



## **Communication on Progress**

**Year**

**2011/2012**

## Statement of continued support

**Atlantic Grupa d.d.** continues to support the ten principles of the Global Compact with respect to human rights, labor, environment and anti-corruption. We express our intent to advance those principles within our sphere of influence. We are committed to making the Global Compact and its principles part of the strategy, culture and day-to-day operations of our company, and to engaging in collaborative projects which advance the broader development goals of the United Nations, particularly the Millennium Development Goals.

As a company committed to transparency and responsible business operations, in 2007 Atlantic Grupa d.d. joined the United Nations Global Compact Initiative, upon its founding in Croatia. Besides answering to UN Global Compact principles, we used Global Reporting Initiative's indicators to present our activities. As the first of many reports, it presents our answer to the interests of our stakeholders in the areas of workplace, environment, health and safety, and the economy.

Emil Tedeschi, CEO Atlantic Grupa

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## **BRIEF DESCRIPTION OF NATURE OF BUSINESS**

### **CORPORATE PROFILE**

Atlantic Grupa is a Croatian multinational company whose business operations include production, development, sales and distribution of consumer goods with simultaneous market presence in over 30 countries around the world. The company has 4,247\* employees and it is one of the leading food companies in the region\*\* which, in addition to its own range of well-known brands, also distributes a range of products from external partners in all regional markets. Moreover, Atlantic Grupa's products have significant market presence in Russia, Commonwealth of Independent States and Western Europe, and with its sports food assortment Atlantic Grupa is the leading European manufacturer in this segment

Based on the company's business development, by mid-2010 Atlantic Grupa grew into the leading European manufacturer of sports food, the regional leader in the production of vitamin drinks and food supplements, a prominent regional manufacturer of cosmetics and personal care products, the leading consumer goods distributor in south-eastern Europe as well as the owner of the leading private pharmacy chain united under the name Farmacia. With the acquisition of Droga Kolinska – a company with a developed brand portfolio from its own production programme with leading positions in regional markets – executed in November 2010, Atlantic Grupa also became one of the leading regional food companies. The company's business operations in the post-acquisition period were marked by the processes of comprehensive integration of the company Droga Kolinska into the existing business operations of Atlantic Grupa, the most noticeable of which was certainly the process related to distribution and logistics. The executed process of merging the distribution business operations of Atlantic Grupa and Droga Kolinska into single distribution entities in each regional market resulted in the creation of a strong regional distribution network. In the production segment, focus was placed on integrating individual production activities and transferring outsourced production activities into own activities for the purpose of a more cost-efficient use of the existing production capacities. The supply segment saw the implementation of a centralised system with the introduction of a key client concept for basic raw materials. In 2012, IT consolidation at the Group's level was successfully completed by redefinition of the model of user support, redesign of a portion of the IT service and standardisation of the technological platform. The listed integration processes, which were successfully completed by the end of 2012, transformed Atlantic Grupa into a strong regional manufacturer and distributor, thus creating a strong foundation for its further business development and expansion.

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\* As at 31 December 2012

\*\* The region includes: Croatia, Slovenia, Bosnia & Herzegovina, Serbia, Montenegro, Macedonia and Kosovo, unless stated otherwise.

## STRATEGIC BUSINESS UNITS

Strategic Business Units manufacture and develop brands which have through continuous development of new and innovation of existing products secured leading market positions not only in Croatia and the region, but also in EU and Russian markets. Strategic Business Units are divided into six categories: Beverages, Coffee, Snacks, Savoury Spreads, Pharma and Personal Care, and Sports and Functional Food.

### STRATEGIC BUSINESS UNIT BEVERAGES



Through the activities of the Strategic Business Unit Beverages (SBU Beverages), Atlantic Grupa is a prominent regional producer of instant vitamin drinks, food supplements, teas, refreshing drinks and mineral water. A large number of Atlantic's brands in the segment of instant vitamin drinks, soft drinks, sparkling and natural (spring) water, food supplements, teas and candies are market leaders in the Croatian as well as in the South-East European market. Considering that the manufacturing of these products is the principal activity of the SBU Beverages, this makes the Company a significant regional manufacturer of products intended for healthy nutrition and modern lifestyle.

The SBU Beverages' most prominent products are known on the market under the following brands; instant vitamin drinks Cedevita and Multivita, effervescent tablets Multivita, refreshing soft drinks Cockta and Jupj, consumer Cedevita teas, Naturavita medicinal teas and, in the segment of natural and sparkling mineral water, brands Donat, Tempel, Tiha, Karađorđe, Kala and Kalnička. Furthermore, the SBU Beverages is also manufacturing certain brands for the Strategic Business Unit Pharma and Personal Care (Dietpharm – nutritional supplements and medical purpose products) and for the Strategic Business Unit Sports and Functional Food (liquid forms of Multipower products).

Consumer demands, especially those related to product quality and innovation, are continually growing. Aware of that fact, the SBU Beverages introduces around twenty new products per year. As the quality and safety of products are key factors of acquiring and maintaining consumer trust, high product quality is ensured by systematic investments in knowledge, equipment, technical skills, marketing and consumer

communication. The SBU Beverages' quality management systems comply with the strict international standards.

In 2012, business activities of the SBU Beverages were marked by integration processes implemented through the new organisational scheme with the purpose of taking maximum advantage of all synergic effects.

The SBU Beverages' quality management systems are in line with the strict international standards (ISO 9001, 14001, IFS, HACCP, GMP). The basis for the process management system consists of preconditioned programmes (Good Hygiene Practice, Good Manufacturing Practice, Good Laboratory Practice, Good Storage Practice), while a joint approach to education related to the integrated process management system is organised through the School of Quality.

In 2012, the SBU Beverages improved its sales results by 0.2% compared to 2011 and generated sales revenues in the amount of HRK 671.9 million.

### *Cedevita*

According to the agency Valicon's survey, in 2012 Cedevita became No. 1 in the category of at-home consumption (granules) in Croatia and Slovenia. In its strongest market – Croatia – despite the aggressive entry of new competition, Cedevita in 2012 managed not only to preserve, but to raise its market share in sales volume.

The largest success was accomplished in the Slovenian market where Cedevita, according to Valicon's consumer survey, is the brand with the highest rise in popularity in the HoReCa channel. In its home HoReCa market of Croatia, Cedevita is by its power and image the second strongest brand, right after the global leader. In 2012 Cedevita expanded its HoReCa assortment with an exclusive product for children – orange flavoured Cedevita Kids.

In April 2012 regional markets saw the launching of a new grapefruit flavour. Furthermore, Cedevita for the first time realised more significant exports of products to Ireland under the brand name "Cedevita Twist2GO!" and to Australia and South Korea under the brand name "CedevitaGO!". What is more, Cedevita also exported its products to the markets of Germany, Sweden, USA, the Netherlands and Hungary.

In the Croatian market, Cedevita candies are ranked third in the candy category with a value share of 10.7%. The highest selling candy in 2012 was Rondo C Classic (28g) with a volume share of 5.8%, which by taking the first place left behind well-known global brands. Additionally, at the beginning of 2012 a new product Rondo C XXL Classic (61.5g) was launched.

### *Kalnik springs*

The most significant activities in 2012 were related to the product portfolio of water. The former brands Unique (natural spring water) and Kapljice (sparkling mineral water) were closed and new brands Kala (natural spring water) and Kalnička (sparkling mineral water) from the springs of Kalnik were launched. The brands Kala and Kalnička were successfully launched in retail and HoReCa channels, while Kala is also offered by gallon. The stated rebranding in this production segment, followed by a successful advertising campaign, resulted in significantly higher sales of spring water from the Group's product portfolio in 2012.

### *Multivita*

In the production segment Multivita, the improvement of formulation and redesign of the 200g packaging that were carried out in 2012, supported by adequate marketing activities, resulted in the total growth in sales of Multivita, with the highest growth recorded in the market of Bosnia and Herzegovina.

The effervescent product portfolio also underwent a packaging redesign followed by marketing activities, which resulted in maintaining the leading market position in Serbia, with a value share of 51% as well as a 9% value share in Croatia.

### *Carbonated soft drinks (Cockta, Jupi)*

In the extremely competitive market of carbonated soft drinks, a category that in 2012 recorded a large decline in sales, the volume share of the brand Cockta has increased. Such results were facilitated by the performed product image redesign followed by marketing activities, as well as the launching of a product subgroup: Cockta Easy and Cockta Rossa. The biggest success between these new products is recorded by Cockta Rossa which, after its launch in May 2012, exceeded all expectations. Compared to 2011, Cockta recorded the highest growth in sales in Bosnia and Herzegovina and Croatia. Both volume and value market shares of Cockta achieved in 2011 were successfully maintained in 2012 in Slovenia and Bosnia and Herzegovina, while they recorded growth in Croatia and Serbia.

### *Donat Mg*

Despite the large competition of OTC products, Donat Mg yet again remained the leading market brand in Slovenia in the functional product segment. Moreover, according to Valicon's survey, in 2012 Donat Mg considerably improved its brand power and reputation in all other regional markets in the listed product category.

Within the SBU Beverages, in 2012 Donat Mg set a new sales record. The highest double-digit growth in sales was recorded in Serbia, Bosnia and Herzegovina and Russia, while a growth of Donat Mg was also achieved in Austria and France. In 2012 Donat Mg also successfully entered the markets of Ukraine and Israel, after which it is present in 26 countries. The market success in Russia, which came as a result of distribution expansion, raising awareness about basic digestive indications and strong medical marketing, had the largest effect on the total value growth of Donat Mg.

Investments in process equipment continued at the production plant for instant vitamin drinks and pressed candies, which by increasing the process safety level improved the safety of workers, increased process automation and work productivity as well as standardised the quality of raw materials. In the segment of refreshing soft drinks and sparkling and natural mineral water, a production facility for soft drinks (Cockta) started operating within the bottling plant Apatovec, which also includes the production of primary syrup and alteration of filling and packaging lines. With the commissioning of this facility, overall production in BiH and Croatia was transferred to own production facilities. In addition to the soft drink bottling plant, a wastewater treatment facility was built and commissioned by applying the SRB technology. In 2012, the bottling plant Rogaški Vrelci introduced new technology for labelling and production of non-carbonated drinks Multipower for the SBU Sports and Functional Food.

