). In 2016, the areas of Quality, Safety and Pharma which are under the organisation and control of the business units that manage them, saw the continuation and, in some segments, expansion. On the other hand, some of the best consultants in the world were involved in realisation of Marketing and KAM, which are joint project of

Central Marketing, that is, KAM/Sales Department and the Corporate Talent&Development Team.

TALENT LAB covers programmes defined on the corporate level, corresponding to the development needs resulting from the talent management process, while **MY LAB** covers all forms of individual development. TALENT LAB has launched some of its projects in 2015, of which the most significant is the young talent identification programme, which special focus in 2016 was successfully completing the second cycle of the Adventure programme. At the beginning of April 2016, the teams presented their projects in order to receive approval for their implementation, which after ten months of intensive work and development marked the successful completion of their educational adventure through this programme.

In order to monitor best practices in the field of human resources management, we have started the Graduate Trainee programme which aims to attract young talented people with high potentials.

We are also proud of the pilot programme organised in cooperation with Delta Holding Serbia (AG & DELTA HOLDING SERBIA EXCHANGE PROGRAMME) for the purpose of exchanging ideas and best practices between young employees of both companies.

In addition to the above, each Atlantic Grupa employee through his/her individual development plan available via the information system, had access to the catalogue of development activities according to defined competencies as well as the option of applying for activities which are not part of the standard catalogue of trainings.

TALENT MANAGEMENT

Through the project “Organization & people” we are continuing with focused management of internal talents. The general aim of this project is to introduce a structured process of identification, selection, development and retention of talents/successors for present and future needs of Atlantic Grupa. After the mode is established at the level of all employees, 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.

The Talent Management process in 2015 included close to 200 employees. In 2016, we included additional levels of employees in the Talent Management process in order to raise awareness about the knowledge and potentials available within the company. This process is repeated every two years with the same group of employees.

A strategic corporate project under a working title Fast Forward covers thirteen projects that will focus on people, culture, our clients, consumers, value system optimisation, digital technology and analytics. Project teams, consisting of around 80 Atlantic employees, will work on its development by the end of 2017. The project goal is to develop Atlantic Grupa into a company with a unique culture and the status of an important participant in international markets where clients or consumers are at the centre of attention.

EMPLOYEE ENGAGEMENT

The engagement of employees, which is monitored through a survey offering employees a chance to express their opinion on what motivates them, makes them happy or dissatisfied, provided very good results so far. Atlantic began to measure employee engagement in 2012 by using Gallup’s methodology.

In order to improve the quality of measuring and monitoring employee engagement in comparison with the industry in which Atlantic operates and with European standards, since last year we are using AON Hewitt’s methodology under which it was established that Atlantic Grupa has 70 percent of engaged employees, placing it among the companies with the highest engagement ratio in Europe. Employees expressed the highest satisfaction level in the areas of diversity and job inclusion, organisation in general and cooperation, while they see room for improvement in remuneration programmes and career opportunities.

This survey represents 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.

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. The sustainable environmental management system is based on a 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. The international ISO 14001 environmental management system certificate shows that our Environmental Management System complies with the best practice standards, while the reports issued from 2014 onwards are in accordance with the GRI 4.0 guidelines show that we are a steadily progressive regional company in respect of the criterion of transparency.

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. In terms of scope, the major milestone of the environmental management system development was in 2014, when the system was implemented to the distribution and to entire Atlantic Grupa.

Our 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.

Concern for the environment is an integral part of all Atlantic Grupa's operations. The extension of principles related to the environment is implemented in three areas – among employees, in business processes and with external stakeholders, including consumers.

As regards environmental protection, activities in 2016 were focused on strengthening the energy management system for the purpose of reducing energy consumption, energy costs and the carbon footprint.

RESOURCES EFFICIENCY

The Energy Management System (EnMS), which was introduced in 2015, represents the framework for optimising the company's energy efficiency. In Atlantic Grupa, EnMS is integrated into quality management systems of all production facilities. The system takes account of guidelines and requirements of the international standard ISO 50001. It is based on the energy policy, which is a part of the company's corporate quality policy, and on the PDCA model which consists of four management phases aimed at continuous process improvement.

