



ATLANTIC
GRUPA

SUSTAINABILITY
REPORT 2014

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LETTER OF THE PRESIDENT AND CEO

The ever growing complex global socio-economic circumstances have revealed that the business sector has a vital role to play in driving sustainable economic growth, while at the same time contributing to social cohesion and inclusion.

As Atlantic Grupa aspires to contribute to economic development and ensure both long-term business success and prosperity of the local communities, all our activities are deeply rooted in sustainability values. Responsibility with regard to all stakeholders, for us, signifies an attitude and belief, which as an integral part of our development strategy, parallels our continual growth. We strive to build a more secure future for our employees, customers, suppliers, consumers and society as a whole.

The conditions in which we have been working over the past several years remain challenging, primarily due to the ongoing economic crisis and the aftermath it leaves on the business and social environment, especially in Southeast Europe where Atlantic Grupa makes most of its revenues. Political crisis in Ukraine along with its economic implications, as well as the inflation of rouble, have added an extra burden.

Despite the challenges, we are continuously successful in generating growth even in the stagnant region, while by the results achieved in key European markets, as well as declared ambitions of growth, we confirm company's orientation towards internationalisation as our strategic focus.

Even though 2014 was characterised by extremely difficult macro and micro economic environment, Atlantic Grupa recorded sales and profitability in line with the announced expectations in addition to continuous deleveraging.

We are particularly pleased that our business model has proven stable in a difficult economic environment, as confirmed by reported results and launching of new investments. In accordance with the set timeframe, we completed the largest capital expenditure in our production capacities - construction of the new factory within our sports food segment for the production of energy

bars in Nova Gradiška, Croatia, aimed almost entirely for the Western European markets. By acquiring the company Foodland in Serbia, with the premium brand Granny's Secret, we have in a single step moved towards the realisation of two strategic goals - expanding the current premium brand portfolio, and internationalization, as the products are present in food retail chains in all continents.

As a transparent company listed in the first quotation of the Zagreb Stock Exchange, we continue to deliver the results we have promised for an ongoing 28 quarter-period. We are thus recognizable to capital market and to our shareholders as a conscientious and prospective company. Our vision, nevertheless, surpasses the parameters that are solely measureable in financial terms. Owing to a clear vision of our development, we have, since 1991, grown and matured from a local distributor with six employees, into one of the leading corporations in Southeast Europe. We engage 5.152 employees, with companies in 11 countries and revenues of over 670 million Euros – a regional multinational company, leader in the manufacturing and distribution of consumer goods.

We have ambitious plans for development and above-average growth rates in Eastern and Western Europe; namely Germany, Austria, Italy, United Kingdom, Sweden and Switzerland.

Being committed to maximize the benefits it can bring to

the society, and mitigate the potential negative impacts, Atlantic Grupa has taken a significant step towards sustainability through major activities in three areas – environment and energy efficiency, people and society, and management.

We are constantly working on building and developing high quality working conditions and an identifiable corporate culture, with added focus on strengthening our managerial team and developing managerial capacities. By creating a healthy and encouraging working environment, we try to provide our employees with more than just a job – many programmes developed within the system are aimed at developing human resources and careers within the company as well as at performance management and appropriate rewarding of excellent results.

Since our ultimate goal is to provide our consumers sustainable and quality products, our quality system is totally integrated and combines the requirements of business process management with the highest product safety and quality assurance principles and the environmental management requirements. Environmental awareness and the long-term sustainability of our business model oblige us to be concerned with the ecological impact of the industry. Within our company, care for the environment, consistent with the Environmental Management System, has developed from a local point

all the way to the corporate level, with the main focus being on sustainability and protection for the future.

The sustainable environmental management system is centred on the well-planned and economic use of natural resources, the utilization of environmentally-friendly technologies in manufacturing, waste reduction, and reduced energy and water consumption.

Finally, in order to fully integrate sustainability into our business operations in 2013 we have adopted the Global Reporting Initiative (GRI) reporting methodology, which provides a globally recognised framework through which to monitor and improve our sustainability performance. With our second sustainability report for 2014, our reporting practices continue to evolve, underpinning our strategic priorities, and reinforcing our values. We stay committed to making our sustainability principles part of the strategy, culture and day-to-day operations of our company, and to engaging as a reliable partner in collaborative projects with our stakeholders.

Emil Tedeschi, President and CEO

1. ORGANIZATIONAL PROFILE

ABOUT THE COMPANY

Atlantic Grupa is a multinational company whose business operations include the production, development, sales and distribution of consumer goods with simultaneous market presence in over 40 countries around the world. Atlantic Grupa is one of the leading food companies in the region (Croatia, Slovenia, Bosnia&Herzegovina, Serbia, Montenegro, Macedonia and Kosovo), whose product portfolio includes coffee, sports food, soft drinks, sweet and salted snacks, savoury spreads and baby food.

Additionally, Atlantic Grupa has a wide portfolio of personal care products; it is the owner of the leading Croatian producer of vitamins, minerals, supplements and OTC medicines and the owner of one of the leading private pharmacy chains united under the name Farmacia. Atlantic Grupa has a strong regional distribution network through which, in addition to its own range of well-known brands, it also distributes a range of products from external partners. Moreover, Atlantic Grupa's products have significant market presence in Commonwealth of Independent States and Western Europe, and with its sports food assortment Atlantic Grupa is one of the leading European producers in this segment.

Atlantic Grupa is the company with:

- (I) HRK 5.1 billion in sales revenues,
- (II) modern production network (in Croatia, Germany, Slovenia, Serbia, Bosnia and Herzegovina and Macedonia),
- (III) regional distribution infrastructure and
- (IV) 12 brands with sales above HRK 120 millions, high market shares and consumer recognisability.

The company's headquarters is in Zagreb. Atlantic Grupa has companies and representative offices in 11 countries, while in those markets where it is not present with its own operating companies, Atlantic Grupa has developed partnerships with regional and national distributors. Atlantic Grupa has a well-balanced regional presence accounting for 76% of total sales while 24% refers to the company's presence in Europe and CIS countries.

NEW ORGANISATIONAL STRUCTURE OF BUSINESS OPERATIONS

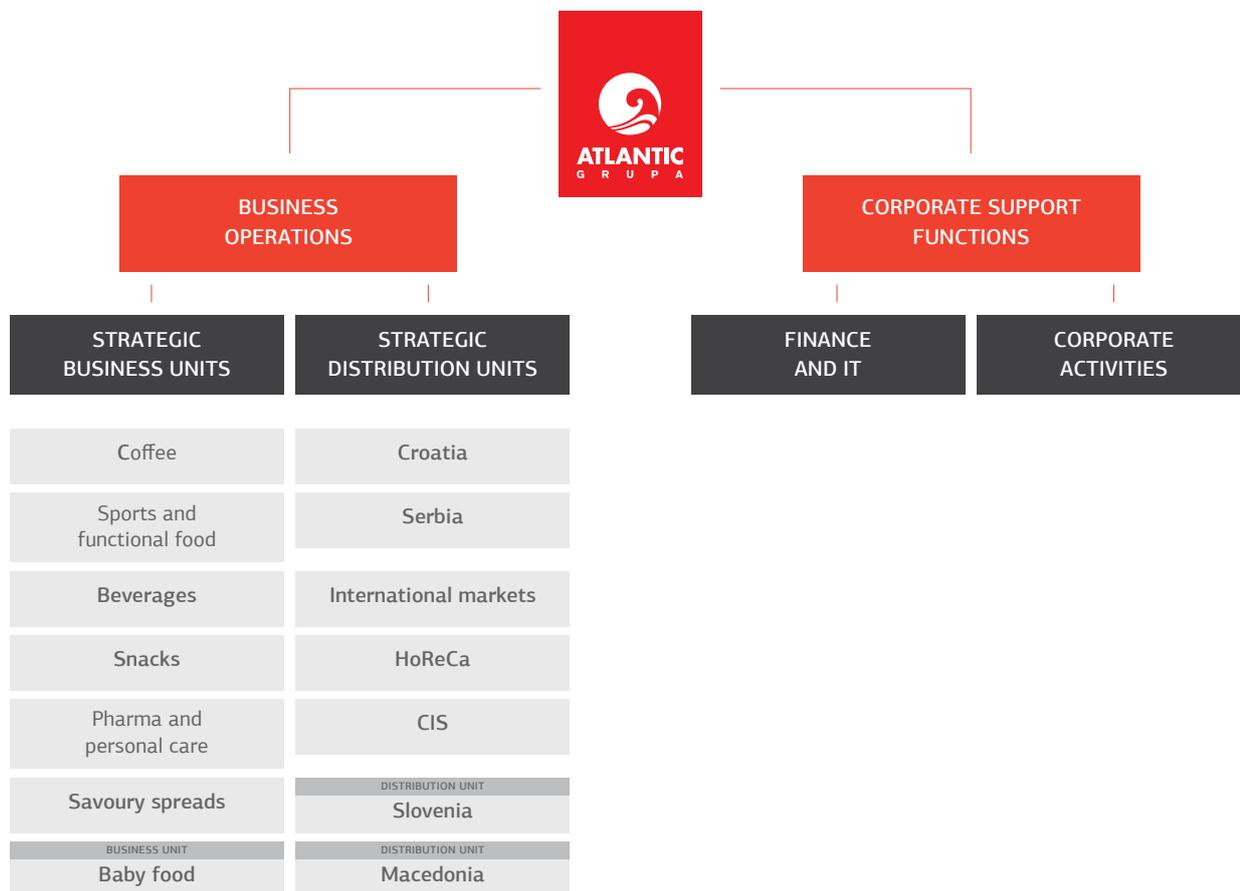
In 2014, Atlantic Grupa introduced a new organisational structure of business operations with the aim to manage business segments and distribution markets as effectively as possible.

Namely, in accordance with the strategic focus on the internationalisation of operations, the company nominated the CIS market as its new Strategic Distribution Unit. Taking into account the importance and the size of the Serbian market (the second largest individual market

in the Atlantic Grupa's portfolio), management decided to promote the Serbian market into a Strategic Distribution Unit.

Accordingly, the new business organisation includes:

- Six Strategic Business Units (SBUs) – Coffee, Snacks, Beverages, Savoury Spreads, Pharma and Personal Care, and Sports and Functional Food
- Business Unit (BU) Baby Food
- Five Strategic Distribution Units (SDUs) – Croatia, Serbia, International markets, HoReCa and the Commonwealth of Independent States (CIS), and
- Two Distribution Units (DUs) – Slovenia and Macedonia.



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, depending on their respective functional area, provide support the development and management of the entire Atlantic Grupa, while being divided into:

- Corporate Activities, and
- Finance and Information Technologies (IT).

The strategic corporate function Corporate Activities includes the following departments: Human Resources, Corporate Communications, Legal Affairs, Investment Maintenance, and Corporate Security.

The strategic corporate function Finance and Information Technologies (IT) includes the following units: Business Development and Investor Relations, Corporate Reporting and Consolidation, Corporate Controlling, Corporate Tax, Corporate Treasury and Strategic IT Management.

In addition to the above, 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.