From the research and development perspective, the SBU Beverages in 2012 has given most attention to researching the market, needs and wants of increasingly more aware and rational consumers. In line with that, the category of instant vitamin drinks of the brand Multivita was expanded by six innovated products distinguished by improved organoleptic features, proven by consumer tests, and by improved formulations. The inclusion of new raw materials and the improved production process resulted in higher productivity and positive profitability of this product group. The assortment of the core brand of instant vitamin drinks Cedevida was in the course of 2012 broadened by one more flavour, while the assortment of Cedevida GO! products saw the successful completion of all development activities for the launching of a new flavour – grapefruit. Instead of purchasing ready-made tea mixtures from other manufacturers, own formulations were developed and production processes defined for the making of own fruit tea mixes for filter teas cranberry, pomegranate and forest fruits from the range of already well-known Cedevida teas.

For the product portfolio of the SBU Pharma and Personal Care, the SBU Beverages carried out a successful reformulation of Rehidromiks – a special medical-purpose product for the preparation of oral rehydration solution – in line with the latest guidelines of the World Health Organisation, for the purpose of achieving even more efficient effects in treating diarrhoea in children and adults.

At the beginning of 2012, the SBU Beverages started the production of nine Multipower drinks for athletes for the product portfolio of the SBU Sports and Functional Food. This own production was preceded by intensive development activities on improving the product composition according to the

needs of athletes and recommendations of nutritionists, depending on the product's purpose or physical activity for which it is used. The own production and option of using spring water in making Multipower drinks gave these products a special added value.

#### STRATEGIC BUSINESS UNIT COFFEE



Atlantic Grupa is a coffee manufacturer that is with its renowned brands Barcaffè and Grand Kafa present in the markets of Serbia, Slovenia, BiH, Croatia, Macedonia and Montenegro.

The Strategic Business Unit Coffee (SBU Coffee) has in 2012 generated HRK 1,090.7 million of sales revenues, which is a growth of 8.9% compared to 2011 when sales revenues amounted to HRK 1,001.7 million.

Good sales results of the SBU Coffee in 2012 indicate a continued increase in strength and reputation of brands Barcaffè and Grand on the markets in which they are present, thus providing a significant foundation for implementing further development projects and innovations in this product group in the upcoming period. In order to justify the role of a regional leader in coffee production and to meet new customer needs, in 2012 the SBU Coffee launched two new products: Barcaffè Selection in the premium segment and Barcaffè Bio intended for those consumers who follow global trends in health, nutrition and wellness.

In 2012 a large portion of the SBU Coffee's activities related to espresso products. The most important activity in this unit was the closing of the brand Grand and introducing the brand Barcaffè in Serbia and Bosnia and Herzegovina. Furthermore, the product packaging redesign was performed, which resulted in a unified visual packaging design of the entire product portfolio offered in regional markets, and two new espresso products were launched: Croatia saw the launch of Barcaffè Presige Crema, while Barcaffè for the first time offered its 1 kg Barcaffè Bar product in Macedonia.



## STRATEGIC BUSINESS UNIT SNACKS



Atlantic Grupa is a manufacturer of a wide range of chocolate products with the well-known brands such as Smoki, Bananica, Najlepše Želje and others. These brands are present in the markets of Serbia, Slovenia, BiH, Croatia, Macedonia and Montenegro.

The Strategic Business Unit Snacks (SBU Snacks) is composed of one of the leading regional production companies in the area of candy products and salty snacks - Soko Nada Štark – which in 2012 celebrated 90 years of operation. The most significant product categories of the SBU Snacks are chocolates in different forms of that product: desserts, chocolate bars, etc., followed by tea biscuits, wafers, flips and sticks. The SBU Snacks' production facilities are located in Serbia (Belgrade and Ljubovija) and have over 800 employees.

In 2012, the SBU Snacks realised a growth of 3.7% by generating sales revenues of HRK 600.5 million, of which the largest growth generator was the Croatian market, followed by Slovenia and Bosnia and Herzegovina. Moreover, exports to markets outside the region were increased by 40%.

Viewed by product category, the highest growth was recorded by product categories of biscuits, flips and salty sticks. The flips category with brands Smoki and Čoko Smoki recorded the highest growth in the Croatian and Slovenian markets, while the category of biscuits and salty snacks experienced the highest growth in the Serbian and Croatian markets. The SBU Snacks' strongest brand – Smoki – held its leading position in the markets of Serbia, Bosnia and Herzegovina, Montenegro and Slovenia, while the highest growth in sales was recorded in Croatia.

The year 2012 saw the launching of 24 new products – of which 11 in three new production categories: children's chocolates, children's biscuits and wellness food programme. As in the previous year, the brand Smoki in 2012 won the consumer-choice best snack award in the Serbian market. The Association for Market Communications of Serbia (UEPS) in December 2012 awarded the first and second prize to brands Bananica and Najlepše Željice in the category of advertising campaigns, while Najlepše Željice also won the second prize in the category of new brand creation.

The integrated quality and environmental management systems of the SBU Snacks are certified in accordance with international standards ISO 9001 and all business processes comply with HACCP requirements.

## STRATEGIC BUSINESS UNIT SAVOURY SPREADS



The Strategic Business Unit Savoury Spreads (SBU Savoury Spreads) consists of Atlantic Grupa's production segment related to high-quality food product range under brands Argeta and Montana, present not only in Serbia, Slovenia, BiH, Croatia, Macedonia, Montenegro, but also in Western Europe.

The SBU Savoury Spreads in 2012 recorded a 7.6% growth in sales revenues compared to 2011, thus generating sales revenues in the amount of HRK 463.7 million.

### *Argeta*

Argeta is the top product among savoury spreads which in 2012 celebrated 55 years of operation and yet again demonstrated its dominance in the listed product category in Slovenia, Bosnia and Herzegovina, Macedonia and Kosovo.

Business operations in 2012 were also marked by market share growth in comparison with the previous business year. According to Valicon's survey in 2012, Argeta holds a prestigious fourth place among all consumer goods brands in the region. Argeta in 2012 remained a convincing market leader in Slovenia with a value market share of 40.6%, Bosnia and Herzegovina 50.0%, Macedonia 41.3% and in Kosovo with a value market share of 40%. Its value market share ranks second in Croatia (14.1%), Serbia (20.5%), Austria (25.6%) and Switzerland (18.5%). The western European markets (Austria, Germany, Switzerland, Italy, Spain, Sweden, United Kingdom, Ireland) and other export markets (Russia, Kosovo, Bulgaria, Albania, Canada, Australia, USA) are becoming extremely important for Argeta, since its sales share in these markets is almost 40%.

The diverse portfolio of Argeta products consists of savoury spreads whose outstanding market success was the basis for creating sub-brands that follow nutritional habits and trends among consumers and represent an added value for selected target groups. Examples of such products include Argeta Junior, Argeta Exclusive, Argeta Delight – a light spread with less salt and fat, no additives, Argeta Snack – which combines Argeta and breadsticks in an appropriate snack packaging, Argeta Lenten tuna pâté for Orthodox consumers offered in Serbia, Bosnia and Herzegovina and Macedonia, as well as Argeta Exclusive San Rocco – an exclusive flavour of a savoury spread prepared in cooperation with the main kitchen chef of the renowned restaurant San Rocco.

Argeta spreads are manufactured in accordance with international hygiene standards and the international HACCP system which guarantee that the production of safe food products is at the highest level. Their recognisable excellence is additionally affirmed by an ISO 9001 certificate, impeccable production methods and the ISO 14001 environmental management certificate. Argeta products also

have the Halal certificate. Business activities of the SBU Savoury Spreads in 2012 were also marked by receiving the FSSC 22000 certificate (Food Safety System Certification) – the highest international certificate for food safety, which was acquired by both production plants where the brand Argeta is manufactured (Izola and Hadžići).

The success of the brand Argeta is additionally confirmed by a whole series of awards, of which the most prominent is the award Euro Effie – a prestigious European award for communication effectiveness. In 2004 Argeta won a gold Effie for its campaign “Argeta – The Good Side of Bread”, followed in 2008 by a silver Effie for the Argeta Tuna campaign and in 2010 by a bronze Euro Effie for the Argeta Junior campaign; that same year Argeta received a gold Effie for its Argeta Junior campaign and a special award for its use of market research. In 2012 Argeta received a gold Effie in the category of long-term effectiveness.

### *Montana*

Montana is the first brand of sandwiches of prolonged freshness manufactured in Croatia. Its core assortment consists of triangle sandwiches of prolonged freshness, followed by classic bread roll sandwiches and sweets. In addition to its home market of Croatia, in which it is the market leader, the brand Montana is also present in the Serbian and Slovenian markets. The safety and quality of Montana products is guaranteed by production in line with HACCP standards and an ISO 9001:2000 certificate.

In the second half of the year Montana successfully entered the Slovenian market in which, based on the realised results and good consumer acceptance, further growth in sales is expected in the future despite the highly competitive market.

## STRATEGIC BUSINESS UNIT PHARMA AND PERSONAL CARE

**plidenta**

 **ROSAL**

**MELEM**

 **ROSAL**  
LipBalm

**farmacia+**



**FIDIFARM**



**DIETPHARM**

**farmacia** 

The Strategic Business Unit Pharma and Personal Care (SBU Pharma and Personal Care) includes the business activities of pharmacies and specialised stores for medicinal products joined in the chain Farmacia, the production of dietary supplements and over-the-counter medicines (OTC) as well as of cosmetics and personal care products. The SBU Pharma and Personal Care's activities also include the wholesale pharmacy business organised under Atlantic Pharmacentar.

A large number of Atlantic's brands in the segments of cosmetics, personal care products and dietary supplements are market leaders not only in Croatia but also in regional markets. Moreover, by acquiring and opening numerous pharmacies and specialised shops united under the name Farmacia, Atlantic Grupa entered and took over the leading position in the segment of pharmacy business in Croatia.

The most prominent products of the SBU Pharma and Personal Care are known under the following brands: Dietpharm dietary supplements and medicinal products, Plidenta toothpastes, face and body cosmetics Rosal, lip care sticks Lip Balm and universal protective cream Melem.