Among good practices in the area of energy efficient improvements, we can point out cooling at the site Izola in Slovenia. It concerns the

use of cold water from coolers and increasing the productivity of the manufacturing process. The investment resulted in electricity savings of 10%. The existing lighting fittings were replaced with a new generation in Cedevita's production plants in Zagreb and Apatovac, in order to reduce the electricity consumption in production facilities and reduce CO2 emissions. This is a significant investment co-financed from EU funds. The production plant in Nova Gradiška invested in a washroom for washing pasta moulds, which directly reduces water consumption during production. The installation of sensor faucets in all "clean" production rooms at the production plant of Fidifarm contributed to significant water consumption savings.

Energy consumption within the organization				
	2013	2014	2015	2016
SLOVENIA	30.469	29.092	28.319	28.352
CROATIA	18.348	16.562	21.194	21.288
SERBIA	55.814	53.140	58.020	61.586
BiH	9.666	10.882	11.705	11.220
MACEDONIA	2.212	2.079	1.893	2.399
GERMANY	1.768	1.549	1.697	1.631
TOTAL MWh	118.278	113.305	122.611	126.476

In 2016 the energy consumption has increased for 3.865 MWh mainly due to extremely cold winter.

Despite unfavorable weather conditions, six locations have succeeded to reduce energy consumption. Rogaški Vrelci Site in Slovenia has improved the energy consumption with the optimization of the CIP system. On Ljubljana Site the reduction of energy consumption derived from the sale of the Warehouse. In Croatia Site Cedevita in Zagreb the LED lighting has been installed. On Rakitje in Croatia and Argeta Sarajevo in BiH the optimization of the production process had a positive impact on

the energy consumption. In Serbia on Palanački Kiseljak Site the energy consumption has been reduced due to an improvement of the measurement system. An additional good practice was the replacement of the Mazut with LPG on the Mirna Site in Slovenija.

The electric energy efficiency per unit (kg) of product was improved on 59 % of production Sites and the energy efficiency for other energy sources per unit (kg) of product was improved on 77 % of locations. The target for 2017 is to improve electric energy efficiency on 65 % of Sites and the energy efficiency for other energy sources on 82 % of sites.

Energy consumption MWh							
	SLOVENIA	CROATIA	SERBIA	B&H	MACEDONIA	GERMANY	TOTAL MWh
2013							
Electricity Kwh	9.144	8.643	21.835	2.738	641	813	43.814
LPG	9.476				1.461	319	11.256
Natural gas	3.580	1.703	17.253	5.603			28.139
CNG			13.052				13.052
PROPAN	355			30			385
Fuel oil		1.878	3.674	1.295	111	636	7.594
Mazut	5.830						5.830
Steam	2.084	6.124					8.208
Total MWh	30.469	18.348	55.814	9.666	2.212	1.768	118.278

Energy consumption MWh							
	SLOVENIA	CROATIA	SERBIA	B&H	MACEDONIA	GERMANY	TOTAL MWH
2014							
Electricity	9.266	8.158	21.096	3.109	631	801	43.061
LPG	9.134				1.354	285	10.772
Natural gas	3.019	1.119	17.119	6.532			27.789
CNG			11.268				11.268
PROPAN	190		8	30		7	235
Fuel oil		1.601	3.649	1.211	94	457	7.012
Mazut	5.841						5.841
Steam	1.642	5.685					7.327
Total MWh	29.092	16.562	53.140	10.882	2.079	1.549	113.305