STRATEGIC BUSINESS UNIT BEVERAGES



STRATEGIC BUSINESS UNIT COFFEE



STRATEGIC BUSINESS UNIT SNACKS





STRATEGIC BUSINESS UNIT SAVOURY SPREADS



STRATEGIC BUSINESS UNIT PHARMA AND PERSONAL CARE



STRATEGIC BUSINESS UNIT SPORTS AND FUNCTIONAL FOOD



STRATEGIC BUSINESS UNIT BABY FOOD

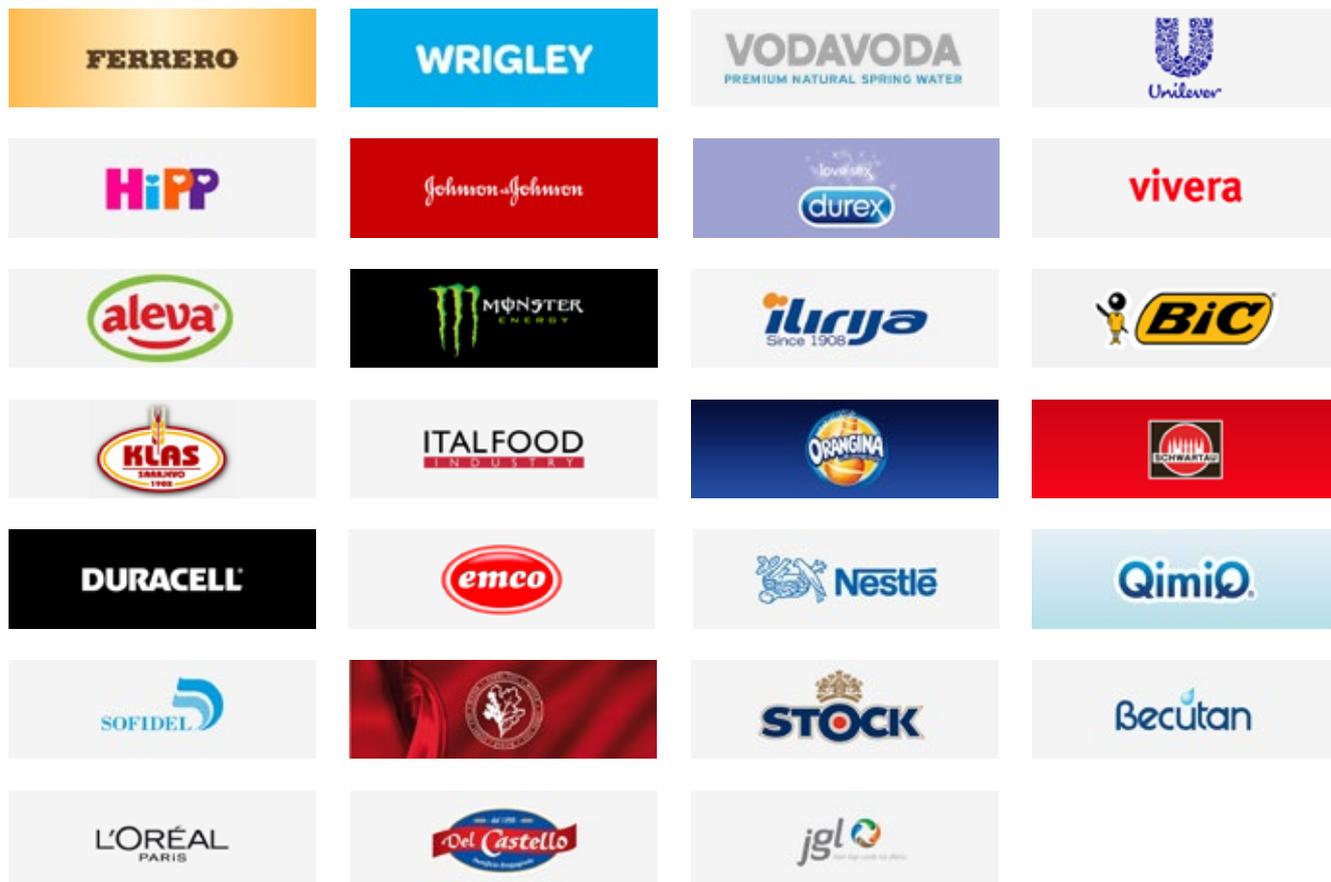


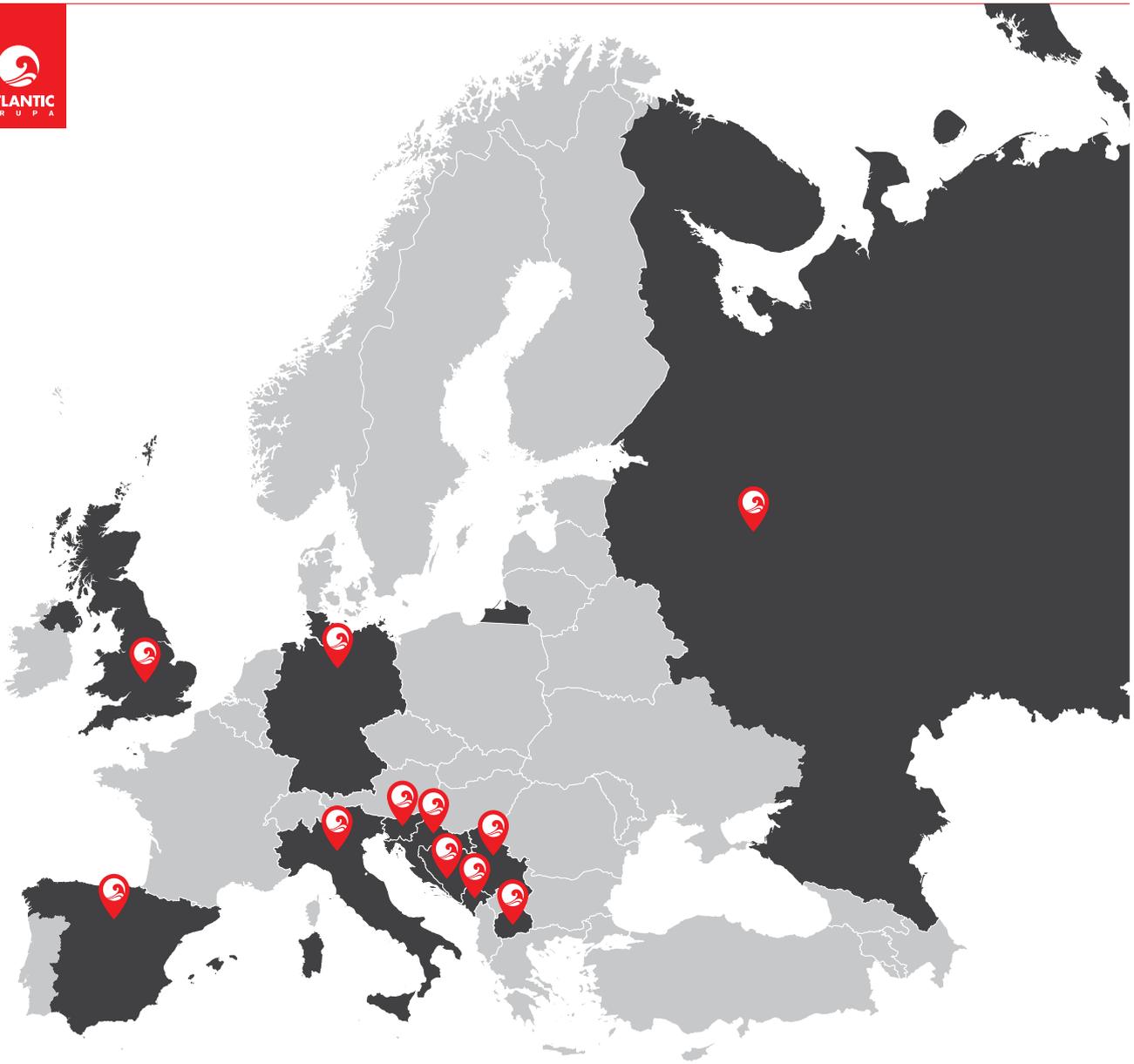
STRATEGIC PARTNERSHIP FOR GROWTH

Another development that marked the year 2014 was strategic partnership with the largest oil company in Croatia – INA. On this basis, Montana sandwiches are exclusively sold on Ina’s gas stations from April, while the strategic partnership was extended to the coffee segment from June. This cooperation also represents a significant step forward in the development and expansion of the coffee business and is an example of an effective synergy of business units.



LEADING DISTRIBUTOR OF MULTINATIONAL BRANDS





TODAY, ATLANTIC GRUPA IS A COMPANY WITH:

- sales revenues of **HRK 5.1 billion**
- **5.152** employees
- representative offices in **11** countries,
- modern production network (in Croatia, Germany, Slovenia, Serbia, Bosnia and Herzegovina and Macedonia)
- developed regional distribution with **16** distribution centers

► NATIONAL COMPANY

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



► REGIONAL COMPANY

- 2001** Establishing a representative office in Bosnia & Herzegovina
Start up of a distribution company
Atlantic Trade d.o.o.* Serbia
Acquisition of 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.
- 2013** Establishing cooperation with Unilever
- 2014** Acquisition of the company Foodland d.o.o., Serbia

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

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

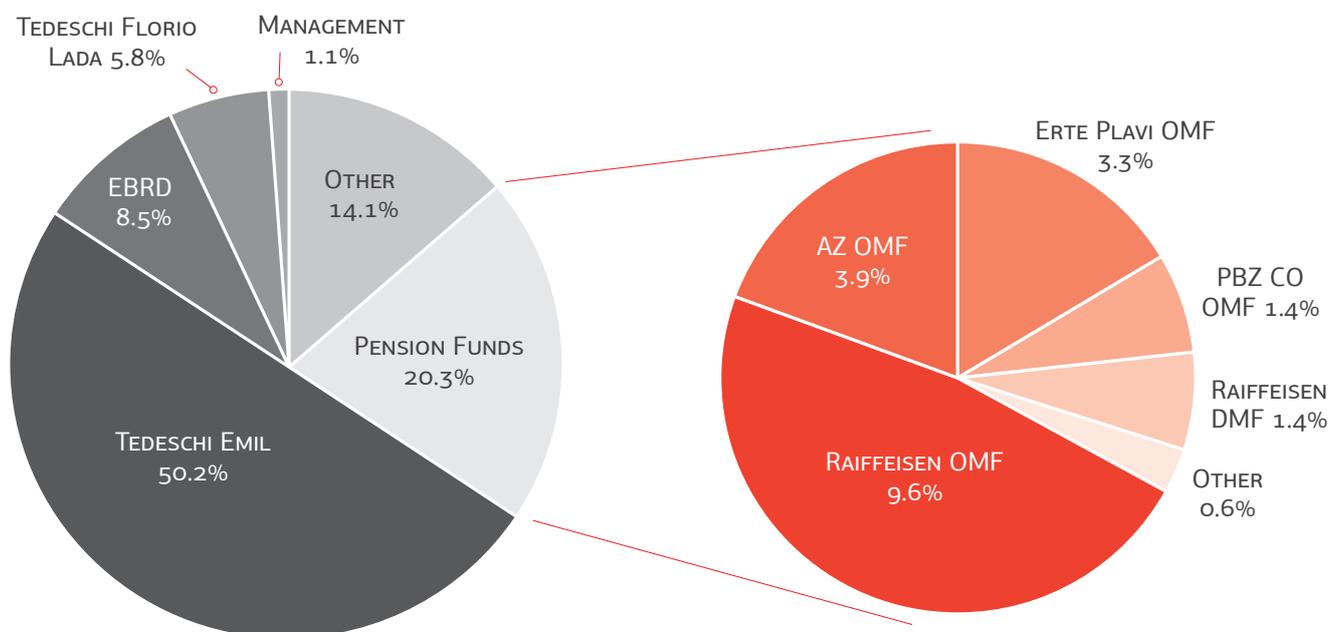
OWNERSHIP STRUCTURE

ON 31/12/2014

Atlantic Grupa has a stable ownership structure: 50.2% of the company is owned by Emil Tedeschi, 8.5% by the European Bank for Reconstruction and Development, 5.8% by Lada Tedeschi Fiorio, and 20.3% of Atlantic Grupa is owned by pension funds. In November 2014, the German development finance institution – DEG reduced its ownership share from 8.5% to 2.3% in the process executed via the accelerated bookbuilt. DEG has been a long standing partner in the development of Atlantic Grupa, dating back from the acquisition of Cede-vita in 2001 when the institution joined the company in financing the deal, only to further extend the partnership with an equity investment in 2006, and later with another capital

increase in 2010. Following this transaction, the partnership will be further continued with the DEG remaining a significant shareholder with 2.28% stake in Atlantic Grupa. In light of the strong demand of investors, the book was oversubscribed by 1.7x and the complete offering was allocated at a unique price of HRK 925 a share. Both domestic and foreign investors participated in the process, ensuring a strong shareholder's base with 65% of stake being subscribed by domestic investors and 35% by foreign investors. In the transaction amounting to EUR 25 million, 58% was allocated to investment funds, 39% to pension funds and 3% to banks and individual investors. Additionally, this transaction significantly expanded the free float to 35.5%, which places the Atlantic Grupa's share in the eight place in terms of the free float market capitalisation.