As the quality and safety of products are key factors of acquiring and maintaining consumer trust, high product quality is ensured by systematic investments in knowledge, equipment, technical skills, marketing and consumer communication. The SBU Pharma and Personal Care's quality management systems comply with the strict international standards (ISO 9001, ISO 14000, HACCP, GMP).

The SBU Pharma and Personal Care operates in the following segments: pharmacy business, dietary and medicinal products, wholesale pharmacy business, personal care products, and through the company Multivita in the part related to the listed business segments (sales of Vitamin C1000 and Vitamin C250 and high-quality effervescent mineral-vitamin products).

## STRATEGIC BUSINESS UNIT SPORTS AND FUNCTIONAL FOOD



The Strategic Business Unit Sports and Functional Food (SBU Sports and Functional Food) specialises in the development, production and sales of sports and health food. Thirty years of tradition and a leading position in the sports food segment have resulted in leading brands Multipower Sportsfood, Multipower Professional, Body by Multipower, Champ Sportsline and Multablen. The headquarters of the SBU Sports and Functional Food is in Hamburg and products under the core brand Multipower are present, that is, leading in the sports food market in entire Europe.

Longstanding close cooperation with top athletes and nutritionists is the basis for recognising consumer needs and it includes constant development of new, innovative sports and health food products. The product range covers food for amateur and professional athletes and for specialised fitness, bodybuilding and wellness centres.

The SBU Sports and Functional Food's production processes are certified by ISO 9001:2000 and IFS. The production plant for powder products and supplements is located in Bleckede.

The strategy of the SBU Sports and Functional Food is based on the idea of continuous development of new innovative sports and health food products in line with keeping up with the needs of the modern market and the needs of end consumers, growth of sales shares in key markets, as well as initiatives related to increasing the share of consumers-users of sports food in general. Due to the specific consumer group for which the SBU's products are intended, special distribution channels have been developed through fitness centres and sports shops, while special care is given to continuous training of the Company's sales teams.

From the marketing aspect, as the leading sports food producer in Europe, the activities of the SBU Sports and Functional Food were directed not only at increasing the share of new users of sports foods among active and amateur athletes, but also at promoting the industry and benefits of using sports food products. The SBU Sports and Functional Food will continue these activities in the upcoming period, especially through the development of marketing activities, practical packaging and new concepts of product use.

## STRATEGIC DISTRIBUTION UNITS

Strategic distribution units have a highly developed know-how in the fields of key client management, product category management, supply chain management, trade marketing and sales improvement, which is continuously adapted to market trends. The primary activity of Strategic Distribution Units is the distribution of the entire product range from Atlantic's own production and the assortment of external principals. SDUs are divided into four categories: Croatia, SSM (Slovenia, Serbia and Macedonia), International Markets and HoReCa Channel. Distribution in BiH and Montenegro is organised in cooperation with the partner company Ataco.

### STRATEGIC DISTRIBUTION UNIT CROATIA

With its Strategic Distribution Unit Croatia (SDU Croatia), Atlantic Grupa is the leading distributor of high-quality consumer goods with leading regional and global brands. The primary activity is to distribute the entire product portfolio from own production and the product range of external principals in the Croatian market. This unit also includes operational brand management, logistics management as well as regional key client management.

The SDU Croatia is characterised by a diverse range of producers with predominantly leading market products, highly developed know-how in the fields of customer management, product category management, supply chain management and trade marketing, which is continuously adapted to market trends. Along with the SDU Croatia's present distribution portfolio, in 2012 a new brand of the manufacturer Sofidel was added in the segment of tissue paper products. Through the business activities of the SDU Croatia, Atlantic Grupa is an authorised distributor of the following renowned international brands:

- Wrigley
- Ferrero
- Duyvis
- Johnson&Johnson
- Reckitt Benckiser (Durex/Scholl)
- PG (Duracell)
- Lorenz Snack World (Lorenz / Bobi)
- Manner
- Schwartau
- Emco
- Qimiq

- Sofidel (Regina)
- Vivera
- Rauch
- Nestle (Nescafe)
- Red Bull
- One2Play

as well as of the following brands from its own production programme:

- Argeta
  - Barcaffè
  - Bananica
  - Cedevida
  - Cockta
  - Kalničke vode
  - Donat Mg
  - Multivita
  - Melem
  - Multipower
  - Montana
  - Plidenta
  - Rosal
  - Smoki
  - Najlepše Želje
- etc.

Of the listed brands, altogether nine brands from Atlantic Grupa's distribution portfolio have the status of Superbrands, three of which are company's own brands (Cedevida, Plidenta, Melem), and six are principals' brands (Wrigley, Ferrero, Nutella, Kinder, Johnson&Johnson, Duracell, Durex).

The SDU Croatia's business activities in 2012 were marked by increasing distribution and market shares of product groups despite a significant decline in consumption volume in the majority of product categories, intense development of all distribution channels, particularly of the HoReCa channel, increasing the number of direct store delivery points, sales reorganisation during the summer season which resulted in improved supply of points-of-sale and growth in sales, reorganisation of the Department for Operational Brand Management and optimisation of the distribution portfolio.

## STRATEGIC DISTRIBUTION UNIT SLOVENIA, SERBIA, MACEDONIA

Through the operations of the Strategic Distribution Unit Slovenia, Serbia and Macedonia (SDU SSM), Atlantic Grupa operates as the leading distributor of high-quality consumer goods with leading regional and global brands. The primary activity of SDU SSM is to distribute the entire product portfolio from own production and the assortment of external principals in Slovenia, Serbia and Macedonia.

### *SLOVENIAN MARKET*

The SDU SSM has in the course of 2012 affirmed itself as the leading distributor of high-quality consumer goods in Slovenia. In order to facilitate business operations and adjustment to ever-growing market demands, the SDU in 2012 carried out the implementation of new information technologies - such as SAP and advanced distribution monitoring systems via mobile devices – into its system, which significantly contributed to the development of customer and supplier communications and relationships. The SDU SSM's distribution portfolio is continually expanded, so in 2012 it operated as an authorised distributor of the following international brands:

- Ferrero
- Hipp
- Zvečevo
- Italfood
- One2Play
- Rauch
- Orangina

as well as of the following brands from its own production programme:

- Argeta
- Barcaffè
- Cedevida
- Cockta
- Donat Mg
- Melem
- Multipower
- Plidenta
- Rosal



- Smoki
- etc.

The activities of the SDU SSM were in 2012 marked by strong presence and maximum exposure in all distribution channels and by the end of the business year the Company's distribution portfolio was present in more than 2,400 consumer goods retail stores, 5,000 vending machines and 500 post offices across Slovenia. In this market, the SDU's distribution network operates through the synergy of the Distribution Centre Ljubljana, two production locations in Izola and Rogaška Slatina and the sales team consisting of 95 employees.

#### *SERBIAN MARKET*

The SDU SSM in the course of its 2012 business operations grew into one of the three leading distributors of high-quality consumer goods in Serbia. Significant progress is visible in all operating segments, both in improving the internal organisation and in communication with external partners. In order to follow the needs of modern consumers, the SDU has also in the Serbian market carried out the implementation of new information technologies, such as WMS (Warehouse Management System), upgrading of IT systems and establishing a call centre, which significantly contributed to the improvement of communication with customers and suppliers.

The Company's distribution portfolio in Serbia is continually expanded, so in 2012 it acted as an authorised distributor of the following reputable international brands:

- Ferrero
- Zvečevo
- Gorki List
- One2Play

In addition to reputable international brands in its sales portfolio, it also distributes the following brands from its own production programme:

- Argeta
- Barcaffè
- Bananica
- Cedevita
- Cockta
- Donat Mg
- Melem

- Multipower
- Plidenta
- Rosal
- Smoki
- Najlepše Želje
- etc.

The activities of the SDU SSM in Serbia were in 2012 marked by strong presence and utmost exposure in all distribution channels and by the end of the business year the Company's distribution portfolio was present in more than 15,500 consumer goods retail stores in that market. The Company's distribution network in the Serbian market operates through the synergy of the central Distribution Centre Šimanovci, 4 production locations (Ljubovija, Smederevska Palanka, two in Belgrade) and the sales team consisting of 236 employees.

#### *MACEDONIAN MARKET*

The SDU SSM has in the course of 2012 established itself as the leading distributor of high-quality consumer goods in Macedonia. In order to follow the ever-growing market demands, the SDU in 2012 carried out the upgrade of its IT support systems as well as the reorganisation of its logistics, which significantly contributed to the improvement of customer and supplier communications and relations in that market. The SDU SSM's distribution portfolio is continually expanded, so in 2012 it operated in the Macedonian market as an authorised distributor of the following international brands:

- Ferrero
- Zvečevo
- One2Play

as well as of the following brands from its own production programme:

- Argeta
- Barcaffè
- Bananica
- Cedevita
- Cockta
- Donat Mg
- Melem
- Multipower
- Plidenta

- Rosal
  - Smoki
  - Najlepše Želje
- etc.

In the Macedonian market, the business activities of the SDU SSM were in 2012 marked by strong presence and maximum exposure in all distribution channels and by the end of the business year the Company's distribution portfolio was present in more than 3,000 consumer goods retail stores. The SDU's distribution network in this market operates through the synergy of the central Distribution Centre Skopje and the sales team consisting of 54 employees.

#### **STRATEGIC DISTRIBUTION UNIT HORECA**

Considering the specificity of this channel and its potential, Atlantic Grupa recognised the importance of the HoReCa channel – exposed to lower competition pressures in relation to the traditional retail channel, whose potential of further growth arises from the tourist potential of both Croatia and the region – for the placement of its products and brands primarily from Strategic Business Units related to beverages and food. The primary activity of the Strategic Distribution Unit HoReCa (SDU HoReCa) is to distribute the product portfolio of beverages from own production in cafes and restaurants across not only Croatia, Serbia, Macedonia and Slovenia, but also in BiH and Montenegro through its distribution partners.

In 2012, the activities of the SDU HoReCa – based on the diverse production and distribution offer of well-known brands such as Cedevida, Cockta, Barcaffè, Kala, Nescafé, Rauch, Orangina, etc. adjusted for this sales channel – strongly focused on establishing the internal organisation and unified operating procedures in all of its markets.