Energy consumption MWh							
	SLOVENIA	CROATIA	SERBIA	B&H	MACEDONIA	GERMANY	TOTAL MWH
2015							
Electricity	8.816	10.631	23.191	3.208	605	819	47.270
LPG	11.226		-	-	1.125	343	12.694
Natural gas	2.979	1.590	17.231	7.046	-	-	28.846
CNG		1.106	9.329	-	-	-	10.435
PROPAN	186		4.688	31	-	18	4.923
Fuel oil		1.528	3.581	1.420	163	517	7.209
Mazut	3.064		-	-	-	-	3.064
Steam	2.048	6.122	-	-	-	-	8.170
Total MWh	28.319	20.977	58.020	11.705	1.893	1.697	122.611

Energy consumption MWh							
	SLOVENIA	CROATIA	SERBIA	B&H	MACEDONIA	GERMANY	TOTAL MWH
2016							
Electricity	7.990	10.428	23.651	3.171	730	770	46.740
LPG	16.013				1.512	312	17.837
Natural gas	2.884	1.764	18.273	6.391			29.312
CNG		1.400	9.686				11.086
PROPAN			6.245	34		8	6.287
Fuel oil		1.646	3.731	1.624	157	541	7.699
Mazut							0
Steam	1.465	6.050					7.515
Total MWh	28.352	21.288	61.586	11.220	2.399	1.631	126.476

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 account. 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.

G4 EN14

TOTAL NUMBER OF IUCN RED LIST SPECIES AND NATIONAL CONSERVATION LIST SPECIES WITH HABITATS IN AREAS AFFECTED BY OPERATIONS, BY LEVEL OF EXTINCTION RISK



Number of raw materials used from the category				
	2013	2014	2015	2016
Critically endangered	0	0	0	0
Endangered	0	0	0	0
Vulnerable	1	1	1	0
Near threatened	1	1	1	1
Least concern	0	1	1	1

Among our eight business units producing food, food supplements and personal care products: Beverages, Coffee, Snacks, Savoury spreads, Sport and functional food, Pharma, Baby Food and Gourmet, only Savoury spreads operations are using raw materials from IUSN Red List.

For the production of Argeta Tuna pate, we use only in a small part Bigeye tuna - Thunnus Obesus (approx. 20 %) which is classified as a vulnerable. For the rest of the necessary quantity we use not endangered species, and these are Yellowfin tuna -Thunnus albacares (NT) and Skipjack tuna - Katsuwonus pelamis (LC). Already in 2017, we expect to no longer use Bigeye tuna in our production.

Justification:

Bigeye tuna - Thunnus Obesus is important in commercial fisheries around the world. It is being effectively managed throughout the majority of its range, with the exception of the Western and Central Pacific stock. With the exception of the Western Pacific population, all other stocks are being fished below current maximum sustainable yield (MSY).

Katsuwonus pelamis

This species is widespread and is important in commercial fisheries throughout its range. Although it is heavily fished, it is considered relatively abundant and is fast-growing, short-lived, and very fecund. It is listed as Least Concern.

WASTE

In addition to reducing waste quantities, our main goal is to increase the separately collected waste on all production locations. 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.

For the purpose of improving separate waste collection in production plant sites of Grand Prom and Soko Štark, special attention was given to establishing a recycling yard for non-hazardous waste. Additionally, we have found

a solution for multi-layered composite packaging, the so called aluminum foil, at the Soko Štark's facility. Further contribution to successful waste management is the recognition that Grand Prom and Soko Štark received for their results in reducing CO2 emissions based on sold and recycled quantities of packaging waste in 2016. As regards the Cedevita's production plant in Zagreb, a concrete bund wall was constructed and attested for temporary storage of hazardous waste within the registered temporary waste storage; as regards the Cedevita's plant in Apatovac, additional investments into laboratory equipment were made for the purpose of improving wastewater control and management on a daily basis.