OWNERSHIP STRUCTURE ON 31/12/2014



*free-float 35.5%

OVERVIEW OF TOP 10 SHAREHOLDERS OF ATLANTIC GRUPA D.D. ON 31 DEC 2014

NO	SHAREHOLDER	NO. OF SHARES	% OWNERSHIP
1.	Emil Tedeschi	1,673,819	50.20%
2.	Raiffeisen Obligatory Pension Fund, category B	321,000	9.63%
3.	European Bank for Reconstruction and Development - EBRD	284,301	8.53%
4.	Tedeschi Fiorio Lada	193,156	5.79%
5.	AZ Obligatory Pension Fund, category B	130,439	3.91%
6.	Erste Plavi Obligatory Pension Fund, category B	110,304	3.31%
7.	PBZ d.d. State street client account	108,968	3.27%
8.	Raiffeisen Voluntary Pension Fund	48,298	1.45%
9.	PBZ CO Obligatory Pension Fund, category B	45,436	1.36%
10.	PBZ d.d. Joint custodial account	32,723	0.98%

According to the decision of the Company's General Assembly held on 30 June 2014, the dividend distribution was approved in the

amount of HRK 10.50 per share, i.e. a total of HRK 35 million. The dividend was distributed in July 2014.

In August 2014, the Atlantic Grupa's share reached the highest price of HRK 1,080.50 since its quotation on the Zagreb Stock Exchange in late 2007, while its growth of 31% compared to the previous year significantly outperformed stock indices CROBEX and CROBEX10.

WORKFORCE IN 2014

In 2014, 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 *4458 employees out of which 51% are women. The majority of our employees work in**

Croatia (37,77%), Serbia (34,75) and Slovenia (14,02%). In 2014, 2,1% were part-time and 97,9% were full-time employees. In the same period, 7.5% of employees had short-term contracts, while 92.5% had long-term contracts.

Region (market)	No. of employees			Age group		
		M	F	< 30	30 – 50	> 50
BIH	152	111	41	14	113	25
Croatia	1.684	726	958	315	1.107	262
Germany	182	104	78	26	108	48
Italy	8	3	5		7	1
Macedonia	164	108	56	31	117	16
Montenegro	2	1	1		2	
Russia	72	34	38	14	40	18
Serbia	1.549	761	788	80	1.177	292
Slovenia	625	326	299	83	372	170
Spain	8	6	2	2	6	
UK	12	6	6	1	6	5
Total*	4.458	2.186	2.272	566	3.055	837

* 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 2014, 90% of our employees were covered with collective agreements, comparing to 70.84% in 2013. Out of this number, 85% of employees have their own company's collective agreements and 15% are covered with industrial or federal collective agreements.

* Without freelancers

ATLANTIC GRUPA'S SUPPLY CHAIN

With our 19 production facilities present in 6 European countries with a wide portfolio of different feedstock, materials, services and equipment which we procure, Atlantic Grupa offers many opportunities and possibilities for cooperation to its suppliers. From our suppliers we procure all the raw materials for our products, packaging, machines for producing and finishing the products, other equipment and technical devices, as well as other services that are necessary support to our processes. Our supply chain consists of both large multinational business corporations and local suppliers. From some of the suppliers we procure products and services in significant amounts, while with others we cooperate on an occasional basis.

In 2014, Atlantic Grupa cooperated with more than 200 suppliers.

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

Basic principles for procurement and relations with suppliers are defined in the Purchasing Guidelines, the fundamental document of the

purchasing organization of Atlantic Grupa, which is followed by the procedures, manuals and instructions describing in detail the specific areas of purchasing activities in Atlantic Grupa's operating companies. The Guidelines foresee that Atlantic Grupa's purchasing organization takes only such actions and practices that ensure sustainable sourcing and procuring by helping reducing waste, improving environmental impact and protecting human and labour rights. Besides the criteria regarding quality and commercial terms and conditions, we require from all our suppliers to act with integrity, to comply with all applicable laws of their countries, including laws related to discrimination, employment, health, safety and environment. Therefore, we actively seek such suppliers who share our values and business principles, and promote the application of high standards within their business environment. These standards include:

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

INTEGRATED AG SUPPLIER MONITORING SYSTEM

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.

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 impor-

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

Supplier proves his quality system with certificates

HACCP or GMP certificate	ISO 9001 certificate	ISO 14001 certificate	FSSC 22000 / IFS / BRC or adequate certificate	Other certificate: ISO 26000 Social responsibility ISO 50001 Energy management; OHSAS 18001; Information security ISO 27001...
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Each evaluated supplier is assigned with one of the evaluation ratings: A – excellent, B – good, or C – conditionally acceptable/not acceptable. Aimed at improving two-way communication, Atlantic Grupa encourages the existing and potential suppliers to use the online supplier portal available at the company's website. The portal contains information on goods

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

MANAGING SUSTAINABILITY RISKS

The corporate culture that Atlantic Grupa nurtures is reflected in our Quality Policy, confirming our commitment to the principles of sustainable development, economic efficiency, environmental responsibility and social responsibility. This means that, beyond complying

with national laws and international standards, we are developing internal procedures and policies concerning the most material issues for our company as well as for our stakeholders, as we take into account local and global sustainability trends. Having high quality standards as our fundamental commitment, we are operating in ways that generate shared value for the community and help protect the environment for future generations.

In addition to macroeconomic conditions that largely dictate the trends in the consumption goods industry, in particular personal consumption as a component of the GDP, our company must consider major global risks such as the ongoing financial crisis causing the recession in Europe as well as in the region. While climate change and resource scarcity increasingly affect our business and social environment, we made a big step toward sustainability by expanding our concern for the environment from a local approach to the corporate level within a consistent Environmental Management System (EMS) based on three main pillars: environment and energy efficiency, people and society, and governance. With the consumers' expectations constantly growing, the development of the consumer goods industry is also largely influenced by the ability of companies to adapt to consumer needs and market trends, which in turn requires investments in research and development, innovation and technology. Finally, as a company, we are best positioned to create shared value by promoting healthy lifestyles to our consumers and the community in which we operate. In response to the main challenges, our sustainability commitments are deeply implemented in our core business:

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

COMMITEMENTS TO EXTERNAL INITIATIVES

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

this world's largest corporate responsibility platform.

Atlantic Grupa in Serbia is one of the founding members of the 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. Since 2013, a representative of Atlantic Grupa holds a position in the Governing Board of this network. In Croatia, Atlantic Grupa is a member of The Croatian Business Council for Sustainable Development (HR BCSD) since 2005. This business association gathers companies in a joint mission of seeking solutions for growth, by balancing business success, social well-being and environmental protection.

HOW WE SUPPORT UN GLOBAL COMPACT PRINCIPLES

HUMAN RIGHTS

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

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

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

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

Purchasing Guidelines ensuring sustainable sourcing and procuring by helping protecting human rights in our value chain. A number of humanitarian actions supporting vulnerable social groups: blind and visually impaired persons, children without parental care, children with special needs etc.

LABOR

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

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

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

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

Atlantic Grupa strongly supports the right of association of its employees and the work of its Union alliance. In 2014, 90% of our employees were covered with **collective agreements**.

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

Atlantic Grupa works in a way that respects all positive regulations which forbid child labour, forced or obligatory work that protects the employees' dignity in a way that the employee is protected from mobbing or sexual harassment from their employers, superiors, associates and others with whom they may work. Our corporate culture respects any type of individual diversity and fosters cooperation. Each tender stresses gender equality when hiring. 51% of our employees are women. All of our employees, regardless of the contract they have, are guaranteed equal rights and opportunities to develop and grow. Employee engagement ratio in 2014 increased to 3,18:1 compared to 2013 when it was 2.02:1 (engaged vs. not engaged employees).

ENVIRONMENT

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

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

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

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

Integrated Environmental Management System (EMS) based on well-considered and economical use of natural sources, using environmental friendly technologies in our production, reduction of waste and lower consumption of energy and water (full integration of all 19 production facilities in the region in 2014).

The total amount of energy consumption 2011-2014 is decreasing (from 140,286 MWh in 2011 to 113.305 MWh in 2014). In 2013 we started implementing the **Energy Management System (EnMS)** as an upgrade to the corporate EMS.

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

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

ANTI-CORRUPTION

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

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

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

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

ANTI-CORRUPTION

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

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 is a logical continuation in sustainability reporting standards, we started last year, providing a transparent overview of the Group's performance and progress in social responsibility for 2014. Our intention is to share our successes and challenges even more transparently 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 report 2013
<http://www.atlantic.hr/en/media/publications/gri-report>

Sustainability report 2014. is prepared, as previous one, in accordance with the G4 Sustainability Reporting Guidelines, the fourth generation of guidelines from GRI, at a "core" application level. Last year, we have already

selected nine performance indicators for which we believe can help us significantly improve the ability to participate in competitive markets. Unless otherwise stated, all information mentioned in the report is for the year 2014. We are already working on complete adoption of measurements in accordance with the new G4 version of GRI methodology for the future 3-year period.

With the intention of providing a comprehensive and balanced account of the important non-financial aspects of our operations, this report covers the entire Atlantic Grupa and its strategic business units, referring to all companies falling within the scope of Consolidated audited financial results for FY 2014. Full information about financial results and risk management practices can be found in our Annual report 2014 and Financial report 2014. (<http://www.atlanticgrupa.com/media/files/fileitemtranslation/Godisnje-izvjece-2014/Annual%20report%202014.pdf>).

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	Occupational health and safety Equal opportunities Talent development Community engagement	Skilled and motivated workforce, ensured through providing equal opportunities, training, development and rewarding schemes
Customers and users of company services	Regional contact center Brands' Facebook pages	Products' health and safety Accessible nutritional information Packaging waste management	Meeting consumer needs by offering them choice and quality
Suppliers	Supplier portal	Economic impacts Sustainable procurement Business ethics	Achieving highest responsible and sustainable procurement standards, with support in developing innovative and efficient products and services

Key stakeholders	Communication channels	Areas of interest	Mutual benefits
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

INVESTOR RELATIONS IN 2014

In 2014, Atlantic Grupa 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 five years in a row now, out of which Atlantic Grupa has 4 times been the winner of one of the top three awards. Moreover, in 2014 Atlantic Grupa participated in various investor conferences across Europe, held numerous meetings with domestic and foreign investors and participated in the road show where meetings with around forty investors in seven European cities were held.