#### **STRATEGIC DISTRIBUTION UNIT INTERNATIONAL MARKETS**

Within the Strategic Distribution Unit International Markets (SDU International Markets), Atlantic Grupa, through cooperation with key clients and partners, ensures the placement of its own brands from all Strategic Business Units on international market both in the EU (excluding regional markets) and globally.

The Company's activities in this business segment in 2012 related to establishing the internal organisation, employee structure and unified operating procedures within the listed distribution unit. The aim of the listed activities implemented in 2012 was the consolidation and integration of the Company's business activities on the global market (excluding regional markets) under a common nomenclature.

## RUSSIAN MARKET

The separate business operations of Atlantic Grupa in the Russian market include the responsibility for the sales of all products from the Company's portfolio in that specific CIS regional market as well as the management of the baby food brand.

Russia and neighbouring countries (CIS region) are becoming increasingly important for the business development of Atlantic Grupa.

Atlantic Grupa in 2012 managed to complete the merging of its business processes in that region as well as to optimise the organisational structure. According to its market size and growth potential, this region is becoming more and more important for Atlantic Grupa, so the strong focus on this market will continue in the upcoming period in order to increase future business perspectives.

## **MANAGEMENT'S VIEW ON MACROECONOMIC EXPECTATIONS**

Atlantic Grupa's management considers that the economic situation in the Croatian market in 2013 will remain challenging. Management does not expect significant changes in the labour market where it sees continuation of negative trends in terms of an increase in the number of the unemployed and a decrease in the number of employed persons. These negative trends in the labour market are followed by reduced personal consumption due to the pessimism of the population, decrease in available income and further deleveraging. On the other hand, the accession to the European Union might add a positive impetus to the economy that will depend on the implementation of structural reforms and the success in using opportunities offered by the accession, such as the European Union funds.

For regional markets, management expectations are conservative, due to problems in the labour market that is a common characteristic of the entire region and for which there are no signs of recovery. The economic situation in Slovenia will also depend on political stability, and solving problems of the banking sector vulnerability. If a need for an arrangement with the IMF arises, additional reforms will have to be implemented, that might have a negative effect on personal consumption. The situation in state finances and relations with neighbouring countries will largely influence the arrangement of Serbia and the IMF and negotiations on the accession to the European Union, which have a large impact on the economy. The economic situation in Bosnia and Herzegovina will be impacted by the situation of main trade partners, but also by austerity measures and reforms planned.

The economic situation in the eurozone will be impacted by the decisiveness of the economic policy makers in implementing the required reforms and establishing a stronger institutional framework of the monetary union. Recent statements by the IMF leaders that strict austerity measures might not be the best way to deal with the debt crisis could indicate a new direction and gradual loosening of the fiscal consolidation. The strongest economic stability is expected in the market of Germany.

## **STRATEGIC MANAGEMENT GUIDANCE FOR 2013**

In order to achieve the planned business and profitability growth during 2013, management will be focused on the implementation of strategic business guidelines that include the following:

- Focus on organic business growth through active brand management with a special emphasis on strengthening the position of brands in international markets; strengthening the regional character of distribution business and further development of the HoReCa segment;
- Focus on further business rationalisation and cost management through the CORE program and optimisation of operating processes on all operating levels, aimed to improve operating efficiency;
- Regular settlement of existing financial liabilities with an active management of debt and finance costs;

## Human rights

### Principle 1

Business should support and respect the protection of internationally proclaimed human rights

### Principle 2

Business should ensure that they are not complicit in human rights abuses

## EMPLOYMENT

In 2012 Atlantic Grupa continued its intensive and dynamic business growth and development, which was reflected in the number and structure of our employees.

Atlantic Grupa had total of 4193 employees at beginning of 2012. By the end of the year, the total number of employees is 4245.

Average age is around 41 years, ratio of female and male employees is 51 / 49 among which 30% have college and university degrees, 50% high school degrees and 47% of the employees in managerial positions are women.

We attach great significance to recruitment of people and apply “best practice” models of selection procedures in order to secure employment of the **candidates with abilities, skills and features required for successful job performance.**

The work force market is constantly monitored, and there is a good cooperation with both government institutions promoting government programs for motivating employment, as well as with privately owned agencies which recruit and select the best workers on all our markets.

Public advertisements are published in various media (in print and electronically through the company web site, various radio stations, the bulletin board at the Croatian Employment Service, the student centre, universities, etc.), and internally through the Intranet and bulletin boards .

AG is in close cooperation with both Croatian and international universities, whose students have the opportunity to do case studies and complete their work experience in one of the companies within AG. The possibilities of volunteering and completing student practice have also proven themselves to be excellent channels of recruitment.

Being that Atlantic Grupa operates in 11 markets (namely Germany, United Kingdom, Italy, Spain, Slovenia, Bosnia and Herzegovina, Serbia, Montenegro, Macedonia, Russia, and Croatia) we ensure that the **priority in employment is given to local workforce and management.**

## **POSITIONING OF ATLANTIC GRUPA IN THE LABOUR MARKET**

Atlantic Grupa clearly and distinctively participates in creating the image of a desirable employer. Also it nurtures long-term and stable cooperation with state institutions in employment stimulation as also it is recognized as a serious and reliable business partner. It actively cooperates with the academic community in which it organizes trainee programs for graduates, creates volunteering options and hires trainees. Atlantic Grupa continuously maintains high standards in human resources management.

Attractiveness of Atlantic Grupa as an employer is recognised by employees, potential employees and clients. Largest Croatian job portal MojPosao ([www.MojPosao.net](http://www.MojPosao.net)) listed AG on the 9th place in the category of most attractive employees when observing opportunities for promotion, leading position in the sector, security of employment, business image and harmonious employee relationships.

### **HR 7**

Employee protection is our priority guaranteed by our work regulation, collective agreement and Labour Law. They are available to everyone through the company's intranet and everyone may get a copy of one when employed.

Atlantic Grupa works in a way that respects all positive regulations which forbid child labour, forced or obligatory work that protects the employees' dignity in a way that the employee is protected from mobbing or sexual harassment from their employers, superiors, associates and others with whom they may work.

### **HR 4**

One person from each member company of AG is responsible for receiving complaints connected with any violation of an employee's rights, dignity and/or life and health. We can proudly say that up until now we haven't received a single complaint from our employees. The company's politics and procedures concerning human rights are available on the company's intranet and on all of our bulletin boards.

## **Freedom of Alliance HR 5**

Workers have the right to participate in decisions concerning their economic and social rights, and interests in accordance with the Labour Law. AG has a tradition of joining workers that are promoting the interests of the worker to the employer either through a union or work council. Union alliance is in accordance with international conventions, laws of the Republic of Croatia and union's statute. The union may work according to company union regulations.

## **Diversity and equal opportunities HR4**

In the field of managing human resources we pay special attention to respecting the principles of emancipation and equal criteria. This is the reason why up until now we **haven't had any cases of discrimination** based on gender, race, age, nationality, political or religious beliefs, physical handicaps or any other type of discrimination.

## **HR 6**

Atlantic Grupa doesn't have a trade which would involve child labour. Our company politics forbids hiring minors for any activities.

We do not discriminate during our hiring or recruiting process. Each tender stresses gender equality when hiring.

All data collected during the process of hiring or recruiting, as well as all confidential information concerning our employees are protected and kept in a strictly controlled area.



## **Labour Standards**

### **Principle 3**

**Business should uphold the freedom of association and the effective recognition of the right to collective bargaining**

### **Principle 4**

**Business should eliminate all forms of forced and compulsory labour**

### **Principle 5**

**Business should effectively abolish child labour**

### **Principle 6**

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

Atlantic Grupa's work ethics and one of its most important priorities is that their employees have high quality and efficient management, based upon the highest standards in the field and a responsible employer.

Quality of managing human capital is seen through the partner relationship between an employee and employer. All processes connected with management in human resources are annually certified by an independent certificate ([www.PoslodavacPartner.org](http://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.

#### **LA 4**

Ninety three percent of our employees have a full time contract. All of our employees, regardless of the contract they have, are guaranteed equal rights.

#### **LA 13**

Atlantic Grupa is a stable work environment with 4245 employees. Fifty one percent of the employees are younger than the age of forty. The ratio of male/female employees is about the same (49% of male employees, 51% of female employees). Around 30% of the employees have higher education and 47% of the employees in managerial positions are women.

**LA 14**

Our employees' salaries and rewards depend on the complexity of their job, necessary competencies for fulfilling tasks, results, and the state of the market. It is not influenced by gender, race or any other personal characteristic.

**EC 7**

We pay attention to hiring from the domestic work force and hire people from the local area of business for our higher management.

**LA 2**

Our fluctuation rate in 2012 was 4,82%, while our employee structure was on December 31<sup>st</sup> 2012, as follows:

Total number of employees	Employee gender		Age		Education		
	female	male	18-40	>40	primary	secondary	higher
4245	51%	49%	51%	49%	7%	63%	30%

Number of employees in AG's management	Gender		Age	
	Female	Male	18-40	>40
508	47%	53%	40%	60%

## **Health, occupational safety and training**

### **LA 6**

Atlantic Grupa systematically takes care of its employee's safety and health respecting legal ordinances: internal acts, collective agreements on occupational safety, occupational safety regulations, and from being a responsible employer.

Managing our employees' safety and protection is under the jurisdiction of the Corporate safety division. They are responsible for coordinating all activities connected to occupational safety, protection, training in a safe and secure way, and occupational medicine.

The system is based upon the principle of respect and coordination between social partners: employer-occupational safety experts-workers.

### **LA 9**

Respecting European Union guidelines, positive legal regulations of the Republic of Croatia (Occupational safety law), AG's internal acts, all workers are ensured the right to be protected and the right to health which is a result of work itself:

- External independent institutions evaluate the level of risk for all work processes
- All conditions for offering emergency aid and other types of medical protection are secured: the services of an occupational physician, periodical medical checkups for the workers working under special conditions, periodical checkups concerning sanitary hygiene, employers decision for each employee to have a medical check up regardless of their status, actively programmed medical vacation in specialized medical centres
- Training employees in a safe and secure way
- Giving employees expert training for specific work processes
- Defining jobs with specific working conditions
- A warm meal for all employees

By educating our employees and developing and adapting our technological processes we are trying to prevent any accidents creating safe working conditions.