G4 EN23

TOTAL WEIGHT OF WASTE BY TYPE AND DISPOSAL METHOD



Non-hazardous waste (t/year)							
2016	RECYCLING	COMPOSTING	REUSE	RECOVER	BURNING	LANDFILL	TOTAL
SLOVENIA	552.96	94.82	433.21	459.94	21.82	139.55	1,702.29
CROATIA	1,177.77	0.00	1.38	0.00	50.96	89.36	1,319.47
SERBIA	999.30	0.00	461.08	0.00	207.97	1,364.70	3,033.05
BIH	133.16	0.00	116.04	59.65	0.00	994.13	1,302.98
MACEDONIA	16.00	0.00	21.73	0.00	0.00	55.44	93.17
GERMANY	194.46	0.00	7.40	0.00	138.51	61.56	401.93
Total	3,073.65	94.82	1,040.84	519.59	419.26	2,704.74	7,852.90

Hazardous waste (t/year)							
2016	RECYCLING	COMPOSTING	REUSE	RECOVER	BURNING	LANDFILL	TOTAL
SLOVENIA	0.18	0.00	0.00	3.92	1.84	0.00	5.94
CROATIA	28.49	0.00	0.00	0.00	7.41	0.00	35.90
SERBIA	8.31	0.00	0.00	0.00	0.09	0.00	8.40
BiH	0.70	0.00	0.00	0.00	0.17	0.00	0.87
MACEDONIA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GERMANY	0.12	0.00	0.00	0.00	1.39	0.00	1.51
TOTAL	37.80	0.00	0.00	3.92	10.90	0.00	52.62

Non-hazardous waste (t/year)					
	2013	2014	2015*	2015	2016
other LANDFILL waste	2,061.07	2,241.17	2,799.86	3,955.52	1,338.89
municipal waste	299.29	985.67	1,663.36	1,663.42	1,365.85
RECYCLING	2,359.00	2,548.73	2,631.56	2,763.32	3,073.65
BURNING	90.66	96.22	71.56	71.56	419.26
REUSE	1,173.41	1,059.85	1,031.15	1,031.15	1,040.84
RECOVERY	624.16	686.61	453.03	453.03	519.59
COMPOSTING	65.70	101.85	129.84	129.84	94.82
Total	4,312.93	6,734.42	7,648.67	8,936.08	7,852.90

2015* (Same scope as in 2014)

In the last year the total amount of waste has decreased for 12%. The hazardous waste represent 0.7 % of total waste and it is disposed in accordance with the best practices available on the market.

The landfill waste is divided to municipal waste and waste that was separately collected but ended on the landfill because the conditions for the further processing of waste on several markets are not established. The total

landfill waste has decreased for 66 % in 2016 what is the result of constant searching of new solution for the waste disposal. The municipal waste as part of the total landfill waste has decreased for 17.9%.

The separate collection of waste in Atlantic Grupa has improved for 8 % compare to the previous year. The target for 2017 is to improve for an additional 1 % and achieve 83.5 % of separate collection of waste.

Hazardous waste (t/year)				
	2013	2014	2015	2016
RECYCLING	7.87	7.04	25.06	37.80
BURNING	4.24	4.60	36.18	10.90
REUSE	0.16	0.05	0.01	0.00
RECOVERY	0.00	0.00	0.00	3.92
COMPOSTING	0.00	0.00	0.00	0.00
LANDFILL	0.00	0.00	0.00	0.00
Total	12.27	11.69	61.25	52.62

ENVIRONMENTALLY FRIENDLY PRODUCTS

The philosophy of sustainable development in Atlantic Grupa is one of the cornerstones in the design of products and business processes, and it is also interwoven with brand development.

By following the trends in environmentally friendly products and criteria for sustainable packaging, Barcaffè Black'n'Easy made another step towards reducing adverse environmental impacts. One of the main project goals, other than practical and attractive design, was to reduce the weight of the packaging. Annually, this means 2 tonnes less of flexible packaging that would burden the environment. The nomination, that is, entering the final round for the Slovenian Packaging Oscar confirms that we are on the right track.

