



**CODE OF CORPORATE GOVERNANCE**  
**Atlantic Grupa d.d.**

# CODE OF CORPORATE GOVERNANCE

## TABLE OF CONTENTS:

<b>1. INTRODUCTION – GOALS AND BASIC PRINCIPLES.....</b>	<b>3</b>
<b>2. PUBLIC DISCLOSURE OF INFORMATION.....</b>	<b>4</b>
2.1. Categories of Information which are Publicly Disclosed.....	5
2.2. Basic Principles of Public Disclosure.....	5
2.3. Using the Internet and the Company’s Website.....	5
2.4. Privileged (Undisclosed) Information and its Use by Insiders .....	5
<b>3. EQUAL TREATMENT OF SHAREHOLDERS.....</b>	<b>6</b>
<b>4. COMPANY BODIES.....</b>	<b>7</b>
4.1. GENERAL ASSEMBLY.....	7
4.1.1. Convocation of the General Assembly.....	8
4.1.2. Special Requirements Related to Reports Submitted to the General Assembly .....	8
4.2. SUPERVISORY BOARD.....	8
4.2.1. Tasks and Responsibilities.....	8
4.2.2. Composition of the Supervisory Board.....	10
4.2.3. Supervisory Board’s Committees.....	11
4.3. MANAGEMENT BOARD .....	15
4.3.1. Tasks and Responsibilities.....	15
4.3.2. Composition of the Management Board.....	16
4.3.3. Membership in Supervisory or Management Boards of Other Companies.....	16
4.3.4. Additional Responsibilities of the Management Board of Atlantic Grupa d.d. as the Leading Company of the Concern .....	17
<b>5. RELATIONSHIPS BETWEEN THE MANAGEMENT BOARD, THE SUPERVISORY BOARD AND THE COMPANY.....</b>	<b>17</b>
5.1. Cooperation and Relationship between the Supervisory Board and Management Board.....	17
5.2. Remuneration of the Management Board and Supervisory Board Members.....	18
5.3. Reporting to Shareholders on the Ownership of Shares by the Management Board and Supervisory Board Members.....	20
5.4. Conflicts of Interest.....	20
5.5. Contracts between the Company and the Management Board or Supervisory Board Members.....	20
5.6. Transactions with Related Parties.....	21
5.7. Non-competition Obligation of the Management Board and Supervisory Board Members with the Company.....	22
<b>6. AUDIT AND INTERNAL CONTROL MECHANISMS.....</b>	<b>22</b>
6.1. Independent External Auditor.....	22
6.2. Risk Management and Internal Auditor.....	23
<b>7. INVESTOR RELATIONS.....</b>	<b>23</b>
<b>8. RULES OF CONDUCT.....</b>	<b>24</b>
<b>9. SOCIAL RESPONSIBILITY.....</b>	<b>25</b>
9.1. Environmental and Social Impacts.....	25
9.2. Human and Labour Rights.....	26
9.3. Anti-Bribery and Anti-Corruption.....	27
<b>10. STAKEHOLDERS .....</b>	<b>27</b>
<b>11. DISCLOSURE OF INFORMATION ON COMPLYING WITH THE CODE’S PROVISIONS (ANNUAL QUESTIONNAIRE).....</b>	<b>28</b>

# CODE OF CORPORATE GOVERNANCE

## 1. INTRODUCTION – GOALS AND BASIC PRINCIPLES

Atlantic Grupa d.d. (hereinafter: Atlantic Grupa d.d. or the Company), as a business subject operating and developing its business in Croatian and foreign markets, 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 transparent and efficient business operations and more quality connections with the business environment in which it operates.

The goal of this Code is to set high standards of corporate governance and business transparency of Atlantic Grupa d.d. with the purpose of facilitating the access to capital at lower cost since the clearly defined procedures of corporate governance based on the recognized international standards are one of the basic criteria for making an investment decision, while good and responsible management and supervision of the Company's business and management functions primarily protects investors, followed by other stakeholders.