## **LA 7**

Despite all our efforts it is impossible to eliminate all risks and exclude all dangers.

In 2012 we didn't have any registered occupational illnesses or diseases that are related to work processes or work environment. Seventy seven occupational accidents in AG were registered which is 1,8 percent of total number of AG employee. Approximately twenty three percent of those injuries were due to car accidents which happened outside the facilities of the company.

There weren't any fatal injuries.

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

Out of the total number of occupational accidents, 18 took place outside the working area, out of the company's facilities; therefore the employer couldn't have any influence on the accident.

The average rate of occupational accidents in relation to the total number of employees from a statistical point of view is 46,15% (based on the day December 31 2012, in Croatia) which is around 24,45% less than the average in the Republic of Croatia. The total amount of working days lost because of processed and recognized by the Croatian health fund occupational accidents was 715 in 2012.

The average number of working days lost per injury at work is 26.21.

The total number of lost working hours for all injuries at work is 5872.

The average number of lost working hours per injury at work is 209.71 hours.

### **Employee training**

We are aware of the fact that acquiring the prospects of career development and not the prospects of work, Atlantic Grupa secures quality individuals with broader knowledge and skills.

We want to continue to nurture the concept of career. It joins and connects the individual and organizational needs and interests.

In order to succeed in doing so we must continue to encourage activities focused on developing employee competencies.

The contents of education are based upon the manager's evaluation of the employee's level of competence in relation to the needed level. We use internal and external resources in order to choose the

best associates for educating our team. We have excellent co-operation with many universities and business schools in country and abroad.

In 2012 we implemented intensive educational program LEARN DEVELOPMENT@AG based on our competency model. An innovative approach to development has been introduced through learning from the metaphors, art, sport, science, projects, as well as mentors. Programs are targeting and are tailored to specific groups e.g. executives, senior managers, middle managers, line managers, professionals, young talents, etc., and are modular in their approach.

Educational centre Farmacia holds very important position within SBU Pharma and Personal care as the centre for excellence for professional development and education of Pharmacists.

Special attention is given to the development of trainees. Trainees work and learn alongside mentors, experienced managers and are introduced to all the areas in the organization. Their progress is systematically planned and monitored when they are done with their training or often even before they are ready to take on the most responsible positions inside the company.

All new employees of all AG members are participants in the company's program „StartA“.

It has been designed with the desire to introduce new employees to the basics of the company's business program while easing and catalysing a feeling of belonging to a joint project with joint goals. The intention of the program is also to introduce the business of AG while at the same time encouraging the unique corporate culture, motivation and productivity.

### **Monitoring achievements, motivation and awarding**

The system for monitoring employee achievements is based upon fulfilling the company's strategic goals systematically. This is done by monitoring the accomplishment of short term goals in a way in which the company's goals are connected with the individual goals.

This is the key point and the starting point for discussing an employee's career. The foundation for a promotion is based upon the evaluation of an employee's accomplishments, motivation, personal aspirations, knowledge, competencies, and work experience.

Evaluating the employees annually and implementing the management rewarding system is a basic part of the decision connected with individual rewards. There is a written and defined procedure, structure and

description of reward achievement, as well as all types of rewards. Remuneration system in AG is guided by legislative and internal acts (labour law, collective agreements, regulations, instructions). In 2012 we implemented new performance management procedure (U3) as well as compensation and rewarding procedure in order to increase transparency.

A special regulation defines all other material rights to which all employees are entitled to: right to the annual award, extra monthly salary, Christmas bonus, Easter bonus, Baby bonus. Company also encourages sports, culture and healthy habits for the employees. It co-finances the expense for various programmes in fitness centres; free vaccination against the flu; co-finance theatre tickets; give valuable packages on special occasions (holidays, vacations, etc), organize purchasing company products under special prices, organize team building programmes and support various types of employee gatherings throughout the year.

We had special focus on building strong corporate culture and engaged employees through several initiatives:

The "Value a Colleague" has an aim to promote corporate values and motivate employees to recognize and reward their colleagues who best represent those values.

Naturally Different Hero, Ray of Sunshine, Climb the Mountain, and Surf the Wave are the categories in which employees can nominate their colleagues, and the program is intended to all employees of Atlantic Grupa.

Once in a year Atlantic Grupa celebrates its Value Day which represents volunteering effort to help its community. By doing so, Atlantic Grupa demonstrates its values – the sun, mountain, and wave – the symbols of passion, responsibility, and creativity, and reminding its employees that their job is not just a job, but the way they act in the community.

InnowAve is program which has purpose to stimulate individual capacities of Atlantic Grupa employees to participate in company's growth and development, which will in the end result in their personal, as well as, career growth.

Every employee is encouraged to propose any innovation that comes to his/her mind (product innovation, process innovation, organizational innovation, marketing or sales innovation....)

Main goal of this program is to filtrate and then choose the best possible ideas, which will then be evaluated and rewarded accordingly.

## **Informing employees**

Atlantic News, a specialized bulletin informs all Atlantic Grupa's employees through intranet about the newest events connected with the company. At the same time the before mentioned bulletin gives the employees a chance to communicate and give suggestions by participating in various questionnaires. The results have an advisory role when making some corporate decisions. Intranet communication means using the following channels:

- Face to face communication
- E-mail
- Internet
- Intranet
- VPN mobile system
- Meetings
- Bulletin boards
- Bulletins
- Internal journal "Atlantic News"
- Annual conference
- Special banquets
- Lunches (both inside and outside the company)
- Team Building

### III. Environment

The environmental management policy is a part of the company's corporate management policy with which Atlantic Grupa is sending a message that we are naturally excellent and naturally different. Under this policy we are committed to selecting environmentally acceptable materials, recycling packaging and rational use of natural resources.

The main corporate goal in the field of environmental management in 2012 was to introduce a corporate environmental management system as a part of the Atlantic Grupa's overall management system with the purpose of minimising any potentially adverse effects of its business activities on the environment and efficient use of natural resources. In companies that are ISO 14001 certified we implemented process improvement activities and at the same time expanded the good practice to additional nine corporate production facilities. The next step is to expand the system to all AG's facilities by the end of 2013. The introduction of the corporate environmental management system means aligning the criteria for planning, implementing, verifying and reviewing all environmental impacts and environmental protection measures. Within this framework we have defined a corporate methodology for recognising environmental aspects and impacts. This methodology is then used to define goals and programmes, monitor measurable results of their implementation and periodically implement measures for improving the system. Additionally, the following corporate standards were defined:

- waste management system,
- energy and water consumption monitoring and analysis system,
- system for monitoring environmental protection regulations,
- management of dangerous substances,
- emergency response,
- training and
- communications related to the environment.

The efficiency of environmental management processes was assessed through the efficiency of energy and water consumption per kilogram of product, improvement of separate waste collection, observations relating to the environment and compliance with environmental protection regulations in 14 production facilities. In general, the targeted values were achieved. There are objective reasons for unachieved goals of separate waste collection in 4 production facilities.



Among the projects that facilitated the improvement of the environmental management system in 2012 we can list the start of a project related to the separation of process waste waters and a landfill reconstruction project in Štark, the introduction of steam heating in Palanački Kiseljak that reduced energy consumption, the use of ground waters in technological processes in Neva's and Fidifarm's production site for the purpose of reducing the consumption of municipal water supply, the improvement of the discharge system for precipitation and construction of the drainage system in Droga Kolinska's warehouse for finished products in Skopje, the optimisation of compressed air consumption in Rogaški Vrelci, the replacement of asbestos roofing and heating system optimisation in Mirna and the reduction of light pollution in production facilities in Rogaški Vrelci, Mirna and Izola.

Besides the everyday focus on reducing the consumption of electricity, fuel and water, as part of the day for promoting corporate values called the Value Day, 2012 saw the implementation of a number of actions related to environmental protection, such as clearing of wild landfills in local communities, decorating and cleaning the workplace environment, collection of waste paper, etc.

Additional attention was given to the area of energy in the second part of the year. We started preparations for the project of introducing a corporate energy efficiency system with the aim of identifying untapped potentials for optimised use of natural resources.

Atlantic Group is evaluating the success of the corporate environmental management process on three environmental dimensions

<b>GRI indicators</b>		
ENERGY	EN 3	Direct energy consumption by primary energy source
	EN 4	Indirect energy consumption by primary energy source
	EN 5	Energy saved due to conservation and efficiency improvements
WATER	EN 8	Total water withdrawal by source
	EN 10	Percentage and total volume of water recycled and reused
EMISSIONS	EN 16	Total direct and indirect greenhouse gas emissions by weight
	EN 22	Total weight of waste by type and disposal method

		CROATIA					
		CEDEVITA		Neva	Fidifarm	Atlantic Trade	
		Planinska	Apatovec	Rakitje P/R			
GRI indicators		Unit					
EN 3	LPG	MJ	-	-	2.883.236	2.219.346	13.464.370
	Light oil			4.891.813	-	-	1.405.428
	Heavy fuel oil						
	natural gas						
	steam						639.738,00
	$\Sigma$				4.891.813	2.883.236	2.219.346
EN4	electricity	MJ	15.751.791	8.880.300	2.441.766	522.068	5.794.401
EN 8	water	m3	22.841	77.140	9.876	550	4.787
EN 16	Greenhouse gas/electricity	tone	2.437	1.374	378	81	897
	Greenhouse gas /LPG		-	-	182	140	848
	Greenhouse gas/light oli		-	343	-	-	-
	$\Sigma$			2.437	1.717	559	221

		SLOVENIJA				
		Ljubljana	Pate	Kava	Mirna	Rogaški Vrelci
			Izola			
GRI indicators		unit				
EN 3	LPG	MJ	258.642	33.151.579	4.976.920	40.612.906
	Light oil		-	-	-	-
	Heava fuel oil					22978366,3
	natural gas					
	steam					
	$\Sigma$			258.642	33.151.579	27.955.286
EN4	electricity	MJ	3.838.205	12.592.750	2.774.158	13.480.412
EN 8	water	m3	5.563	38.603	15.445	117.894
EN 16	Greenhouse gas/electricity	tone	594	1.948	429	2.086
	Greenhouse gas /LPG		16	2.088	313	2.557
	Greenhouse gas/light oli		-	-	1.775	-
	$\Sigma$			610	4.036	2.518