3. CORPORATE MANAGEMENT

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

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

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

Commitment to external initiatives for good corporate governance

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

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

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

GOVERNANCE STRUCTURE OF THE ORGANIZATION

GENERAL ASSEMBLY

The General Assembly is a body in which shareholders accomplish their rights in Company matters. In order to decide on issues prescribed by law and the Company's Articles of Association, the regular General Assembly of Atlantic Grupa d.d. was held on 30 June 2014. The following decisions were made at that Assembly: issuing the note of release to the members of the Management Board and the Supervisory Board, granting an authorisation to the Management Board to acquire treasury shares, exclusion of the existing shareholders' pre-emption rights upon disposal of treasury shares, paying a dividend to the Company shareholders in the amount of HRK 10.50 per share, in proportion to the number of shares held by each shareholder, election of four members of the Supervisory Board, and appointment of an auditor for the year 2014. 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

Atlantic Grupa d.d. has a Supervisory Board consisting of seven members. After the end of term for Željko Perić, under the decision of the General Assembly dated 30 June 2014, Lars Peter Elam Håkansson was appointed as a new member of the Supervisory Board, with his term beginning on 30 June 2014. In 2014, the Supervisory Board held four sessions in accordance with the previously announced Schedule posted on web pages of the Company

(www.atlanticgrupa.com) and the Zagreb Stock Exchange (www.zse.hr).

The members of the Supervisory Board in 2014 were:

Zdenko Adrović / President
Lada Tedeschi Fiorio / Vice President
Siniša Petrović / Member
Franz-Josef Flosbach / Member
Aleksandar Pekeč / Member
Vedrana Jelušić-Kašić / 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 2014, members of the Supervisory Board of Atlantic Grupa d.d. on the said grounds received compensation in the total gross amount of HRK 1,384,206.58.

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, Vedrana Jelušić-Kašić was appointed as a member from the ranks of the Supervisory Board and, after the end of term for Hrvoje Markovinović, by the decision of the Supervisory Board dated 23 September 2014, Nina Tepeš was appointed as a new Committee member from the ranks of external experts.

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 and, after the end of term for Željko Perić, by the decision of the Supervisory Board dated 23 September 2014, Lars Peter Elam Håkansson was appointed as a member from the ranks of the Supervisory Board, while Zoran Sušanj was appointed 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 assess 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 mem-

ber 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 2014 in the total gross amount of HRK 58,997.32.

MANAGEMENT BOARD OF ATLANTIC GRUPA

The Management Board of Atlantic Grupa consists of the President and Group Vice Presidents. Eighteen sessions of the Management Board were held in 2014.

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

Emil Tedeschi

/ President of the Management Board

Mladen Veber

/ Senior Group Vice President
for Business Operations

Neven Vranković

/ Group Vice President for Corporate Affairs

Zoran Stanković

/ Vice President for Finance and IT

STRATEGIC MANAGEMENT COUNCIL

Since its establishment in early 2012, the Strategic Management Council operates as a multifunctional body that discusses vital strategic and operational corporate issues, business analysis, priority definition, supervision of strategic plans, coordination between organisational units and key decision making. The Council includes the following members: President of the Management Board, Senior Group Vice President for Business Operations, Group Vice President for Finance and Information

Technology, Group Vice President for Corporate Activities, and directors of all Strategic Business Units and Strategic Distribution Units, Senior Executive Director of Corporate Legal Affairs, Corporate Investments and Investment Maintenance, Senior Executive Director for Regional Key Accounts Management and Sales Croatia, Secretary General, Executive Directors of Central Purchasing, Human Resources, Corporate Controlling, Information Technology and the Head of the Investment Committee.

BUSINESS COMMITTEES

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

The Social Responsibility Committee contributes to the implementation of principles of sustainable development in the company's everyday 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 Human Resources, the Director of Corporate Communications and the Director of Corporate Quality Assurance.

IMPLEMENTING THE PRINCIPLES OF CORPORATE MANAGEMENT

Since its foundation and listing on the ZSE, 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. In line with consistent implementation of the Code's principles, Atlantic Grupa develops and operates in accordance with the good corporate governance practice and strives to contribute with its business strategy, business policy, key internal acts and business practice to transparent and efficient business operations and quality relations with the business environment in which it operates.

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 2014 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 Econo-

my. 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.

REMUNERATION POLICY FOR MANAGEMENT BOARD MEMBERS

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

- monthly salary for board members, set in the gross amount,
- annual bonus (bonus remuneration) per year of contract duration, set in the defined percentage of the realised principal annual gross salary and remuneration on the grounds of membership in supervisory boards of associated companies. The payment of the annual bonus is conditioned upon the realisation of planned business results in the ratio of at least 95% of the EBT plan for the consolidated Atlantic Grupa's business year. 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, regardless of being paid or not for such activities, including the membership in supervisory boards, advisory bodies, etc. shall only be allowed pursuant to the prior approval of the Management Board of Atlantic Grupa,
- employment, contract duration and termination periods – board members are employed for an indefinite period in Atlantic Grupa or its associated companies, and the contract on performing the function of a board member is concluded for the period of 3 years, with the possibility of termination in accordance with the periods prescribed by law,
- severance pay – severance pay is contracted in the amount of six average monthly gross salaries of the board member and gross remunerations based on the membership in supervisory boards of associated

companies paid to that board member in the period of three months prior to contract termination. The obligation of severance payment occurs in a case of contract termination by Atlantic Grupa in the period of its duration, unless the contract is terminated due to reasons caused by the fault of the board member.

In 2014, 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 10,379,065.72. 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 2014 received a gross amount of HRK 3,335,241.97.

ETHICS AND INTEGRITY

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

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

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

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

WHISTLEBLOWING PROCEDURE

Given that the Company wishes to provide its employees the right to an honest, responsible, transparent and ethical work i.e. working environment in which the main principles of business conduct are respected, Atlantic Grupa adopted the Whistleblowing Procedure Rules which prescribes the reporting procedure, rights as well as duties of each and all employees of Atlantic Grupa who in his/her work observes or becomes aware of either an actual or a potential illegal action or potential violation of the accepted rules of business conduct in the Company carried out by another employee(s). By such Rules, illegal action or violation of the accepted business conduct (Misconduct) are defined as any conduct including (but not limited to):

- committing a criminal act pursuant to positive legal regulations
- violation of the Company's internal acts
- conduct that represents a serious risk to human health and property

An employee who in his/her work observes or becomes aware of Misconduct has the right as well as the duty to report it immediately in

writing to the Head of Corporate Security of Atlantic Grupa and the member of the Management Board of Atlantic Grupa competent for Corporate Affairs. Immediately after receiving the report, they issue a certificate indicating the date of receipt of the report to the employee and, without delay, notify the following, as applicable:

- Head of Department in which the employee who committed the potential Misconduct is working, except in a case where the potential Misconduct relates to the Head of Department, or
- The President of the Management Board – in a case where the potential Misconduct relates to actions of a member of the Management Board, or
- The President of the Supervisory Board of Atlantic Grupa - in a case where the potential Misconduct relates to actions of the President of the Management Board.

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

Within the period of 4 weeks after receiving a report on the potential Misconduct, the Head of Corporate Security of Atlantic Grupa is

obliged to inform the employee who submitted the report on the outcome of the process. By way of derogation, if the process requires a period of time longer than the one prescribed, the Head of Corporate Security of Atlantic Grupa is obliged, within the given period, to inform him/her of the actions taken in the process and, immediately after the conclusion of the process, on its outcome.

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

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

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

An action of an employee who knowingly reports a potential Misconduct of another employee without any grounds and with a motive to cause any harm to him/her or to gain any benefit for oneself or for other person is considered a violation of the Company's internal acts. In this respect, in 2014, there were no recorded complaints from our employees.

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, ethnic, cultural, sexual and racial diversity, and business decisions must not be directed in a way that favours any of the categories of ethnic, sexual or racial criteria.
- **Fair treatment of suppliers** - The purchasing organization and the purchasing staff have to enable and support fair market competition among potential suppliers who are interested in entering into a business relationship with Atlantic Grupa. This means that the supplier selection process has to be always defined and conducted in

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

- **Respect to the purchasing profession** - The purchasing staff has to develop and maintain their professional competences, which means that they are obliged to continuously develop and improve their professional value both in terms of spe-

cific 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 2014, Atlantic Grupa continued its business growth by expanding its distribution portfolio and innovating its product portfolio. With continuous investments in production facilities, developments of new processes, following the latest technologies and educating production and sales personnel, Atlantic Grupa became one of the most dynamic business systems in the region and even wider with the internationalisation of operations as our main strategic focus of development. We have concluded the year 2014 with 5.152 employees in 11 markets.

Owing to successful implementation of the strategy, in 2014 Atlantic Grupa continued with the organic sales growth and profitability improvement. We are particularly pleased that our business model has proven stable in a difficult economic environment, as confirmed by reported results and launching of new investments.

In accordance with the set timeframe, we completed the largest capital expenditure in our history - construction of the new production plant for the production of energy bars in Nova Gradiška within our sports food segment, which will deliver first products to the market by the end of the first quarter of 2015, and by acquiring the company Foodland with the brand Granny's Secret we have in a single step moved towards the realisation of two strategic goals - expanding the current brand portfolio, and internationalisation.

The signing of the distribution agreement with Unilever in December 2013 and the successful distribution throughout 2014 have once again confirmed the status of Atlantic Grupa as the leading distributor in the region, offering the

highest level of distribution service together with the high realisation of distribution parameters.

Atlantic Grupa achieved its announced expectations for seven years in a row. Deleveraging is reflected in the lower net debt to EBITDA ratio, from 3.5 times in 2013 to 3.2 times in 2014. Moreover, cash flow from operating activities, growing 6.1% compared to the previous year, is growing faster than EBITDA, indicating stability of the business model of Atlantic Grupa, and confirms its focus on business development with continuous monitoring of operating costs, management of financial and operating risks, prudent liquidity management, further deleveraging and achievement of strong cash flows from operating activities.

Atlantic Grupa Consolidated '000 HRK	2013	2014	Change 2014/2013
Direct economic value generated	5,022,170	5,133,874	2.2%
Revenues	5,022,170	5,133,874	2.2%
Economic value distributed ¹	4,746,641	4,937,969	4.0%
Operating costs – incl. Education & Freelancers	3,732,190	3,826,707	2.5%
Employee wages and benefits – excl. Education, Freelancers ²	619,772	651,778	5.2%
Payments to providers of capital ³	189,273	160,871	-15.0%
Payments to Government ⁴	57,838	61,390	6.1%
Community investments	50,635	47,323	-6.5%
CAPEX	96,933	189,900	95.9%
Economic value retained	275,529	195,905	-28.9%

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 2014 the classification of contracted marketing expenses has changed from "Marketing and selling expenses" to decrease in "Sales revenues", and classification of support for contracted marketing expenses has changed from decrease in "Marketing and selling expenses" to decrease in "Cost of merchandise sold". In accordance with this change, sales revenue in 2013 has been restated.

In 2014, decrease of Economic value retained primarily came on the back of significantly higher capex (due to construction on energy bars production facility in Nova Gradiška – Atlantic Grupa's largest capital investment in the history), higher employee wages and benefits (excluding education and freelancers) as well as higher payments to government.

Revenues - The main engines behind the growth in 2014 were Strategic Business Unit Savoury Spreads, the Strategic Distribution Unit International Markets and the beginning of the Unilever principal distribution in the Strategic Distribution Unit Croatia and the Distribution Unit Slovenia. Analysing by markets, the largest growth has been achieved in the markets of Croatia and Slovenia.

Operating costs -incl. Education & Freelancers - Looking closely at 2014 only, costs of goods sold increased as a result of the change in the sales mix caused by the beginning of the Unilever product range distribution (increase of principal's brand share). Production material expenses in 2014 decreased as Atlantic Grupa used available hedging instruments to reduce the effects of higher prices of raw coffee on its purchase price and in that way largely avoided the negative effect of higher prices of raw coffee in the global commodity markets on its results. Costs of services grew as a consequence of higher transportation and logistics costs, extension of the distribution companies' vehicle fleets and higher rent expenses. Marketing and promotion expenses advanced on the back of aggressive marketing activities.