Besides that, Cockta products are filled into bottles made of 50% recycled plastics, which reduces the annual consumption of the primary source of packaging material (virgin PET) by 365 tonnes. Argeta products are packaged in aluminium packaging in Slovenia since 2009, and in 2015 we transferred this good practice to Argeta's plant in BiH. Unlike classic packaging, aluminium packaging and the new easy peel mechanism have a lower carbon footprint, while it also has an additional advantage of being lighter, on the basis of which Argeta reduced its annual quantities of waste packaging by 1,600 tonnes.

RAISING THE ENVIRONMENTAL AWARENESS OF EMPLOYEES

Raising the environmental awareness of employees continues within the framework of traditional activities under the project named Atlantic Green – Opportunity to grow in harmony with nature, which in 2016 included:

- **VALUE DAY** – already a tradition that joins together Atlantic employees in performing different activities, including those aimed at preserving the environment, such as planting trees and flowers, cleaning coasts, rivers and public areas;
- **GREENINOWAVE** – upgrading the internal programme for promoting creativity and innovative ideas Innwave is still a place for collecting ideas on environmental protection, green innovations and economic use of natural resources;
- **WALK AND RIDE** – the Atlantic's project Walk and Ride, aimed at promoting a healthy life- style and protecting the environment, has shown that Atlantic employees are fit, active, sociable and competitive. They have covered 10,000 kilometres by cycling or walking;
- **INTERNAL TRAININGS** to raise awareness

about waste separation, reducing the carbon footprint, increasing energy efficiency and EXCHANGE OF GOOD PRACTICES in the area of environmental protection.

This was just a continuation of projects conducted in 2015, such as Ecological islands for separate collection of waste by employees that have been installed at over 30 locations in seven countries, Planting trees activities realised in Nova Gradiška, Rogaški Vrelci, Mirna and Izola, putting electric car in the vehicle fleet, or the project Naturally Fit which is focusing on promoting the campaign Walk and Ride, which aim is reduction of greenhouse gas emissions and consumption of energy associated with coming to work. In addition, Soko Štark and Grand Prom, companies operating within Atlantic Grupa, in 2015 received a CO2 certificate by SEKOPAK for the company's achievements in reducing CO2 emissions in the atmosphere, based on the placement and quantity of the recycled packaging waste in 2014.

8. COMMUNITY ENGAGEMENT

As a part of a broader community in which it functions, Atlantic Grupa is aware of the importance and need for making its own impact on improving general social conditions, promoting correct values and, ultimately, the need to invest a part of its own profits back into the community. In addition to its wide range of charitable projects, Atlantic Grupa is also a major sponsor focused primarily on the promotion of sports where most funds and involvement are dedicated to supporting projects such as the basketball club Cedevita. 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.

The largest sustained, structured and comprehensive arrangement in this sense we invested in supporting projects such as the Basketball Club Cedevita where, other than being the main sponsor, through the club's basketball academy attended by over one thousand children and youth, we are trying to promote correct values among the new generations.

Atlantic Grupa is also an active participant and organiser of a number of humanitarian actions and it systematically supports a whole series of organisations and associations involved in protecting and helping vulnerable social groups.

SPORTS

Atlantic Grupa is actively involved in the promotion of basketball as a sport of national importance by attracting increasingly better players and trainers. We are proud sponsors of basketball clubs Bosna and MZT Skopje, while the flagship of all Atlantic's sponsorships continues to be the basketball club Cedevita, which this year revealed the club's new visual identity, i.e. new colour, logo and jerseys that are now more closely related to the brand Cedevita. What is particularly important and upon which the success of this project lies is Atlantic Grupa's dedicated support in financing, organising, and managing the club's Basketball Academy with over 1,000 children. The Club and the Academy actively work in 24 basketball schools organised in Zagreb's elementary schools, thus ensuring both the future of this sport and the option of a healthy and useful free time activity. Owing to Atlantic Grupa's sponsorship, as well as the efforts put in getting additional sponsors for the BC Cedevita, the club is now one of the most promising teams in Croatia and regional leagues which is also successful in Euroleague, primarily by entering the TOP 16.