			SRBIJA			
			Štark		Grand	Palanački Kiseljak
			Kumodraška	Ljubovija		
GRI indikator		unit				
EN 3	LPG	MJ	-	-	-	9.473.826
	Light oil		-	9.654.651	35.208.900	2.420.223
	Heava fuel oil					
	natural gas		66948796,8	0	12609600	
	steam					
	$\Sigma$		66.948.797	9.654.651	47.818.500	11.894.049
EN4	electricity	MJ	49.233.165	5.371.196	11.159.991	7.827.755
EN 8	water	m3	129.807	7.475	2.000	22.303
EN 16	Greenhouse gas/electricity	tone	7.617	831	1.727	1.211
	Greenhouse gas /LPG		13.929	625	2.623	597
	Greenhouse gas/light oli		-	-	2.470	170
	$\Sigma$		21.546	1.456	6.820	1.977

			BIH		MAKEDONIJA	
			Argeta Sarajevo	Kofikom Produkt	Droga Kolinska Skopje	
GRI indikator		unit				
EN 3	LPG	MJ	63.759.300	-		12.801.832
	Light oil		111.186	4.573.599		444.744
	Heava fuel oil					
	natural gas					
	steam					
	$\Sigma$		63.870.486	4.573.599		13.246.576
EN4	electricity	MJ	9.106.016	2.026.532		5.974.555
EN 8	water	m3	37.161	731		1.310
EN 16	Greenhouse gas/electricity	tone	1.409	314		924
	Greenhouse gas /LPG		1.076	-		330
	Greenhouse gas/light oli		8	296		33
	$\Sigma$		2.493	610		1.287

## **EN 5 Energy saved due to conservation and efficiency improvements**

Regarding the energy efficiency improvements in 2012 there were several activities that have led to reduction of water consumption. In Neva the placement of new technology for the management of the cooling process reduced the water consumption for 39%. The Stark has reduced the consumption of reactive power due to the condenser battery replacement in the substations. In Palanački Kiseljak the investment in a new equipment led to a reduction of electricity consumption for 11,25%. On the location Izola of Droga Kolinska the additional compressor for compressed air will optimize the consumption for 10 - 15MWh.

## **EN 10 Percentage and total volume of water recycled and reused**

The first step in reusing and recycling water was done in Droga Kolinska - location Izola and in Argeta Sarajevo in the process of sterilisation. Due to the reusing water in autoclaves the consumption of water in Izola was reduced for approximately 2.240 m<sup>3</sup> annually what represent an irrelevant percentage comparing the total volume of water.

## **EN 22 - Total weight of waste by type and disposal method**

### **DROGA KOLINSKA, location IZOLA**

#### Non-Hazardous Waste Management

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Waste Type	Annual Quantity Generated	Method of Storage, Handling and/or Treatment	Disposal or Discharge Method
Paper and cardboard packaging	167,948 t	35 m <sup>3</sup> container, waste removal by acquirer	recycling
Plastic packaging	27,527 t	5 m <sup>3</sup> container, waste removal by acquirer	recycling
Metal packaging	3,140 t	5 m <sup>3</sup> container, waste removal by acquirer	recycling
Composite packaging (PER/Al/PE)	15,970 t	waste removal by acquirer, 1 x week	Burning and use for energy
Jute bags	69,3 t	35 m <sup>3</sup> container, waste removal by acquirer	recycling
Grounded chicken bones	382,378 t	1 m <sup>3</sup> container, waste removal by acquirer, 2 x week	Pet food
Materials unsuitable for	51,834 t	1 m <sup>3</sup> container, waste removal by acquirer, 1 x	Processing, separation of metal packaging, the rest

consumption (pate)		week	goes to the biogas plant
Flotat	261,048 t	2 m <sup>3</sup> container, waste removal by acquirer, 2 x week	Burning in biogas plant
Foods with expired date	9,896 t	on pallets, waste removal by acquirer	composting
Coffee husks	124,888 t	2 m <sup>3</sup> container, waste removal by acquirer, 2 x week	burning
Waste EE equipment	0,180 t	1 m <sup>3</sup> container, waste removal by acquirer	Reuse plastic and electronics
Municipal waste	39,640 t	5 m <sup>3</sup> container, waste removal by acquirer	disposal at the landfill

#### Hazardous Waste Management

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Waste Type	Annual Quantity Generated	Method of Storage, Handling and/or Treatment	Disposal or Discharge Method
Remains of laboratory chemicals*	0,328 t	Glass packaging, waste removal by acquirer	destruction
Packaging containing residues of chemicals*	0,157 t	1 m <sup>3</sup> container, waste removal by acquirer	recycling
Absorbents, oily rags*	0,920 t	1 m <sup>3</sup> container, waste removal by acquirer	burning

#### **DROGA KOLINSKA, location ROGAŠKI VRELCI**

#### Non-Hazardous Waste Management

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Waste Type	Annual Quantity Generated	Method of Storage, Handling and/or Treatment	Disposal or Discharge Method
plastic packaging material	29.758 kg	Wastes are collected in 35 m <sup>3</sup> containers and taken by authorized organization.	Recycled
paper/millboard	27.072 kg		Recycled
Glass	447.224 kg		Recycled
municipal waste	13.140 kg		Deposit

Foods with expired date	42.500 kg	Wastes are taken by authorized organization.	Desturuction/Recycled
Waste herbs after extraction	20.630 kg		Composted

DROGA KOLINSKA , location MIRNA

Non-Hazardous Waste Management

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Waste Type	Annual Quantity Generated	Method of Storage, Handling and/or Treatment	Disposal or Discharge Method
Paper	69615 kg	Containers collection	recycling
PE	25775 kg	Containers collection	recycling
Wet organic waste	54400 kg	Containers collection	animal feed
Dry organic waste	16450 kg	Containers collection	animal feed
metals	1120 kg	Containers collection	recycling
Composite packaging	2200 kg	Containers collection	recycling
Mixed municipal waste	22500 kg	Containers collection	dumping
Plastic	1740 kg	Containers collection	recycling
Organic waste	1740 kg	Containers collection	composting
Filters	265 kg	Containers in bags	recycling

**CEDEVITA Planinska, MONTANA**

Non-Hazardous Waste Management

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Waste Type	Annual Quantity Generated	Method of Storage, Handling and/or Treatment	Disposal or Discharge Method
materials unsuitable for consumption	12.494	Treatment/composting	authorized collector
materials unsuitable for consumption	4.066	Treatment/composting	authorized collector
wastes not otherwise specified	0.182	Treatment/composting	authorized collector
shavings of plastic	3.115	Recycling	authorized collector / export
containers of paper and paperboard	54.900	Recycling	authorized collector / export

plastic packaging	21.958	Recycling	authorized collector / export
multilayered packaging	16.970	Recycling	authorized collector / export
glass packaging	0.640	Recycling	authorized collector / export
absorbents, filter materials	0.037	Recycling	authorized collector / export
discarded equipment containing Chlorofluorocarbons	0.080	Recycling	authorized collector / export
components removed from discarded equipment	0.200	Recycling	authorized collector / export
mixed metals	3.220	Recycling	authorized collector / export
biodegradable waste	8.000	Wastewater Treatment	authorized collector
Municipal waste	52.520	Landfill	authorized collector

### Hazardous Waste Management

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Waste Type	Annual Quantity Generated	Method of Storage, Handling and/or Treatment	Disposal or Discharge Method
absorbents, filter materials	0,025	Incineration of waste on land	export
gases in pressure containers	0,012	Incineration of waste on land	export
organic waste	0,051	Incineration of waste on land	export
laboratory chemicals	0,832	Incineration of waste on land	export
discarded inorganic chemicals	0,010	Incineration of waste on land	export
discarded organic chemicals	0,009	Incineration of waste on land	export
packaging containing residues of hazardous substances	0,281	Incineration of waste on land	export
waste ink containing dangerous substances	0,096	Incineration of waste on land	export
discarded equipment containing hazardous components	0,380	Treatment	export
Fluo.tubes	0,048	Treatment	export
Other lubricants and motor oils	0,190	Processing for other fuels	authorized collector

## CEDEVITA Apatovac

### Non-Hazardous Waste Management

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Waste Type	Annual Quantity Generated	Method of Storage, Handling and/or Treatment	Disposal or Discharge Method
Sludges from biological treatment of industrial waste water	120,00 t	Conditioning	Lecture authorized waste operators
Materials unsuitable for consumption or processing	31,45 t	Composting / Recycling	Lecture authorized waste operators
Glass packaging	16,17 t	Recycling	Lecture authorized waste operators
Containers of paper and paperboard	60,82 t	Recycling	Lecture authorized waste operators
Plastic packaging	84,50 t	Recycling	Lecture authorized waste operators
Municipal waste	28,29 t	Disposal of waste to landfill	Transport to the local landfill

### Hazardous Waste Management

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Waste Type	Annual Quantity Generated	Method of Storage, Handling and/or Treatment	Disposal or Discharge Method
Amb. containing hazardous substances or contaminated by dangerous substances	0,87 t	Incineration of waste on land	Exports (incinerator)
Laboratory chemicals consisting of hazardous substances	0,01 t	Incineration of waste on land	Exports (incinerator)
Absorbents, filter materials	0,15 t	Incineration of waste on land	Exports (incinerator)
Lube oil for engines and gears min. Oil	0,06 t	Use of waste principally as a fuel or other means to generate energy	Lecture authorized waste operators
Lead-acid batteries	0,015 t	Recycling	Lecture authorized waste operators



## NEVA

### Non-Hazardous Waste Management

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Waste Type	Annual Quantity Generated	Method of Storage, Handling and/or Treatment	Disposal or Discharge Method
Alkaline batteries	0,005 t	Recycling	Lecture authorized waste operators
Triplex foli	0,15 t	Recycling	Lecture authorized waste operators
Glass pack.	0,18 t	Recycling	Lecture authorized waste operators
Apsorbents, filter materials	0,09 t	Incineration of waste on land	Exports (incinerator)
Sludges from other treatment of industrial waste water	0,26 t	Conditioning	Lecture authorized waste operators
Containers of paper and paperboard	26,110 t	Recycling	Lecture authorized waste operators
Plastic packaging	1,69 t	Recycling	Lecture authorized waste operators
Containers of metal	1,256 t	Recycling	Lecture authorized waste operators
Wastes not otherwise specified	0,273 t	Incineration of waste on land	Exports (incinerator)
Organic wastes other than those mentioned in 16 03 05*	1,346 t	Incineration of waste on land	Exports (incinerator)
Municipal waste	7,830 t	Disposal of waste to landfill	Transport to the local landfill