Employee wages and benefits -excl. Education, freelancers - Employee wages and benefits grew in 2014 primarily due to a higher number of employees as a result of increased business volume.

Payments to providers of capital – As a consequence of successfully refinanced long-

term borrowings at the end of 2012, payments to providers of capital, i.e. interest payments, were lower in 2013 and 2014. This was to some extent offset by dividend payment of HRK 30 million (HRK 9.00 per share) in 2013 and HRK 35 million (HRK 10.50 per share) in 2014.

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 2014, Multipower, in addition to its long-standing support to basketball, also sponsored sports such as cycling, bodybuilding, triathlon, iron man competitions, rugby, running, as well as some extreme sports such as parkour, mountain running and kitesurfing. In 2014, Atlantic Grupa sponsored the race Giro d'Italia and the 20th Children's Marathon in Belgrade. In the culture and knowledge segment, Atlantic Grupa has again in 2014 supported the 20th Sarajevo Film Festival as a central cultural manifestation in the region. Further, Atlantic Grupa helped in raising funds for establishing the Centre for psychological assistance to women with cancer diseases.

Capex – In 2014, the amount of the company's capital expenditure almost doubled compared to the previous year due to the construction of the production plant for the production of energy bars in Nova Gradiška. Additionally, the company's capital expenditures were also aimed at SBU Beverages, SBU Snacks, SBU Coffee as well as corporate projects including upgrade of SAP and development of the SALMEX project.

5. PRODUCT RESPONSIBILITY

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



The year 2012 was the first year of operation of the integrated process management system of quality, environmental and food safety management that was introduced at the corporate level of Atlantic Grupa i.e. in all operating companies within the Group. The intensive process of improving the Atlantic Grupa's integrated process management system continued in 2014.

In 2014, improvement efforts primarily focused on:

- Implementation of the process approach in new processes (Logistics),
- Integrated AG supplier monitoring system,
- Improvement of internal audit processes,
- Redefining joint processes key performance indicators for the production process at the AG level.

Implementation of the process approach in new processes (Logistics)

The process of implementing the process approach in Logistics started in 2013 and continued in 2014. The process is defined at the level of entire Atlantic Grupa and includes subprocesses: Transport, Storage and Fleet Management, while the monitoring process was established on two levels, corporate and subprocess. The entire project was successfully verified during a certification audit for ISO 9001 & 14001 in the three major AG logistics centres (Atlantic Trade Zagreb, Atlantic Brands Belgrade and Atlantic Trade Skopje).

Integrated AG supplier monitoring system

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 suppli-

ers, 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.

Improvement of internal audit processes

In May 2014, the first Annual Conference of Atlantic Grupa internal auditors was organised with the aim to strongly support internal audits as a toll for process improvement and risk identification.

Redefining joint processes key performance indicators for the production process at the level of Atlantic Grupa

In 2014, workshops on the analysis of monitoring process performance were held at the

level of entire Atlantic Grupa, together with all production process holders. The aim of these workshops was to analyse the current individual process efficiency monitoring models and identify possibilities to establish joint key performance indicators (KPIs) for the year 2015. Additionally, in the last quarter of 2014, the first Annual Process Management Conference was held, where accomplishments in that year were analysed and the 2015 objectives were set.

Document management

In addition to the above, the year 2014 was also dedicated to the project of launching a new document management tool in Atlantic Grupa.



INTEGRATED CERTIFICATION

The significant project of implementing the integrated quality and environmental management system was initiated in 2012, aimed at integrated certification of all members of Atlantic Grupa. The project involved a new inno-

vative approach to certification and implementation of the so called “multi-site” certification model for Atlantic Grupa.

The second Atlantic Grupa’s integrated certification cycle was implemented in March 2014.

The Atlantic Grupa certificate family comprises

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

Legal Entity	Market	Quality Standard	Food Safety and Quality Standard	Food Safety Standard	Environmental Standard	Good Manufacturing Practice
Argeta	BiH		FSSC 22000		ISO 14001	
Kofikom Product	BiH	ISO 9001			ISO 14001	
Soko Štark (Smoki)	Serbia	ISO 9001	FSSC 22000	HACCP	ISO 14001	
Soko Štark	Serbia	ISO 9001			ISO 14001	
Palanački kiseljak	Serbia	ISO 9001		HACCP	ISO 14001	
Grand Prom	Serbia	ISO 9001		HACCP	ISO 14001	
Atlantic Brands	Serbia	ISO 9001		HACCP	ISO 14001	
Atlantic Multipower	Germany	ISO 9001	IFS		ISO 14001	
Droga Kolinska (Skopje)	Macedonia	ISO 9001			ISO 14001	
Atlantic Trade (Skopje)	Macedonia	ISO 9001		HACCP	ISO 14001	

New members of our family are marked in red:

- ISO 14001 in Multipower and Logistics,
- FSSC 22000 in bottling plants in Croatia and Slovenia,
- GMP in Cosmetics (ISO 22 716).

In addition, two new major certifications were prepared in 2014 that will enter the certification cycle in 2015:

- IFS Multipower Croatia,
- IFS HPC Neva

CONTINUOUS EDUCATION

Atlantic Grupa continuously invests in the education of its employees in the field of quality management. Several workshops were held as part of the Functional Education Module, grouped under the following topics:

- product safety and quality management (GHP, GMP, DDD),
- environmental management,
- new documentation and methodology, all pointing to the fact that this structured education model is year after year growing into an organised education centre for corporate quality assurance.

PRODUCT HEALTH AND SAFETY

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

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

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

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

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

Laboratory testing of input materials, semi-finished products and finished products 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. The prevention programme for control of food hazards prescribes regular monitoring of the following natural and technological pollutants: pesticide residues, heavy metals, allergens, microtoxins, alkaloids, PAHs and dioxins, nitrates, pharmacologically active substances and contamination by migration of substances from primary packaging.

Such tests are outsourced to accredited and specialised laboratories. Monitoring is focused on input materials and adjusted to the supplier's risk assessment. The 2014 results show that the control system is efficient and that all hazards are well under control. In 2014, special attention was placed on heavy metals and

allergens. Heavy metals are lately often mentioned in the context of risks related to their presence in wheat, potato, meat and fish. By increasing monitoring of our raw materials and active communication with our suppliers we have successfully contained this risk.

In 2014, our experts shared their experiences in an internal professional conference that covered the following topics:

- new risks related to genetically modified organisms,
- proper management of cross contamination with allergens,
- substantiated risk assessment,
- supplier management based on risk analysis.

In addition, several courses in the field of good hygiene practice and product safety management were organised within the internal programme School of Quality.

The activities in the field of quality assurance support the company operations and represent advanced IT solutions: the SAP QM module was implemented in the Slovenian market and in some legal entities in the Croatian market, while other locations use internal IT solutions on similar platforms according to the same model. Furthermore, a new AG QM SAP standard was prepared in 2014 and implemented in the location of Atlantic Multipower Croatia. This standard joins the best practices from SAP Slovenia and SAP Cedevita solutions or, more precisely, upgrades the extensive experience in the field of quality management.

The efficiency of the quality assurance process is assessed on the basis of achieving target values of key indicators: the number of consumer complaints and the number of product recalls. We in Atlantic Grupa are investing

significant efforts to receive as much comments from our consumers as possible, which is the reason for organising regular trainings of personnel answering phones in our free call centres. All received complaints in 2014 were handled to the satisfaction of customers, while effective corrective actions were taken in the production process in order to prevent reoccurrence of such issues.

All marketed food products, except one, that were involved in health safety monitoring by inspection services or internal control officers were identified as complying with the health safety requirements. Compared to the previous year, we cut the number of situations where it was decided to preventively recall a product in half, which shows that the system is being improved in the right direction.

In 2014, considerable improvement was also achieved in the fields of safety management and product quality. HACCP systems were improved in all distribution markets and traceability of a product within the chain was significantly improved, allowing for faster preparation of customer information and communication with them.

The safety management and product quality system was in 2014 enhanced with the product protection system which analyses all production and logistic locations according to the risk of intentional contamination of products.

In line with the presented unique quality assurance standards applied in the whole Atlantic Grupa, an equal process of preparation, training of new personnel and efficient control was implemented for Atlantic Multipower Croatia's new production plant in Nova Gradiška, which started production in 2015.

	Recalls–health and safety impacts				Withdrawals – preventive actions due to potential health and safety impacts			
	2011	2012	2013	2014	2011	2012	2013	2014
AG OWN BRANDS	0	0	0	0	1 (voluntary codes)	0	3 (voluntary codes)	2 (1 voluntary codes + 1 Regulations)
PRINCIPALS - AG DISTRIBUTION	0	0	0	0	No data	2 (Regulations)	1 (Regulations)	0

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

In order to achieve even better results, since 2013, we are practicing monthly communication between the corporate quality assurance and all quality assurance departments in business programmes, with the aim to speed up the transfer of good practice.

PRODUCT AND SERVICE LABELLING

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

Firstly, we follow internal guidelines for product improvements regarding new recipes including the use of additives, genetically modified organisms, gluten, and development of products rich in positive nutrients, such as magnesium, calcium, nutritional fibres, 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 PR3

TYPE OF PRODUCT AND SERVICE INFORMATION REQUIRED BY THE ORGANIZATION'S PROCEDURES FOR PRODUCT AND SERVICE INFORMATION AND LABELLING, 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 2012	% in 2013	2014	
The sourcing of components (raw materials, packaging)	Organic product	1%	1%	1%	Only 1 BIO product in the assortment
	GDA information on the label	34%	36%	38%	
Content of the product (recipe)	Decaffeinated product	3%	3%	3%	Only decaffeinated products - all carrying the information
	Added caffeine	1%	1%	1%	Only extra caffeinated products - all carrying the information
	Added caffeine - Not adequate to diabetics, pregnant women, children and people sensitive to caffeine	1%	1%	1%	Only extra caffeinated products - all carrying the information
Safe use of the product	Store in a cool and dry place	100%	100%	100%	
	Add cold water	4%	5%	5%	For freeze cappuccino
	Add hot but not boiling water	30%	31%	32%	For instant coffee
Disposal of the product	Signs for appropriate recycling product packaging	100%	100%	100%	



SNACKS	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next			NOTE
		% in 2012	% in 2013	2014	
Content of the product (recipe)	GDA information on the label	24%	100%	0%	
	natural vanilla	5%	5%	5%	For chocolate for kids
	rich in Calcium	5%	5%	5%	For chocolate for kids
	high in fiber	5%	3%	5%	Chocolate with high cocoa content, Integrino wholegrain biscuits and breakfast cereals
	rich in vitamins and minerals	1%	1%	0%	biscuits for kids
	no artificial flavours	0%	0%	1%	breakfast cereals
	no artificial colourings	0%	0%	3%	Banatica, dragees
Safe use of the product	Store in cool and dry place	100%	100%	100%	
Easy open	Cold seal flexible packaging	0%	0%	5%	chocolates in flexible foil
Disposal of the product	all signs for appropriate recycling product packaging	100%	100%	100%	



MEAT AND FISH PATE	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next			NOTE
		% in 2012	% in 2013	2014	
MONTANA SANWICHIES		% in 2012	% in 2013	2014	
The sourcing of components (raw materials, packaging)	MSC Tuna	0%	0%	<1%	
	chicken fat in recipies	80%	90%	95%	GDA information on web for all products
	bouillon in recipies	50%	50%	60%	For Junior and Delight subbrands
Content of the product (recipe)	nutritional information on the label	70%	70%	99%	Only for 95g products; as 45g and 27g are single portion don't need the information
	GDA information on the label	0%	0%	0%	
	no additives	31%	31%	43%	