The goals and principles of corporate governance of Atlantic Grupa d.d. are derived from the following:

- business operations in accordance with existing regulations of the countries in which it performs its activities;
- meeting the highest standards through the business organization and the implementation of contemporary business principles in all activities and relationships of the Company in all areas of work;
- implementing recognized international guidelines and their integration in its business practice and procedures.

Basic principles of this Code are:

- transparency of business operations;
- 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.

Any interpretation of this Code is to be governed primarily by accomplishing the given goals and by respecting the mentioned principles.

## 2. PUBLIC DISCLOSURE OF INFORMATION

Except the information which the Company is obliged to disclose in accordance with the law or other regulations, Atlantic Grupa d.d. shall, in the shortest time possible, publicly disclose, and therefore give access to all interested parties, relevant information about the work and operation of the Company as well as all information about the facts and circumstances which can influence the Company's business operations.

### 2.1. Categories of Information which are Publicly Disclosed

The category of information which Atlantic Grupa d.d. will make publicly available in accordance with applicable regulations shall, *inter alia*, include:

- ***the Company's Articles of Association, information on the terms of reference, composition and members of the Supervisory Board and its committees, and the Management Board;***
- ***market-sensitive information*** (under which are specially considered those listed in the Capital Market Act and the Rules of the Zagreb Stock Exchange (hereinafter: the Stock Exchange) in which the Company listed its securities). When publicly disclosing market-sensitive information, the Company shall primarily take account of the information content and not the form in which the information is provided. Undisclosed market-sensitive information shall be considered proprietary information and shall be subject to a special record keeping regime;
- ***annual, semi-annual and quarterly reports***, which the Company is obliged to prepare in accordance with International Financial Reporting Standards, taking into account contemporary international tendencies in financial reporting as well as market requirements, as the most important and complete source of information about the Company and its subsidiaries. Such reports shall not be limited only to containing information pursuant to legal regulations and standards of financial reporting, but shall also include an understandable analysis and the Management Board's standpoint on business performance in the past period, as well as the Management Board's explanation in relation to any eventual considerable variations in relation to planned results and realised strategic goals;
- ***calendar of important events*** which are expected in a business year, like, for example, the foreseen date of publishing financial results, the date of holding the General Assembly of the Company, etc. The Company shall publish any change in the calendar of important events in the same manner, immediately after the occurrence of circumstances affecting the change;
- ***membership structure***, with information including:
  - overview of the shareholders' structure with details about the number and type of shares, as well as the list of the shareholders whose stake in the Company's authorised capital exceeds 5%;
  - information on cross-shareholding – which is considered as the existence of the cross-shareholding relationship between two joint-stock companies when such companies are linked in a way that each of them holds more than 5% of the authorised capital stake in the other company;
  - information on shares and other securities of the Company held by every individual member of the Management Board or Supervisory Board. In addition to presenting these data in the annual financial reports, the Company shall also publish any change in the amount of securities of the Company held by each member of the Management Board and Supervisory Board or other persons discharging managerial responsibilities, as well as persons closely associated with them, in accordance with applicable laws and regulations;

- information on related party transactions that the Company is obliged to publish in accordance with applicable regulations;
- **risk factors**, i.e. main risks to which the Company is exposed (e.g. political risks, economic risks, business activity risks, etc.), probability of realisation of potential risks, and the measures and plans adopted for the avoidance or mitigation of those risks;
- **candidacies and/or biographies** of members of the Management Board and Supervisory Board;
- **information on the person in charge of relations with investors**;
- **agenda of the General Assembly** and all other relevant information relating to the agenda, as well as **decisions** of the General Assembly and information on any eventual appeals to overturn those decisions and the establishment of their nullity (in law);
- **the remuneration policy for member of the Supervisory Board and Management Board and the annual remuneration report**; • **all other information** which can be considered market-sensitive or in any other way essential for the Company, its financial position, business results, ownership structure and management.