### Hazardous Waste Management

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Waste Type	Annual Quantity Generated	Method of Storage, Handling and/or Treatment	Disposal or Discharge Method
Gases in pressure containers	0,0015 t	Incineration of waste on land	Exports (incinerator)
Discarded inorganic chemicals	0,010 t	Incineration of waste on land	Exports (incinerator)
Discarded organic chemicals	0,032 t	Incineration of waste on land	Exports (incinerator)
Antifreeze fluids containing dangerous substances	0,25 t	Incineration of waste on land	Exports (incinerator)
Electrical equipment	0,12 t	Recycling	Exports (incinerator)

containing HCFC,HFC			
Organic waste	0,497 t	Incineration of waste on land	Exports (incinerator)
Amb. containing hazardous substances or contaminated by dangerous substances	0,697 t	Incineration of waste on land	Exports (incinerator)
Fluo tubes	0,0175 t	Recycling	Exports (incinerator)
Lube oil for engines and gears based on mineral oil	0,012 t	Incineration of waste on land	Exports (incinerator)
Apsorbnsi, filter materials	0,347 t	Incineration of waste on land	Exports (incinerator)
Electrical discarded equipment containing hazardous substances	0,153 t	Recycling	Exports (incinerator)

## FIDIFARM

### Non-Hazardous Waste Management

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Waste Type	Annual Quantity Generated <sup>(1)</sup>	Method of Storage, Handling and/or Treatment	Disposal or Discharge Method
Alkaline batteries	0,0024 t	Recycling	Lecture authorized waste operators
Apsorbents, filter materials	0,056 t	Incineration of waste on land	Exports (incinerator)
Ferrous metals	0,016 t	Recycling	Lecture authorized waste operators
Saturated or spent ion exchange resins	0,025 t	Incineration of waste on land	Exports (incinerator)
Materials(nutrition) suitable for consumption or processing	0,1206 t	Composting / Recycling	Lecture authorized waste operators
Glass	0,018 t	Recycling	Lecture authorized waste operators
Containers of paper and paperboard	14,66 t	Recycling	Lecture authorized waste operators
Plastic packaging	0,47 t	Recycling	Lecture authorized waste operators
Containers of metal	0,047 t	Recycling	Lecture authorized waste operators
Organic wastes other than those mentioned in 16 03 05*	0,96084 t	Incineration of waste on land	Exports (incinerator)
Municipal waste	7,830 t	Disposal of waste to the local landfill	Transport to the local landfill

## Hazardous Waste Management

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Waste Type	Annual Quantity Generated <sup>(1)</sup>	Method of Storage, Handling and/or Treatment	Disposal or Discharge Method
Gases in pressure containers	0,066 t	Incineration of waste on land	Exports (incinerator)
Electrical equipment containing HCFC , HFC	0,060 t	Recycling	Exports (incinerator)
Lead-acid batteries	0,025 t	Recycling	Lecture authorized waste operators
Grease and oil mixture from oil / water separation containing only edible oil and grease	0,0155 t	Use of waste principally as a fuel or other means to generate energy	Lecture authorized waste operators
Organic waste	0,07531 t	Incineration of waste on land	Exports (incinerator)
Amb. containing hazardous substances or contaminated by dangerous substances	0,00925 t	Incineration of waste on land	Exports (incinerator)
Laboratory chemicals consisting of dangerous substances they contain, including mixtures of laboratory chemicals	0,057 t	Incineration of waste on land	Exports (incinerator)
Fluo tubes	0,006 t	Recycling	Taken away processor or waste disposal
Apsorbents, filter materials	0,016 t	Incineration of waste on land	Exports (incinerator)
Electrical discarded equipment containing hazardous substances	0,07966 t	Recycling	Exports (incinerator)

**SOKO NADA ŠTARK, location Kumodraška**Non-Hazardous Waste Management

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Waste Type	Annual Quantity Generated <sup>(1)</sup>	Method of Storage, Handling and/or Treatment	Disposal or Discharge Method
Plastic Packaging	97000 kg	Collection/Transport/ Recycling	Continuously/as needed
Paper&Cardboard packaging	275680 kg	Collection/Transport/ Recycling	Continuously/as needed
Dry organic waste	280000 kg	Collection/Transport/ Food for pets	Continuously/as needed
Waste cooking oil	2030 kg	Collection/Transport/ Recycling	Continuously/as needed
Metals	30000 kg	Collection/Transport/ Recycling	as needed
Pallets & other woods	218280 kg	Collection/Transport/ Re/use with tretmant	Continuously/as needed

Hazardous Waste Management

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Waste Type	Annual Quantity Generated <sup>(1)</sup>	Method of Storage, Handling and/or Treatment	Disposal or Discharge Method
Waste EE equipment	1580 kg	Collection/Transport/	Recycling/export

**SOKO NADA ŠTARK, location Ljubovija**Non-Hazardous Waste Management

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Waste Type	Annual Quantity Generated <sup>(1)</sup>	Method of Storage, Handling and/or Treatment	Disposal or Discharge Method
Plastic packaging	18403 kg	Collection/Transport/Recycling	Continuously/As needed
Paper&Cardboard packaging	65880 kg	Collection/Transport/Recycling	Continuously/As needed
Metal pac.	320 kg	Collection/Transport/Recycling	Continuously/As needed
Pallets and other wood	660 kg	Collection/Transport/re-use with tretmant	Continuously/As needed

## GRAND PROM

### Non-Hazardous Waste Management

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Waste Type	Annual Quantity Generated <sup>(1)</sup>	Method of Storage, Handling and/or Treatment	Disposal or Discharge Method
Plastic Packaging	780 kg	Collection/Transport/ Recycling	Continuously/as needed
Paper&Cardboard packaging	26570 kg	Collection/Transport/ Recycling	Continuously/as needed
Coffee husks	180000 kg	Collection/Transport/ Use (Energy)/landfill	Continuously/as needed
Juta bags	210000 kg	Collection/Transport/ re use/landfill	Continuously/as needed
Composite packaging	48000 kg	Collection/Transport/ landfill	Continuously/as needed
Metals	3780 kg	Collection/Transport/ Recycling	as needed
Pallets	7640 kg	Collection/Transport/ Re/use with tretmant	Continuously/as needed

### Hazardous Waste Management

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Waste Type	Annual Quantity Generated <sup>(1)</sup>	Method of Storage, Handling and/or Treatment	Disposal or Discharge Method
Waste EE equipment	1460 kg	Collection/Transport/	Recycling/export
IT waste toner cartridges	300 pieces	Collection/Transport/	Recycling

## PALANAČKI KISELJAK

### Non-Hazardous Waste Management

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Waste Type	Annual Quantity Generated <sup>(1)</sup>	Method of Storage, Handling and/or Treatment	Disposal or Discharge Method
Plastic packaging	23391 kg	Collection/Transport/Recycling	Continuously/As needed
Paper&Cardboard packaging	16618 kg	Collection/Transport/Recycling	Continuously/As needed

## ARGETA SARAJEVO

### Non-Hazardous Waste Management

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Waste Type	Annual Quantity Generated <sup>(1)</sup>	Method of Storage, Handling and/or Treatment	Disposal or Discharge Method
Carton, nylon, paper	280000 kg	Presses	As required
Mixed utilities waste	360000 kg	Containers	Every third day
Metal waste	2860 kg	Labeled space	Yearly
Minced bones	616000 kg	Clearly labeled containers	Daily

### Hazardous Waste Management

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Waste Type	Annual Quantity Generated <sup>(1)</sup>	Method of Storage, Handling and/or Treatment	Disposal or Discharge Method
Laboratory chemicals	44 kg	Clearly labeled vessels	Yearly
Fluorescent tubes	88 kg	Clearly labeled vessels	Yearly
Resins for water softening	170 kg	Clearly labeled vessels	Yearly
Accumulators	60 kg	Clearly labeled vessels	Yearly

## KOFIKOM PRODUKT

### Non-Hazardous Waste Management\*

Waste Type	Annual Quantity Generated <sup>(1)</sup>	Method of Storage, Handling and/or Treatment	Disposal or Discharge Method
Plastic Packaging	61,23 kg	Collection/Transport/ landfill	Continuously/as needed
Paper&Cardboard packaging	875,20 kg	Collection/Transport/ landfill	Continuously/as needed
Coffee husks	4368kg	Collection/Transport/ Use (Energy)	Continuously/as needed
Juta bags	7161 kg	Collection/Transport/ re use	Continuously/as needed
Composite packaging	732 kg	Collection/Transport/ landfill	Continuously/as needed
Tailing coffee	897,40 kg	Collection/Transport/ landfill	Continuously/as needed
Municipal waste	50 kg	Collection/Transport/ landfill	Continuously/as needed

\*The amounts shown in the table refer to the last quarter of the previous year

## DROGA KOLINSKA SKOPJE

### Non-Hazardous Waste Management

Waste Type	Annual Quantity Generated <sup>(1)</sup>	Method of Storage, Handling and/or Treatment	Disposal or Discharge Method
Chaff from coffee	35.000 kg	Collection/Transport/ landfill	Continuously/as needed
Other communal waste	1.200 m <sup>3</sup>	Collection/Transport/ landfill	Continuously/as needed
Paper&Cardboard packaging	11.180 kg	Collection/Transport/ Recycling	Continuously/as needed
Juta bags	40.000 kg	Collection/Transport/ re use/landfill	Continuously/as needed
Metals	1.200 kg	Collection/Transport/ Recycling	as needed

Waste Type	Annual Quantity Generated <sup>(1)</sup>	Method of Storage, Handling and/or Treatment	Disposal or Discharge Method
Waste EE equipment	593 kg	Collection/Transport/ Recycling	as needed

### QUALITY CONTROL

From the very beginning of developing a new product or during the improvement of an existing one, the company endeavours 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, the 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 following product segments: drinks and beverages, meat products, 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 2012 results show that the control system is efficient and that all hazards are well under control.