MEAT AND FISH PATE	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next			NOTE
		% in 2012	% in 2013	2014	
MONTANA SANWICHIES					
	Refrigerate after opening	55%	55%	55%	
Safe use of the product	Do not use if the product is inflated (ARGETA)	100%	100%	100%	
	Do not use if the product is inflated (MONTANA)	0%	0%	50%	
Disposal of the product	all signs for appropriate recycling product packaging	100%	100%	100%	



BABY DRY CEREALS	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next			NOTE
		% in 2012	% in 2013	2014	
The sourcing of components (raw materials, packaging)		na	na	na	New IMF producer to be found
Content of the product (recipe)	enriched with vitamins and minerals	100%	100%	100%	
	without additives and preservatives	100%	100%	100%	
	without gluten	38%	35%	na	% are falling due to wider assortment
	with no added sugar	8%	8%	na	increase number of sugar free products
Safe use of the product	after opening the product should be stored in a dry and cool place (not in fridge) not more than 3 weeks	100%	100%	100%	
Disposal of the product					



CARBONATED SOFT DRINKS	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next			NOTE
		% in 2012	% in 2013	2014	
Content of the product (recipe)	GDA information on the label	90%	95%	100%	end og 2014 new legislation - GDA is not declared more
	DR (daily reference) information on the label	-	-	-	
	caffeine and orthophosphoric acids free	76%	70%	64%	
	with sweeteners, sugar-free	10%	6%	6%	
	with fruit juice	10%	17%	35%	
Safe use of the product	serve cool	100%	100%	100%	
Disposal of the product	all signs for appropriate recycling product packaging	100%	100%	100%	Cockta klasik - use recycled PET
	sign of dispose carefully	100%	100%	100%	



NATURAL MINERAL WATERS BOTTLED IN RV	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next			NOTE
		% in 2012	% in 2013	2014	
The sourcing of components (raw materials, packaging)	natural sources of water	100%	100%	100%	
Content of the product (recipe)	rich in minerals, contains hidrogen carbonate, sulphate, sodium, magnesium, calcium	100%	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%	
	Drinking in huge quantities could cause diarrhoea, which ends, if you stop drink- ing or respect recommended intake.	100%	100%	100%	
	after opening, store in refrigerator	100%	100%	100%	
Disposal of the product	all signs for appropriate recycling prod- uct packaging	100%	100%	100%	
	sign of dispose carefully	100%	100%	100%	



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 2012	% in 2013	2014	
The sourcing of components (raw materials, packaging)	natural sources of water	100%	100%	100%	
Content of the product (recipe)	contains , sodium, potassium, calcium, magnesium	100%	100%	100%	
Safe use of the product	store in dark place and below the 25°C	50%	100%	100%	
Disposal of the product	all signs for appropriate recycling product packaging	100%	100%	100%	
	sign of dispose carefully	100%	100%	100%	



PERSONAL CARE category: LIP CARE	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next			NOTE
		% in 2012	% in 2013	2014	
The sourcing of components (raw materials, packaging)	Natural	59%	93%	93%	
Content of the product (recipe)	List of ingredients using the International Nomenclature of Cosmetics Ingredients (INCI)	100%	100%	100%	
	Paraben free	0%	14%	27%	
	Mineral oil free	0%	14%	27%	
	UVA and UVB protection	100%	100%	100%	
Safe use of the product	Dermatologically tested	100%	100%	100%	
Disposal of the product	all signs for appropriate recycling product packaging	100%	100%	100%	



PERSONAL CARE category: SKIN CARE	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next			NOTE
		% in 2012	% in 2013	2014	
The sourcing of components (raw materials, packaging)	Natural	6%	6%	8%	
Content of the product (recipe)	List of ingredients using the International Nomenclature of Cosmetics Ingredients (INCI)	100%	100%	100%	
	Paraben free	0%	0%	23%	
	UVA and UVB protection	26%	26%	31%	
Safe use of the product	Dermatologically tested	100%	100%	100%	
Disposal of the product	Designation of packaging materials	100%	100%	100%	



PERSONAL CARE category: ORAL CARE	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next			NOTE
		% in 2012	% in 2013	2014	
Content of the product (recipe)	List of ingredients using the International Nomenclature of Cosmetics Ingredients (INCI)	100%	100%	100%	
	Contains Sodium Fluoride	88%	86%	86%	all toothpastes containing sodium fluoride must be labelled with this wording
	Contains Sodium Monofluorophosphate	12%	14%	14%	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 brushing to minimize swallowing. In case of intake of fluoride from other sources consult a dentist or doctor'	94%	93%	93%	For any toothpaste containing 0,1 to 0,15 % fluoride unless it is already 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%	



PERSONAL CARE category: HAIR CARE	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next			NOTE
		% in 2012	% in 2013	2014	
Content of the product (recipe)	List of ingredients using the International Nomenclature of Cosmetics Ingredients (INCI)	100%	100%	100%	
Safe use of the product	Dermatologically tested	100%	100%	100%	
Disposal of the product	Designation of packaging materials	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 2012	% in 2013	2014	
Content of the product (recipe)	List of ingredients using the International Nomenclature of Cosmetics Ingredients (INCI)	100%	100%	100%	
Safe use of the product	Dermatologically tested	100%	100%	100%	
Disposal of the product	Designation of packaging materials	100%	100%	100%	



PERSONAL CARE category: INSECTICIDES & REPELLENTS	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next			NOTE
		% in 2012	% in 2013	2014	
Content of the product (recipe)	List of ingredients using the International Nomenclature of Cosmetics Ingredients (INCI)	31%	31%	31%	applies only on products with skin application
Safe use of the product	Dermatologically tested	31%	31%	31%	applies only on products with skin application
	Risk statements	88%	88%	88%	in line with EU directive relating labelling of dangerous substances
	Safety statements	94%	94%	94%	in line with EU directive relating labelling of dangerous substances
	Chemical hazard symbols	77%	77%	77%	in line with EU directive relating labelling of dangerous substances
Disposal of the product	Designation of packaging materials	100%	100%	100%	



FOOD SUPPLEMENTS	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next			NOTE
		% in 2012	% in 2013	2014	
Content of the product (recipe)	Nutritional information on the label	100%	100%	100%	
	Natural colours	60%	65%	70%	
	Natural aroma	63%	68%	72%	
Safe use of the product	Risk statements	100%	100%	100%	in line with EU regulation
	Safety statements	100%	100%	100%	
	Dosage	100%	100%	100%	
Disposal of the product	Packaging without leaflets	5%	80%	95%	
	Packaging without plastification (with UV lacquer)	5%	90%	90%	
	Designation of packaging materials	80%	95%	95%	
	All signs for appropriate recycling product packaging	80%	95%	95%	
	Sign of dispose carefully	80%	95%	95%	



DRUGS/OTC	INFORMATION	% of products in brand portfolio of significant product category in compliance with the requirement described next			NOTE
		% in 2012	% in 2013	2014	
Content of the product (recipe)					
Safe use of the product	Risk statements	100%	100%	100%	in line with EU regulation
	Safety statements	100%	100%	100%	
	Dosage	100%	100%	100%	
Disposal of the product	Packaging without plastification (with hydro lacquer)	100%	100%	100%	
	Packaging without plastification (with UV lacquer)	100%	100%	100%	

6. WORKPLACE RESPONSIBILITY

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

All processes connected with management in human resources are annually certified by an independent certificate (www.PoslodavacPartner.org). This certificate is awarded to organizations that fulfil the highest standards in managing people in the following fields: strategy, recruiting and selection; work, motivation and rewards; specialization and development; relationship with employees. Near the end of 2014 we started the recertification process and believe that we will retain our high standard and confirm the status of Employer Partner obtained in previous years.

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

In 2014 we have continued all processes that were initiated and implemented in 2013. At the end of 2014, analysed by all 11 markets in which Atlantic Grupa operates, the company had 5,152 employees (average number of people registered in legal entities within AG,

including freelancers), recording a continuous upward trend with regard to the number of its employees.

In 2014 we successfully continued the project Corporate Culture at the Group's level. The programme "Value a Colleague" was started within this project, in which all employees may nominate a colleague and/or team for whom they think that he/she best represents the company's corporate values. The programme proved to be very successful and will continue to be implemented on an annual basis.

During 2014 we continued the project "Naturally Caring" at the Group's level, whose aim was to raise awareness about the attachment that connects us with our work colleagues.

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. This may relate to what they eat during lunch-break, how they get to work, adjustments of work places, organised activities with colleagues interested in the same sports, forming of sports clubs, annual sports games and a series of actions aimed to promote activity, sports and health in our immediate work surroundings. You think this is a philosophy? Of course it is. Healthy living is an entire philosophy to be borne in mind throughout the day, even while we work, because we spend a good part of the day at work. It doesn't mean that this time is anything less than our life.



The programme **INNOWAVE**, merging the words “innovation” and “wave” in its title, symbolises 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 recognised 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 2014 we worked on improving 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.

The performance management process (U3) continues for a fourth consecutive year and in 2014 the HRnet performance management module was redesigned and new functionalities were added in order to facilitate the use of the system for end-users.

In the field of headcount planning and employee costs great steps forward were made in defining processes, regulating the data collection system, communicating with other departments involved in the process and in costs monitoring and reporting. A system of monthly reporting was introduced as well as the improved possibility of using career history for

planning purposes. We have also introduced a new model of business partnerships and excellence centres within the Human Resources Department which contributed to strengthening the function of human resources in the company.

HRIS - HRnet

The beginning of 2013 saw the implementation of HRnet, an information system under the competence of the Human Resources Department that integrates all information on Atlantic Grupa’s employees. During 2014, new functionalities were introduced and the existing ones were improved and redesigned (reporting, employment module, performance management module, development module) in order to increase the efficiency and usability of our processes. Between the many benefits included in this new HRnet system are reduced administration and increased engagement of employees in key HRM processes.

The HRnet system essentially includes all personnel administration, annual leave and business travel management as well as all advanced processes like performance management, employee development management, recruitment and selection management, talent and career management, etc. The launching of this software solution integrated in one place all important HR processes available through a simple application to more than 5,100 employees of Atlantic Grupa.

TALENT MANAGEMENT

Talent management in Atlantic Grupa represents a form of human capital management – a long-term, comprehensive and integrated approach for support and strengthening of the company's core competencies. 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 the entire employee population, we expect that it will ensure a highly flexible and agile organisation through the creation of a sustainable succession of management personnel at all levels.

Key benefits:

- ensuring business continuity through succession management,
- recognition, motivation and retention of the best people,
- platform for strategic decision-making in human resource management.

In this process each participant (sponsor, supervising manager, employee and HRM) has its role and responsibility and active engagement is expected from all participants in order to ensure successful implementation.

The central event of the project "Organisation & People" is a panel designed to assess employees in view of the quality of performance and the level of potential for assuming positions with more complex responsibilities.

In 2014 the Talent Management process included close to 150 employees. This process is repeated every two years with the same group of employees.

EMPLOYEE ENGAGEMENT

At the end of 2014, the employee engagement survey was carried out. It included all employees of Atlantic Grupa in all markets, while the analysis of results and reports were prepared by an external consulting firm. The implemented actions plans based on the 2013 results were efficiently accepted among employees and according to the initial 2014 survey results a positive change took place. Employee engagement ratio in 2014 increased to 3,18:1 compared to 2013 when it was 2.02:1 (engaged vs. not engaged employees). The Engagement Index serves as an integral part of the annual performance evaluation for managers and as such serve as indicators of successful people management. We plan to carry out such research once a year in order to be able to monitor the results of our targeted actions and to ensure that all employees give their opinion about working in the company.