## **2.2. Basic Principles of Public Disclosure**

Atlantic Grupa d.d. shall disclose all categories of information, which can be considered market-sensitive in relation to the Company, its financial position, business results, membership structure and management, in a clear and unambiguous manner, while using the expression understandable to a target group and allow equal and timely information access to all interested parties.

All information which can influence the making of a decision to invest in the Company's securities shall be published immediately and simultaneously to all persons who could be interested in it, extending in equal measure to positive and negative information, with the goal of enabling the information receiver to fully understand and correctly evaluate the Company's status. Atlantic Grupa d.d. shall disclose any change relating to publicly disclosed information categories in the shortest possible period from its discovery. Information shall be disclosed in due course and shall include contents which will enable the shareholders to execute their rights with a complete and timely knowledge of all relevant facts for the making of a correct decision in the agenda of the General Assembly.

The Company Management Board is responsible for the content and timeliness of disclosing all information categories.

## **2.3. Using the Internet and the Company's Website**

In addition to the method of public disclosure of information prescribed by law and the Articles of Association, Atlantic Grupa d.d shall also perform information disclosure in Croatian and English language via its own website, as well as ensure an efficient and practical exchange of information.

## **2.4. Privileged (Undisclosed) Information and its Use by Insiders**

The use of privileged information which are not publicly disclosed is prohibited in its entirety to all persons having access to such information, since this could lead to an unfair advantage of the person holding privileged information (insider) when trading in the Company's

securities, regardless whether the privileged information is being used by an insider personally or some third person on the basis of information received from an insider.

The prohibition of using privileged information relates to all shareholders, the Management Board and Supervisory Board members, external Company advisors, as well as all persons which, considering their position in or outside the Company, have access to privileged information.

For this purpose, Atlantic Grupa d.d. shall establish:

- mechanisms which shall insure that the persons having access to or coming in contact with privileged information are explained the nature and significance of this information and related restrictions, as well as
- control of the flow of privileged information and their possible misuse.

### **3. EQUAL TREATMENT OF SHAREHOLDERS**

The rights and obligations of shareholders of Atlantic Grupa d.d. arise from the existing Croatian regulations, the Company's Articles of Association and this Code, which is in interest of establishing an open communication with the shareholders about developing the Company's business operations and goals. To enable all shareholders to realize their rights and obligations, Atlantic Grupa d.d. shall enable the realisation of equal treatment of all shareholders in the following manner:

- ***Principle of equal treatment of shareholders***, which means that the number of votes belonging to a shareholder in the General Assembly corresponds to his participation in the authorised capital of the Company. If more persons acquire one share, they shall realise the rights from such a share as authorised persons of an indivisible right through a mutual proxy;

- ***Limited voting rights***, which means that the Company, in the case of issuing shares without voting rights or with limited voting rights, shall publicly and in due course disclose all relevant information about the content of all rights arising from such shares, so investors would be enabled to make a correct decision about the purchase of such securities;

- ***Different types of shareholders***, in which case the Company shall treat all shareholders in an equal manner and under equal conditions, regardless of the number of shares at their disposal, country of their origin or any other features. This especially concerns the obligation of equal treatment of individual and institutional investors;

- ***Quality and timeliness of information distribution*** (availability at the Company's business premises by using modern information exchange technology, especially including the Internet) which enables all shareholders to execute their rights with a complete and timely knowledge of all relevant facts for making a correct decision in the General Assembly;

- ***Changes in capital, acquisition and disposal of its own shares***, which means that, under applicable regulations and decisions of the General Assembly, each shareholder will be entitled to register the part of new shares that corresponds to their stake in the present authorised capital of the Company and, when the Company acquires or disposes of its own

shares (treasury shares), that is shall do so in an open market and in the manner not privileging certain shareholders or investors or shareholders' groups or investors' groups. The Company shall inform the public of any transaction involving an acquisition or disposal of its own shares pursuant to applicable regulations;

- **Proxies**, which means that the Company shall allow shareholders to vote through their proxies, whereas requests for the power of attorney shall be extremely simplified and without strict formal requirements, except those prescribed by law and the Articles of Association;