In 2012, our experts shared their experiences in two professional conferences that covered the following topics:

- alignment of a single quality assurance process
- introduction of corporate rules for food control
- calibration of internal auditors
- detection of new hazards in the field of food pollutants
- optimisation of control plans.

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 are supported by advanced IT solutions: the SAP QM module was implemented in the Slovenian and Croatian market, while other locations use internal IT solutions on similar platforms according to the same model.

The efficiency of the quality assurance process is assessed on the basis of achieving target values for key indicators: the number of consumer complaints and the number of product recalls.

All marketed products that were involved in health safety testing by inspection services or internal control officers were identified as complying with the health safety requirements. In one case we decided to preventively recall a product from the market due to sensory changes of taste prior to the expiry of shelf-life. Compared to the previous year, in 2012 we recorded a reduced number of consumer complaints (in 2012 the average number of complaints concerning the products under key brands is 1.46 ppm (per kilogram or litre of sold products), while in 2011 it was 1.7 ppm). All complaints were handled to the satisfaction of customers, while effective corrective actions were defined in the production process in order to prevent reoccurrence of such issues.

## **INTEGRATED SYSTEM OF QUALITY, ENVIRONMENTAL AND FOOD SAFETY MANAGEMENT**

The year 2012 was the first year of operation of the integrated process management system that was introduced at the corporate level of Atlantic Grupa i.e. in all operating companies within the Group.

The integrated quality management system joins three key quality management areas:

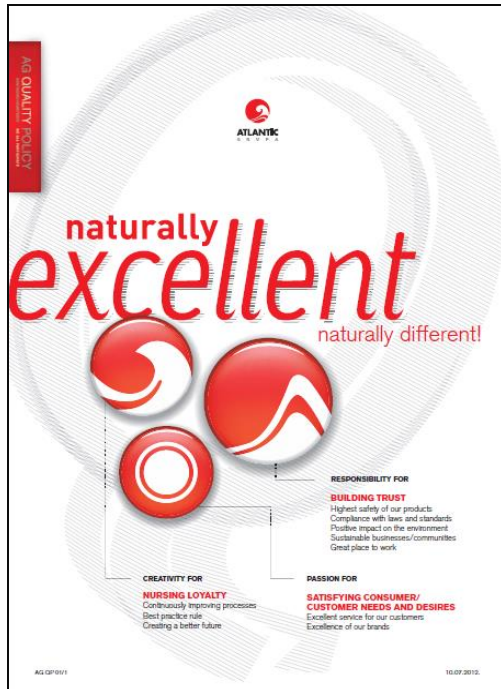
- process management,
- product safety and quality management, and
- environmental management.

The system approach is based on the global practice of the following standards:

- ISO 9001:2008 (Quality Management System)
- ISO 14001:2004 (Environmental Management System)
- ISO 22000: 2005 (Food Safety Management System)
- ISO / TS 22002-1:2009 (technical standard for manufacturing food products)
- HACCP – Codex alimentarius CAC/RCP 1-1969, Rev.4 – 2003 (Hazard Analysis and Critical Control Points for food)
- IFS - international food safety standard
- ISO 22716: 2007 Cosmetics – Good Manufacturing Practice (GMP)

The project of implementing the integrated system was initiated at the beginning of 2012, immediately after the new systematisation of the Quality Management Department as a strategic corporate function. It relies on the long-standing practice of implementing quality management systems within certain legal entities and it builds on this practice by introducing corporate key process management and implementing best practices.

As the first step we have defined and promoted a unique AG Quality Policy by directly linking it to the three core corporate culture values. The Quality Policy sends a clear message to all employees and this is that we want to be naturally excellent in all business segments.



In the second step we identified 14 significant processes and their holders. During the year we defined these processes, set key performance indicators (KPIs), organised the measuring and analysis of consolidated results. The management of these processes is based on the PDCA cycle principle, i.e. the principle of continuous improvement.

We have established a single structure for system documentation management that allows user access to corporate and local documentation in the form of clear and organised document structure in all local languages of the Group.

The following quality management systems were recertified in 2012 at the level of legal entities:

- Cedevida d.o.o.: ISO 9001, ISO 14001, IFS, HACCP
- Droga Kolinska d.d.: ISO 9001, ISO 14001, FSSC 22000
- Droga Kolinska Skopje: ISO 9001
- Argeta d.o.o.: ISO 9001, FSSC 22000
- AD Soko- Nada Štark: ISO 9001, HACCP
- Grand Prom a.d.: ISO 9001, HACCP
- Neva d.o.o.: ISO 9001, ISO 14001
- Montana Plus d.o.o.: ISO 9001, HACCP
- Atlantic Multipower GmbH: ISO 9001, IFS
- Fidifarm: ISO 9001, HACCP
- Hemofarm AD: ISO 9001
- Palanački kiseljak a.d.: ISO 9001, HACCP
- Atlantic Trade : HACCP

In the course of the year we have defined a single certification strategy in which the extension of ISO 9001 and ISO 14001 certification to all legal entities of Atlantic Grupa is planned in the next three years. The strategy also plans to promote the international scheme FSSC 22000 in the segment of food production and to upgrade environmental management by introducing basic elements of sustainable development and energy efficiency.

Atlantic Grupa continuously invests in the education of its employees in the field of quality management. To that end, the School of Quality was promoted and implemented in 2012, and over 30 workshops were held on the subject of integrated process management.

# Anti-Corruption

## Principle 10

### **Business should work against corruption in all its forms, including extortion and bribery**

As a business subject operating and developing its business in Croatian and foreign markets, Atlantic Grupa (hereinafter: the Company) is aware of the importance of responsible and ethically founded conduct of business subjects as a necessary precondition for the development of quality relationships and loyal competition between business partners, as well as for the efficient functioning of the market and the integration of Croatian economy in international flows. In that sense, Atlantic Grupa d.d. is developing and working in accordance with good practice of corporate governance and with its business strategy, business policy, key internal acts and business practice strives to contribute to a transparent and efficient business activity and more quality connections with the business environment in which it operates.

By adopting the *Code of Corporate Governance* (hereinafter: the CG Code) the Company integrated 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 CG Code 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.

Also, Atlantic Grupa is a signatory of the *Code of Business Ethics* (hereinafter: the BE Code), initiated and created by the Croatian Chamber of Commerce. The BE Code determines the basic guidelines of ethical conduct of economic subjects within the framework of Croatian economy. By adopting its ethical criteria the Company contributes to more transparent and efficient business operation and better relations of economic subjects in the Republic of Croatia. Every signatory of the BE Code is responsible for ethical conduct towards other companies at the market and development of qualitative relations and fair competition. The guidelines of the BE Code suggests the necessity of open public dialogue and active promotion of care for employees and as well as for the environmental care. With responsible business practice, internal acts and politics, Atlantic Grupa contributes transparent business activities and prospective connections with business environment.

Finally, 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 d.d. adopted the *Whistleblowing Procedure Rules* (hereinafter: the Rules) which prescribes the reporting procedure, rights as well as duties of each and all employees of Atlantic Grupa d.d. who in his/her work observes or becomes aware of either and actual an/or a potential illegal

action or potential violation of the accepted rules of business conduct in the Company carried out by another employee(s).

By such Rules, illegal action or violation of the accepted business conduct (hereinafter: Misconduct) are defined as any conduct including (but not limited to):

- committing a criminal act pursuant to positive legal regulations,
- violation of the Company's internal acts,
- conduct that represents a serious risk to human health and property,
- Conduct that represents a serious risk of jeopardizing the Company's reputation, carried out by the Company's employees.

An employee who in his/her work observes or becomes aware of Misconduct has the right as well as the duty to immediately report it in writing to the Head of Corporate Security of Atlantic Grupa d.d. and the member of the Management Board of Atlantic Grupa d.d. competent for Corporate Affairs. Immediately after receiving the report, the Head of Corporate Security of Atlantic Grupa d.d. and the member of the Management Board of Atlantic Grupa d.d. competent for Corporate Affairs 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 of Atlantic Grupa d.d. – in a case where the potential Misconduct relates to actions of a member of the Management Board, or
- The President of the Supervisory Board of Atlantic Grupa d.d. - in a case where the potential Misconduct relates to actions of the President of the Management Board.

In a case where the potential Misconduct relates to joint actions of the Head of Corporate Security of Atlantic Grupa d.d. and the member of the Management Board of Atlantic Grupa d.d. competent for Corporate Affairs, an employee who in his/her work observes or becomes aware of Misconduct of the persons listed has the right as well as the duty to immediately report it in writing to the President of the Management Board of Atlantic Grupa d.d. In such a case, the President of the Management Board of Atlantic Grupa d.d. 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 d.d. 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 d.d. 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 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 Labor 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 are 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.

**How do you intend to make this COP available to your stakeholders?**

Atlantic Grupa d.d. Communication on Progress shall be available on UN Global Compact web pages and Atlantic Grupa d.d. corporate web site. Atlantic Grupa d.d. employees will be able to read and download it from intranet pages. **Supplement** In production of this report we considered Global Reporting Initiative G3 indicators:

Area	UN Global Compact Principle	G3 Indicator
HUMAN RIGHTS	Business should support and respect the protection of internationally proclaimed human rights	HR4, HR5, HR6, HR7
	Business should make sure that they are not complicit in human rights abuses	
LABOR STANDARDS	Business should uphold the freedom of association and the effective recognition of the right to collective	LA2, LA4, LA6, LA7, LA9, LA13, LA14, EC7
	Business should uphold the elimination of all forms of forced and compulsory labor	
	Business should uphold the effective abolition of child labor	
	Business should uphold the elimination of discrimination in respect of employment and occupation	
ENVIROMET	Business should support a precautionary approach to environmental challenges	EN1, EN3, EN4, EN5, EN7, EB8, EN16, EN 17, EN18, EN19, EN20, EN 21, EN 22
	Business should undertake initiatives to promote greater environmental respsonsibility	



	Business should encourage the development and diffusion of environmental friendly technologies	
ANTI-CORRUPTION	Business should work against corruption in all its forms, including extortion and liberty	