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.

During the summer of 2014, a comprehensive project of employer branding under the working title "Imagen Atlantic" was started. A series of external and internal research of our company's perception as an employer and months of dedicated work resulted in no longer a working title, but 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, both existing and new.



ATLANTIC
G R U P A

Ocean of opportunities

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 (society) of 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**, symbolized by a mountain.



You will notice that the values experienced a slight makeover, not at all unusual for this generation. After all, they also have to grow with us.

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 recognized 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 the 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. A kind of launching into the Ocean of Opportunities, which as a project will actively sail from the beginning of 2015, are schedule books and calendars that will be used during the next year. The seas will surely not be calm, but we at Atlantic always knew how to seize the opportunities carried by waves, together in the Ocean of Opportunities.

Workforce in 2014						
Region (market)	No. of employees	M	F	< 30	30 – 50	> 50
BIH	152	111	41	14	113	25
Croatia	1684	726	958	315	1107	262
Germany	182	104	78	26	108	48
Italy	8	3	5		7	1
Macedonia	164	108	56	31	117	16
Montenegro	2	1	1		2	
Russia	72	34	38	14	40	18
Serbia	1549	761	788	80	1177	292
Slovenia	625	326	299	83	372	170
Spain	8	6	2	2	6	
UK	12	6	6	1	6	5
Total	4458	2186	2272	566	3055	837

The majority of our employees work in Croatia (37,77%), Serbia (34,75) and Slovenia (14,02%).

New employees in 2014							
Region (market)	No. of new employees	%	Age group			M%	F%
			< 30	30 – 50	> 50		
B&H	2	0,37	2	0	0	100,00	0,00
Croatia	315	58,66	146	161	8	55,24	44,76
Germany	31	5,77	11	20	0	67,74	32,26
Italy		0,00	0	0	0	0,00	0,00
Macedonia	8	1,49	3	4	1	62,50	37,50
Montenegro		0,00	0	0	0	0,00	0,00
Russia	27	5,03	7	20		62,96	37,04
Serbia	78	14,53	34	42	2	56,41	43,59
Slovenia	75	13,97	24	46	5	49,33	50,67
Spain	0	0,00	0	0	0	0,00	0,00
UK	1	0,19	0	0	1	100,00	0,00
Total	537	100,00	227	293	17	56,05	43,95

In 2014, we employed a total of 537 people, representing an increase/decrease in total headcount number of 5,83% since 2011. For 2014, 2,1% were part-time and 97,9% were full-time employees.

	2011	2012	2013	2014
Number of new employees	482	400	331	537
% of new employees out of total headcount	11.48	9.42	7.82	12,05

Employee turnover									
Region (market)	No. of employees left in 2014	% turnover	Voluntary turnover in %	Involuntary turnover in %	Age group			M%	F%
					< 30	30 – 50	> 50		
B&H	6	1,89	16,67	66,67	17	67	17	66,67	33,33
Croatia	154	48,58	97,40	3,25	31	55	14	61,69	38,31
Germany	24	7,57	95,83	4,17	38	42	21	54,17	45,83
Italy	0	0,00	0,00	0,00	0	0	0	0,00	0,00
Macedonia	6	1,89	83,33	16,67	33	67	0	83,33	16,67
Montenegro	0	0,00	0,00	0,00	0	0	0	0,00	0,00
Russia	17	5,36	94,12	5,88	47	53	0	65	35
Serbia	71	22,40	91,55	8,45	7	54	39	57,75	42,25
Slovenia	36	11,36	61,11	38,89	19	50	31	52,78	47,22
Spain	2	0,63	100,00	0,00	0	100	0	50,00	50,00
UK	1	0,32	100,00	0,00	0	0	100	100,00	0,00
Total	317	100,00	89,91	10,09	25	53	21	59,94	40,06

	2011	2012	2013	2014
Voluntary turnover in %	No record	No record	6.66%	6,35%
Involuntary turnover in %	No record	No record	0.67%	0,69%
Total %	14.44%	4.67%	7.33%	7,04%

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 2014 financial year was 7,04% including involuntary turnover which sits at 0,69%.

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 centers
- 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*	Injury Rate (IR)**				Lost Day Rate (LDR)***				Absentee Rate (AS)****			
	2014	2013	2012	2011	2014	2013	2012	2013	2014	2013	2012	2011
B&H	0	0	1.21	0	0	0	31.46	2011	0	0	6,672.88	0
Croatia	1,34	0,92	1.71	1,47	77,2	31,84	45.31	0	13.258,05	6.266,43	7,068.52	6.088,16
Germany	5,28	5,49	0	1,60	44,05	79,55	0	31,54	23.372,42	14.697,94	0	13.124,15
Macedonia	0,58	0,59	2.49	1,33	14	6,54	32.95	10,69	16.791,97	794,46	1,49.95	3.301
Russia	0	0	0	0	0	0	0	46,51	0	0	0	0
Serbia	1,5	1,92	2.17	2,21	64,98	59,65	36.59	0	12.259,87	10.897,06	11,186.31	13.251,35
Slovenia	0,31	1,13	1.60	1,61	14,92	17,30	37.66	67,49	13.179,38	9.743,23	10,463.11	10.737,06

* we had no fatal injuries in the last four years (2014, 2013, 2012, 2011)

** we had no occupational diseases in the four three years (2014, 2013, 2012, 2011)

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.

G4 LA9

AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE BY GENDER AND BY EMPLOYEE CATEGORY



Average hours of training per year per employee by gender:

Average training hours / person	2011	2012	2013	2014
M**	10	10	11	11
F	10	10	10	11
Total %	20	20	21	22

* 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
Senior Management	100	117	216	200
Middle Management	75	77	88	95
Other	13	12	10	11

* level such as senior management, middle management

Function*	2011	2012	2013	2014
Product Execution	44	46	45	45
Product Placement	45	45	45	47
Internal Perspective	168	150	162	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 Leadership in Action concept was announced at the end of 2014, while the implementation of both concepts began in early 2015. The year 2014 was characterised by an active individual approach to developing leadership skills in response to the needs arising from talent management processes and the Leadership Academy cycle in 2012/2013.

FUNCTION LAB is focused on the development of functional competencies for the following areas: Quality, Safety, Pharma, Marketing and KAM. The areas of Quality, Safety and Pharma are under the organisation and control of the business units that manage them, while Marketing and KAM are realised as the joint

project of Central Marketing, that is, KAM/ Sales Department and the Corporate Talent & Development Team. The year 2014 saw the continuation and, in some segments, expansion of activities in the areas of Quality, Safety and Pharma, while the areas of Marketing and KAM were introduced as a concept and several initial modules were implemented.

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. Preparatory activities for launching the TALENT LAB projects were performed in 2014.

In addition to the above, each Atlantic Grupa employee through his/her individual development plan available via the information system, during the entire 2014 had access to the catalogue of development activities according to defined competencies as well as to options related to applying for and realising required activities which are not a part of the standard catalogue of trainings.

7. ENVIRONMENTAL RESPONSIBILITY

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. 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 in 2014 was the implementation of the system to the distribution and to entire Atlantic Grupa.

The second aspect of the environmental management system development was the revalorisation of how our business affects the environment. With the introduction of some elements of the environmental risk management, we took a closer look from all the perspectives to all the environmental factors in Atlantic Grupa that could harm the environment. By changing the methodology of the identification and valorisation of the aspects, we gave a chance to devote even more attention and control of factors with high risk. We continue developing procedures and transferring best practice for key environmental tasks. The focus in 2014 was the implementation of the energy management system. The main goal of the implementation is to identify opportunities to optimise energy consumption,

costs and environmental impacts. The first step was the conduction of energy audits on Sites and identification of the necessary measures for improving the energy performing. Waste management and pollution prevention remain our ongoing priority. Other important environmental activities were conducted simultaneously on four key fields:

- the integration of environmental perspective in all areas and functions of business
- the integration of environmental values into existing projects
- series of activities to raise employee environmental awareness
- first sustainability reporting according to GRI principles.

INTEGRATION OF ENVIRONMENTAL PERSPECTIVE IN ALL ASPECTS OF BUSINESS AND BEYOND

In 2014 Atlantic Grupa started actively to look across the whole value chain, including supply chain, operations and logistics, development of products, marketing, use of products by consumers, end-use of product and potential disposal.

We recognised this approach as a base of the live-cycle thinking. The essential step in this direction was the beginning of recognising and managing the potential environmental impacts of our business beyond the internal boundaries.

In the previous years we focused our environmental concern among our external stakeholders on suppliers. In 2014 we transferred it also on our customers and consumers. Some projects that have to be highlighted:

- The switch to a recycled plastic Cockta bottle (50% r-PET). With using the environmentally friendly package for Cockta instead of virgin PET, we are reducing the bottle's lifecycle impact by a reduction of CO2 emissions. Furthermore, the replacement allows the saving of natural resources and reducing the quantity of waste.
- Participation in the educational project / competition named "Packaging - product - consumer - protection of the environment" in aim to affect the consciousness of the public about the importance of the recycling. The winning evening dress was made out of Barcaffè waste sacks.
- Promoting the upcycling through the presentation of the urban subsistence gardening made of 3300 Cockta plastic bottles and over 2800 stoppers. The main objective of the project was to promote the recovery of discarded materials and give them a new use.

ENERGY

Year 2014 can be identified as a turning point in terms of collecting data for energy consumption in Atlantic Grupa. There have been two changes in the reporting method. The scope of reporting has additionally expanded on the distribution part of business and the steam has been included on the list of energy sources. The revision includes the data for 2013 and 2014. The distribution part of busi-

ness represent 5 % of the total energy consumption. Approximately the same percentage of the total energy consumption represents the consumption of steam.

Despite this wider reporting approach, the energy consumption within the organization is decreasing due to optimizations, transferring best practice and conduction activities to raise employee energy awareness.

G4 EN3

ENERGY CONSUMPTION
WITHIN THE
ORGANIZATION



Energy consumption within the organization			
	2012	2013	2014
SLOVENIA	30.962	30.469	29.092
CROATIA	15.970	18.348	16.562
SERBIA	75.539	55.814	53.140
BiH	9.965	9.666	10.882
MACEDONIA	3.529	2.212	2.079
GERMANY	-	1.768	1.549
TOTAL MWh	135.964	118.278	113.305

Energy consumption MWh							
	SLOVENIA	CROATIA	SERBIA	B&H	MACEDONIA	GERMANY	TOTAL MWh
2012							
Electricity Kwh	8,013	7,529	20,437	3,092	1,660	-	40,731
LPG	12,723.95	-	23,691.67	-	1,747.28	-	38,163
Natural gas	3,559.94	447.27	19,389.22	5,588.85	-	-	28,985.28
CNG	-	-	9,376.50	-	-	-	9,377
PROPAN	301.44	-	-	-	-	-	301
Fuel oil	-	1,340.08	2,644.83	1,283.37	121.83	-	5,390
Mazut	6,363.15	-	-	-	-	-	6,363
Steam	-	6,654	-	-	-	-	6,654
Total MWh	30,961.64	15,970	75,538.86	9,964.59	3,528.72	-	135,964

Energy consumption MWh							
	SLOVENIA	CROATIA	SERBIA	B&H	MACEDONIA	GERMANY	TOTAL MWH
2013							
Electricity	8,041	7,055	20,486	2,738	641	813	39,774
LPG	13,094.22	-	10,562.20	-	1,712.64	318.87	25,688
Natural gas	3,580.41	477.30	17,250.50	5,602.77	-	-	26,910.98
CNG	-	-	12,831	-	-	-	12,831
PROPAN	355.73	-	-	-	-	-	356
Fuel oil	-	1,115.85	2,853.87	1,306.09	110.79	636.15	6,023
Mazut	5,830.29	-	-	-	-	-	5,830
Steam	2,084	6,124	-	-	-	-	8,208
Total MWh	30,469	18,348	63,983.80	9,647.19	2,464.23	1,768.10	118,278
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

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
Critically endangered*	0	0
Endangered*	0	0
Vulnerable*	0	1
Near threatened	1	1
Least concern	0	1

*Threatened categories

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

For the production of Argeta Tuna pate we use mostly the Fish species Yellowfin tuna -Thunnus albacares (listed in NT – Near Threatened

category) and Skipjack tuna - Katsuwonus pelamis (listed in LC – Least concern category). Our long term goal is to avoid using species from threatened categories.