Support to other sports include cycling, triathlon, running, tennis and adrenaline sports, through various competitions and teams: Gran Fondo and 9 Fossi races, Planica Ski Jump, Giro d'Italia, Basket Tour (street basket), Croatian Olympic Committee, Slovenian Ski Federation, Beo Basket, women's tennis tournament (WTA) in Bol, Croatia. In running AG supported the business race B2B as well as the European Universities Games.

CULTURE AND KNOWLEDGE

Atlantic Grupa has again in 2016 supported the 21st Sarajevo Film Festival (SFF) as a central cultural manifestation in the region, once more not only as a Festival sponsor, but also as the main partner of the special festival project Sarajevo grad filma ("Sarajevo Film City"). It is a project that gives an opportunity to young film professionals from the widely interpreted region to work in professional conditions. On one hand, the project is concerned with the future of young professionals, on the other, the future of the regional film industry and, finally, the future of the festival. This year, visitors had a unique opportunity to experience a simultaneous screening of the film that was staged at the same time in cities across the region.

In the last year Atlantic also signed a golden partnership agreement with Croatian Innovation Institute for 2016. In addition to supporting the Institute's work, the cooperation also includes a series of trainings for Atlantic employees. With the brand Plidenta, Atlantic also supported the work of the Croatian Chamber of Dental Medicine.

Other supported initiatives include: sponsoring the largest media trends conference SEMPL, festival of creativity Golden Drum, Tripple Bridge – a centre for the career training of

classical musicians and 2nd International Business Hackathon.

SOCIALLY VULNERABLE GROUPS

Atlantic Grupa has in 2016 made a donation to the Children's Home Zagreb in Nazorova Street, which was used to purchase furniture for its little beneficiaries. Atlantic Grupa also continued to donate the Rehabilitation Centre Zagreb in Paunovac and, after several years of joint cooperation, a roof over the botanic garden was built where protégés will learn to plant seeds and grow plants. Furthermore, Cockta organised a humanitarian action Be Human aimed to provide help and collect funds for socially vulnerable children in elementary schools in Vukovar.

Furthermore, Atlantic supported the Serbian Clinical Centre by reconstructing some of the rooms in the chemotherapy ward. Additionally, after a catastrophic storm and floods in Macedonia, we donated the much needed food products to the population in the area that suffered the most damage. Finally, Argeta designed a special packaging of Junior Original 3x95g, produced 100,000 items and then donated 0.10 KM for every item sold to the fund for supporting the association The Heart for Kids with Cancer in the Federation of Bosnia and Herzegovina in Sarajevo and the Association of Parents of Children with Cancer Iskra in Banja Luka.

PLASTIC BOTTLE CAPS FOR EXPENSIVE MEDICINES

The Croatian Association of Leukaemia and Lymphoma Patients continues to implement the project "Plastic Bottle Caps for Expensive Medicines" aimed at collecting and recycling plastic bottle caps, whereas the funds raised in this way will be used to co-finance expensive medicines for the treatment of the Association's members. The Atlantic's Follow Me Team supported this project in Atlantic's locations in Zagreb and other cities and invited all colleagues to participate in this humanitarian and environmental initiative.



ATLANTIC VALUE DAY

Opportunity to make a better world

VALUE DAY

Atlantic Grupa lives its values daily, and once a year it organises Value Day, where employees can, with their positive energy, humanitarian efforts and great will, leave a positive trace and live their corporate values. In 2016, more than 1,300 of our colleagues used the opportunity to help their local communities and each other. In Hamburg we organised an animal farm for children, in Vienna we cooked for the

homeless and spent time with teenagers under the programme “Learning after School”. Youth education was supported by our colleagues in Frankfurt by decorating the local school’s premises. In Russia, we visited a home for children without parents, in Macedonia children with special needs, in Bosnia and Herzegovina we spent time with elderly people in their home, while Atlantic’s employees in Slovenia were joined by their Italian colleagues in activities aimed at protecting the environment.

9. GRI INDEX

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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.