- **Terms of participation**, which means that the Company shall encourage shareholders' participation in the General Assembly, whereas shareholders are not allowed to set the terms, except those prescribed by law and the Articles of Association;

- **Using contemporary communication technology**, which implies that shareholders shall be allowed to participate and especially vote in the General Assembly of the Company by using the means of modern communication technology;

- **Dividend**, which means that, when paying a dividend, the Company shall not favour any particular shareholders. Each decision on paying a dividend or a dividend advance shall contain the date when the person who is a shareholder acquires the right to a dividend payment, the date until which shares are traded without the right to a dividend payment and the date or period when a dividend is to be paid. The deadline for the dividend payment shall be no more than 30 days from the day of reaching the decision on payment. The period for the dividend payment shall last for no more than 10 days. The decision on paying a dividend establishing the abovementioned dates shall be published without delay after its adoption. The advance payment in the name of a dividend can be executed only with prior authorisation of the Supervisory Board and cannot exceed 50% of the last year's profit.

## **4. COMPANY BODIES**

The bodies of the company Atlantic Grupa d.d. which ensure the implementation of good practice of corporate governance are:

- General Assembly;
- Supervisory Board;
- Management Board.

### **4.1. GENERAL ASSEMBLY**

The General Assembly is the decision-making body of the Company through which shareholders at the same time participate in the supervision and control of the Company and realise their rights of voting and participating in the General Assembly.

The decisions defined by law or the Articles of Association of Atlantic Grupa d.d., which are of significant influence to the status of assets, financial position, business results, ownership structure and management of the Company, shall be adopted exclusively at the General Assembly by the prescribed majority of votes.

#### **4.1.1. Convocation of the General Assembly**

The Company Management Board shall be obliged to convene one annual regular Assembly during every business year.

The Extraordinary Assembly shall be convened when the Company's interests so demand.

The Company shall always be obliged to convene the General Assembly if that is requested from shareholders who together hold stakes of at least 5% in the Company's authorised capital and state the purpose and reason for convening that Assembly.

When convening the Assembly, the Company Management Board shall be obliged to set a date according to which the status in the shares register shall be established. This status shall be competent for the realisation of voting rights in the General Assembly. The above date should be before the holding of the General Assembly and can be at least 6 days before the holding of the General Assembly, whereas this deadline shall exclude the day when the registration forms arrive at the Company.

#### **4.1.2. Special Requirements Related to Reports Submitted to the General Assembly**

##### **- Reports Submitted by the Supervisory Board**

The Supervisory Board shall submit to the General Assembly a report in which, together with the report content prescribed by law, it shall evaluate the overall business efficiency of the Company, the performance of the Company Management Board, as well as provide a special review of its cooperation with the Management Board.

Also, the Supervisory Board shall be obliged to inform the Assembly of any potential conflicts of interest of its members and members of the Management Board, as well as of the measures taken in relation thereto.

##### **- Company Status Report**

The Company status report must be drawn up in a clear and articulated manner, including all aspects of business activities throughout the whole year in relation to previous years, and express an accurate, complete and fair overview of assets and expenditures, financial status of the Company, as well as the plan of future business operations.

## **4.2. SUPERVISORY BOARD**

### **4.2.1. Tasks and Responsibilities**

The main tasks of the Supervisory Board of Atlantic Grupa are:

- appointment and dismissal of the Management Board;
- supervision of the Management Board's performance in managing the Company's affairs;
- submission of financial reports on the performed supervision.



The Supervisory Board of Atlantic Grupa d.d. has competences defined by law, the Company's Article of Association and this Code, in the execution of which, depending on the type, it realises an active, i.e. executive role, provides consent on the Management Board decisions and/or has an advisory and supervisory role.

In order for the Supervisory Board to be able to successfully realise its tasks and competences, all foundations for decision-making must be in a consistent, mutually comparable format, transparent, documented and understandable, as well as delivered to members in due course to enable their familiarisation with the subject matter on which they are deciding.