In 2014 the specific raw material market situation was the cause that we exceptionally bought also some quantities of Bigeye tuna – Thunnus obesus, whether we know that this specie is listed in VU (vulnerable) category. We will completely stop buying this specie in 2015.

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.

G4 EN23

TOTAL WEIGHT OF
WASTE BY TYPE AND
DISPOSAL METHOD

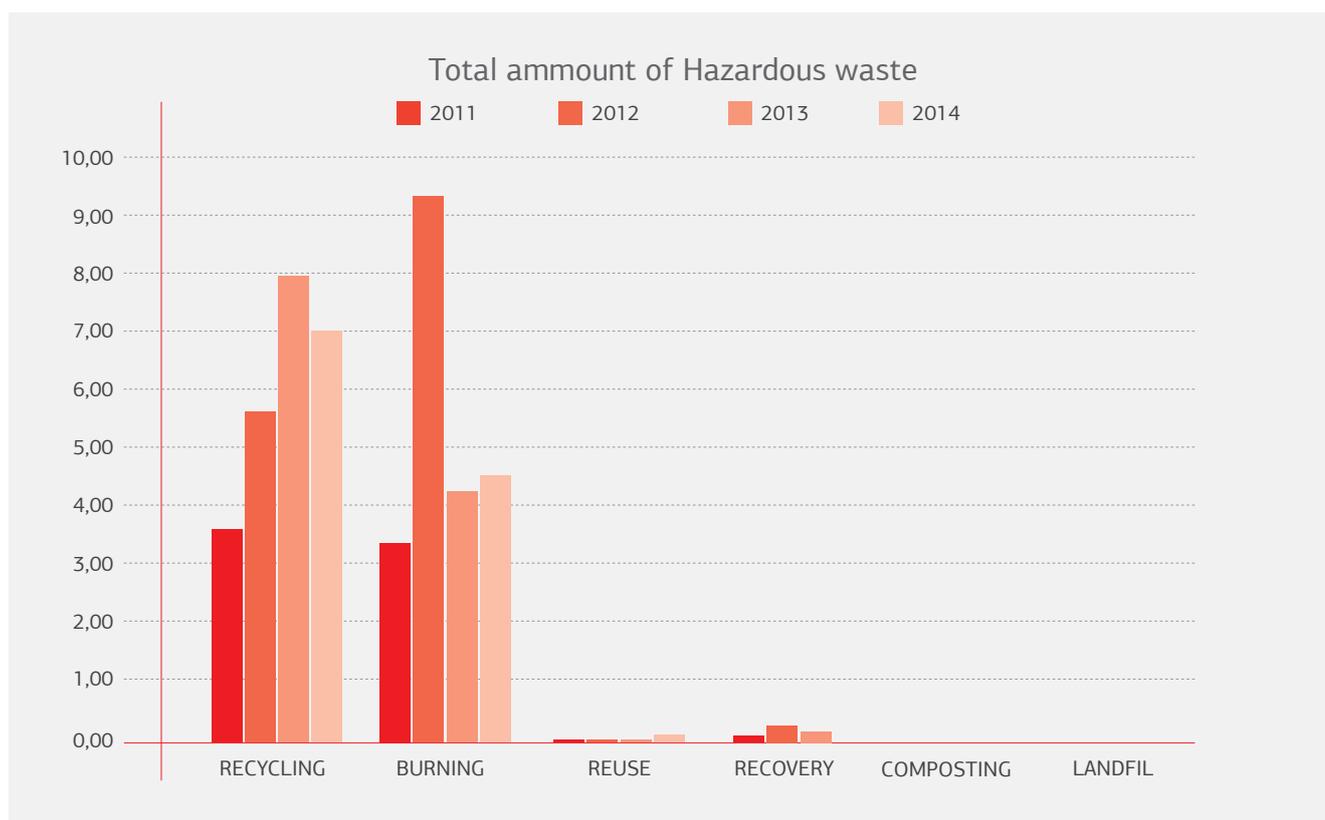


Non- hazardous waste (t/year)							
2014	RECYCLING	BURNING	REUSE	RECOVER	COMPOST	LANDFILL	TOTAL
SLOVENIA	961,19	85,18	494,28	338,61	68,32	75,20	2022,77
CROATIA	444,58	11,04	1,32	348,00	0,84	60,11	865,89
SERBIA	664,95	0,00	472,34	0,00	0,00	1076,82	2214,11
BiH	233,28	0,00	56,41	0,00	0,00	833,60	1123,28
MACEDONIA	16,25	0,00	35,50	0,00	0,00	52,10	103,85
GERMANY	228,48	0,00	0,00	0,00	32,69	143,35	404,52
TOTAL	2548,73	96,22	1059,85	686,61	101,85	2241,17	6734,42

Hazardous waste (t/year)							
2014	RECYCLING	BURNING	REUSE	RECOVER	COMPOST	LANDFILL	TOTAL
SLOVENIA	0,00	0,91	0,00	0,00	0,00	0,00	0,91
CROATIA	5,52	3,48	0,05	0,00	0,00	0,00	9,05
SERBIA	1,16	0,00	0,00	0,00	0,00	0,00	1,16
BiH	0,09	0,20	0,00	0,00	0,00	0,00	0,30
MACEDONIA	0,00	0,00	0,00	0,00	0,00	0,00	0,00
GERMANY	0,26	0,00	0,00	0,00	0,00	0,00	0,26
TOTAL	7,04	4,60	0,05	0,00	0,00	0,00	11,68

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

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



In 2014 the share of separately collected waste has increased on all Sites of Atlantic Grupa. The quantity of the waste on the landfill has slightly increased due to the increase amount of the total waste. The amount of

the recycling waste has increased for 8%. The most notable activity was the setup of the eco-labels to promote the proper sorting of waste and reduce the water, paper and energy consumption.

INTEGRATION OF ENVIRONMENTAL VALUES INTO EXISTING PROJECTS

In 2014 we started with new environmental project called ATLANTIC GREEN – Opportunity to grow in harmony with the nature, which encompasses:

- Value day – the traditional day when AG employees leave their jobs and devote the day to charitable and environmental activities. The next step is to dedicate the day entirely to environmental issues as landscaping of the Sites, removing trash from the banks of the river and city parks, raising environmental awareness in kindergarten, planting trees.
- Inowave – the program for notification of innovation is going to be upgraded with the Greeninowave section for environmental ideas.
- Naturally fit project, focused on the promotion of bike to work campaign that will result in reduction of greenhouse gas emissions and energy consumption in relation with the arrival at work.

New environmental activities that will colour Atlantic Grupa in GREEN are:

- the unification of the ecological islands for all locations of Atlantic Grupa,
- celebration of the Earth day through special activities for all employees of Atlantic Grupa,
- planting apple trees on the production site,
- the first electric car in Atlantic Grupa's fleet - opportunity to grow in harmony with nature.



RAISING EMPLOYEE ENVIRONMENTAL AWARENESS

Atlantic Grupa is constantly working on raising employee environmental awareness, due to the fact that employees are the key holders towards sustainable environmental management

system. Therefore, FOLLOW ME! slogan conducted this environmental journey for raising the environmental awareness. The most notable activity was the setup of the eco-labels to reduce the water, paper and energy consumption and promote the proper sorting of waste.



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. 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

The basketball club Cedevita continues to be the flagship of all Atlantic's sponsorships. Atlantic Grupa is actively involved in the promotion of basketball as a sport of national importance by attracting increasingly better players and trainers as well as in the promotion of the brand Cedevita, to which the club was renamed. 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 700 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.

CULTURE AND KNOWLEDGE

Atlantic Grupa has again in 2014 supported the 20th 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.

In June, Cedevita's plant was visited by around forty students of the Master's degree programme "International management", University of Klagenfurt. The reason for their stay in Zagreb was to visit the Faculty of Economics

and Business and their colleagues. Their wish was to visit one of the most developed Croatian food companies and Atlantic Grupa was a logical choice, giving its contribution to wider cooperation with the academic and student community.

SOCIALLY VULNERABLE GROUPS

Atlantic Grupa continued its cooperation with the Centre for Education Dubrava in 2014. This year Atlantic welcomed young entrepreneurs from the Centre at its Cedevita production plant, introducing them to its business processes. This year, the Rehabilitation Centre Zagreb's branch Paunovac received funds for reconstruction of the tennis court. In the course of 2014, Atlantic Grupa supported the Institute of Economic Sciences in organising the fourth agricultural forum "Food for Europe", organised as part of the Strategy for Agricultural and Rural Development of the Republic of Serbia 2014 - 2024. The association "Centre for Youth Integration" better known as the "Drop-in Centre" received a donation in support of providing services within the programme "For a Sustainable Drop-in Centre". Atlantic also supported the "Forum for Sustainable Communities" dealing with the subjects of corporate philanthropy, intersectoral collaboration, civil society sustainability and the role of the business sector, donors and foundations in the development of local communities..

With its brands Dietpharm and Farmacia, Atlantic Grupa helped in raising funds for establishing the Centre for psychological assistance to women with cancer diseases. Since 2008, the Association of Women with Cancer Diseases "All for Her" provides information, psychological and organisational support to afflicted women as well as their family and friends. With the brand Argeta Junior and the project "Mali dar za važnu stvar!" (Small offering for an important thing!), Atlantic Grupa donated equip-

ment for two kindergartens in flood-stricken areas - "Majka Jugović" in Doboj and "Dječji vrtić" in Maglaj. The Croatian Association of Leukaemia and Lymphoma Patients is implementing 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

This already traditional annual gathering of Atlantic Grupa members brought together a record 1,206 Atlantic employees who year after year with their positive energy, unity, humanitarian support and harmony, leave a positive trace in their environment through activities that they nominate themselves.

This year Atlantic members could be seen in 10 countries and 24 cities where they, through more than 70 activities, creatively, responsibly

and passionately assisted their local communities and each other through improving their work spaces, gardening, cleaning the environment, painting and maintenance of public homes, shelters and schools; and by donating blood. Some employees visited former colleagues in retirement homes, others displayed their culinary talents by cooking for the homeless, while a number of Atlantic employees spent the day at a seminar with fellow colleagues from production, where they were shown, first-hand, how our products are developed, packaged and distributed.

HUMANITY AT WORK

The VALUE DAY activities also included coordinated relief actions in all three countries affected by the raging waters during the spring floods in Croatia, BiH and Serbia. Atlantic Grupa as a whole and through the organised activities of its regional companies, contributed in aiding the affected population, including their own employees whose homes were affected by the floods. Atlantic Grupa established the crisis headquarters in Serbia that met regularly, agreed on and monitored all actions and donations of goods and aid to employees. All of the companies operating under the Atlantic's system in Serbia joined the Humanity at Work action by organising a donation of packages of goods for people in the affected areas. A Solidarity Fund was also opened for employees and companies to voluntarily donate funds for the renewal of homes for 34 Atlantic employees and their families.

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.