The mandate of members of the Supervisory Board is not binding, which means that each member of the Supervisory Board of Atlantic Grupa d.d. performs his/her duty completely independently and at his/her own responsibility, regardless of who suggested or appointed him/her.

If a member of the Supervisory Board is exposed to pressure or limitations from the majority shareholder or any other persons, and which are affecting the performance of his/her duties, he/she shall be obliged to inform the Supervisory Board about it and, notwithstanding that, take an independent standpoint during voting, or give his/her resignation, depending on what the circumstances require.

If a member of the Supervisory Board considers that he/she or any other member is involved in a conflict of interest with regard to decision-making in a specific case, he/she shall be obliged to immediately report this to the Supervisory Board.

The members of the Supervisory Board shall perform their duty with the care of an orderly and conscientious manager and shall keep the Company's business secrets confidential. A member of the Supervisory Board must be able to be dedicated to his/her duties in the Supervisory Board at all times necessary for the correct and quality performance of his/her duties.

The Supervisory Board shall adopt a decision on the general framework plan of its work, including the list of regular sessions and information which are to be regularly and timely made available to the Supervisory Board members.

The Supervisory Board shall establish its own internal rules of operation, provided that those rules cannot limit the liberty of each individual member to act independently. None of the documents of the Supervisory Board may prevent or limit a single member from acting in accordance with the law, but, at the same time, every member shall avoid the misuse of his/her own competences and shall always try to harmonise his/her work with other members of the Supervisory Board.

The Supervisory Board shall, at least once a year, evaluate its effectiveness and composition, as well as the effectiveness and composition of its Committees and the performance of individual members. The evaluation shall be led by the President or by the Vice President as his/her replacement. The evaluation shall include an assessment of whether the Supervisory Board profile needs to be improved and shall inform decisions on the overall size and composition of the Supervisory Board and its Committees, and on whether to recommend individual Supervisory Board members for reappointment. The evaluation shall also identify

whether there is room for improvement in the functioning and preparation of the Supervisory Board's sessions. A report on the evaluation of the Supervisory Board and its Committees shall be included in the Annual Report. The report shall state how the evaluation was carried out, whether external evaluators had been engaged and who had been consulted during the process, as well as summarise the actions that have been or will be taken based on the results of the evaluation.

#### **4.2.2. Composition of the Supervisory Board**

The Supervisory Board of Atlantic Grupa d.d. is comprised of up to nine (9) members.

The Supervisory Board shall include members with different genders, ages, skills, knowledge, education, professional and practical experience to ensure it brings different perspectives to its decision-making.

The Supervisory Board shall be composed with a majority of independent members. Either the President or Vice President of the Supervisory Board must be independent members of the Supervisory Board.

An independent member of the Supervisory Board shall be considered to be a person who:

- is not a shareholder who, directly or indirectly, holds 5 % of the Company's shares or more, does not represent such a shareholder, is not a member of the group of such shareholders, a spouse or a blood relative or a relative-in-law up to a second degree of any person from the aforementioned group, or has any connection to companies affiliated with such a shareholder;
- has not been, in the past three years, an employee or a member of the Management Board of the Company or any of its affiliates, or is a spouse, a close relative or a relative in-law of any of the members of the Management Board of the Company or its affiliates;
- has not been appointed as an employee representative;
- receives no other payments from the Company except the remuneration for his/her work in the Supervisory Board, not including a potential dividend;
- has not been, in the past three years, in any significant business relation with the Company or its affiliates, directly or indirectly as a partner, shareholder, member of the Supervisory Board or Management Board or a senior manager of an organisation which has significant business relations with the Company;
- has not been, in the past three years, a partner or an employee of an audit company which provides or has provided any audit or non-audit services to the Company or its affiliates;
- is not a member of the management board of another company in which any member of the management board of that company is a member of the Supervisory Board or has significant relations with members of the Management Board of the Company through their involvement in other companies, bodies or organisations;
- has been a member of the Supervisory Board for less than 12 years.

A member of the Supervisory Board who holds this function for more than 12 years shall judge his/her own independent status by himself/herself and discuss it with the Supervisory Board, which may, after taking into account all circumstances of that member's performance of duties throughout his/her mandate, particularly his/her past experience, character and personal values, and after consultation with the Nomination and Remuneration Committee,

establish that the abovementioned period of time that has passed does not affect his/her ability to efficiently and independently contribute to the work of the Supervisory Board, i.e. his/her status of independence. The Supervisory Board shall take its findings into account when appointing the President and Vice President of the Supervisory Board.

Members of the Supervisory Board of the Company have to meet appropriate standards in regards to their education and professional experience, whereas at least one of them must have competence in accounting or auditing of financial statements, must have high moral standards and be able to put aside the time necessary for performing the function of a member of the Supervisory Board.

Upon appointment, each individual member of the Supervisory Board shall familiarise himself/herself with the business of Atlantic Grupa d.d., the role of the Supervisory Board in the Company's functioning, as well as with his/her personal rights and obligations. In addition, the President of the Supervisory Board shall ensure that all members of the Supervisory Board are able to receive, during their mandate, ongoing training and education to refresh and improve their skills and knowledge, as well as receive regular updates and briefings from the Management Board and experts on matters relevant to the Company and to their duties as members of the Supervisory Board.

#### **4.2.3. Supervisory Board's Committees**

For the purpose of transparency of functioning and avoiding conflicts of interest, the Supervisory Board shall have three permanent committees:

- the Audit Committee;
- the Nomination and Remuneration Committee;
- the Corporate Governance Committee.

Each Committee shall have three members. The majority of the members of each Committee shall be independent, and the President of the Committee shall be an independent member of the Supervisory Board. Members of the Management Board may not be members of the Supervisory Board's Committees.

*The Audit Committee* analyses in detail the financial reports, provides support to the Company's accounting and establishes good and quality internal control within the Company.

The Audit Committee shall be composed of independent persons, of which each should possess the basics of financial and accounting issues, and at least one member has to possess more experience in the matter of accounting, auditing and financial management.

With regard to the policies and procedures adopted within the Company, the Audit Committee should:

- monitor the integrity of financial information of the Company, particularly the accuracy and consistency of accounting methods used by the Company and the Group to which it belongs, including the criteria for consolidation of financial reports of the companies that belong to the Group;
- at least once a year, assess the quality of the internal control and risk management system, with the aim of properly identifying, publicly disclosing and managing major risks to which the Company is exposed;

- ensure effectiveness of the internal audit system, particularly by means of the development of recommendations concerning the selection, appointment, reappointment and dismissal of the head of the internal audit department, and by evaluation of the means at his/her disposal and the management's actions with regard to the findings and recommendations of the internal audit;
- monitor the implementation of measures identified as a result of external and internal audit and its own monitoring;
- monitor the application of procedures for reporting breaches of the law or the Company's code of conduct.

With regard to the external auditor, the Audit Committee should:

- give recommendations to the Supervisory Board regarding the selection, appointment, reappointment or change of the external auditor and the requirements for his/her engagement;
- monitor the independence and objectivity of the external auditor, in particular with regard to the rotation of authorised auditors within the audit company, as well as the fees paid by the Company for external audit services;
- monitor the nature and amount of non-audit services that the Company receives from the audit company or its affiliates, where, among other things, the audit company shall provide notice of all fees paid by the Company to the audit company and its affiliates;
- develop rules about the services which the external audit company and its affiliates may not provide to the Company, which can be rendered only with prior approval of the Committee, and which may be rendered without prior approval;
- consider the effectiveness of external audits and conduct of the senior management with regard to the recommendations given by the external auditor;
- investigate the circumstances of dismissal of the external auditor and make appropriate recommendations to the Supervisory Board.

The duration of the Audit Committee's mandate can be limited to a period of 4 years of the continuous mandate and/or by limiting the number of committees in which a member can be selected in other companies.

The Audit Committee shall have an opened and unrestricted communication with the Management Board and Supervisory Board, and shall be responsible for its work to the Supervisory Board.

The Management Board shall deliver to the Audit Committee timely and periodical overviews of financial reports and similar documents before disclosing this information publicly, information on changes in accounting principles and criteria, accounting procedures adopted for the majority of actions, as well as any considerable variation from book-keeping and real value of individual items along with all correspondence with the internal audit department or independent auditors.

The Audit Committee shall agree on an annual work plan with the external auditor, including the scope and contents of the activities to be audited. The Audit Committee shall, if required, meet with the external auditor to discuss issues identified in the course of the audit, and to monitor the quality of the services provided.

The Audit Committee shall discuss with the independent auditor the following:

- changing or keeping accounting principles and criteria;
- changes in regulations;
- important estimates and conclusions in the preparation of financial reports;
- methods of risk assessment and its results;
- high-risk areas of operation;
- larger faults and substantial deficiencies observed during internal supervision;
- influence of external factors (economic, legal and industrial) on financial reports and audit procedures.

The Audit Committee shall also regularly evaluate other important aspects of its relations with third parties, such as their professional capability and independence and, always when necessary, obtain a second opinion on the work executed by those persons.

The Audit Committee shall ensure the delivery of quality information from dependant and affiliated companies and third persons (such as expert advisors) given the influence of such information on consolidated financial reports.

The President of the Audit Committee shall be authorised to communicate directly with the stakeholders. The President of the Supervisory Board and the Management Board must be notified in advance of such communication. The Company Management Board must be included in communication concerning the issues related to managing the Company.

**The Nomination and Remuneration Committee** suggests candidates who can fill vacant positions in the Management Board and Supervisory Board and proposes the content of contracts with the Management Board members, as well as the structure of their remuneration and remuneration of the Supervisory Board members. By doing so, this Committee coordinates all business relations between individual members of the Management Board and the Company itself, i.e. its Supervisory Board, both in regard of executing rights and obligations of the Management Board members and in regard of their employment-legal status and other status in the Company.

Members of the Nomination and Remuneration Committee shall be appointed from the ranks of independent members of the Supervisory Board. The Committee shall:

- find and recommend to the Supervisory Board candidates who can fill vacant positions in the Management Board and Supervisory Board, while at the same time it must assess their knowledge, skills and experience, prepare a description of requirements and tasks related to each appointment and determine the time required for the performance thereof;
- at least once a year, assess the composition, size, membership and quality of work of the Supervisory Board and Management Board, and make appropriate recommendations to the Supervisory Board;
- at least once a year, conduct an assessment of knowledge, skills and experience of individual members of the Supervisory Board and inform the Supervisory Board thereof;
- examine the issues related to planning the continuity of the Supervisory Board and Management Board;
- examine the policies of the Management Board in respect of hiring senior management personnel;
- recommend to the Supervisory Board the remuneration policy for the Management Board members at least every three years;

- recommend to the Supervisory Board each year the remuneration to be received by the Management Board members based on an assessment of the Company's and their individual performance during the year, and following the consultation with the President of the Management Board;
- recommend to the Supervisory Board the remuneration policy for the Supervisory Board members that will be submitted for approval to the General Assembly;
- monitor the amount and structure of remuneration received by the senior management and the workforce as a whole, and give recommendations to the Management Board on its policies;
- oversee the preparation of the annual remuneration report required by law to be submitted for approval of the Supervisory Board; and
- monitor the progress in achieving the target percentage of female members of the Management Board and Supervisory Board.

The Nomination Committee shall be obliged to consider the proposals of the Management Board and shareholders and to consult with the President of the Management Board, who may submit proposals to the Nomination Committee, particularly regarding the issues related to the Management Board members and senior management personnel.

The President of the Nomination and Remuneration Committee shall be authorised to communicate directly with the stakeholders. The President of the Supervisory Board and the Management Board must be notified in advance of such communication. The Company Management Board must be included in communication concerning the issues related to managing the Company.

*The Corporate Governance Committee* defines a system of mechanisms for ensuring a balance between the rights of shareholders and the needs of management to direct and manage the Company's operations. It provides a framework to establish the Company's objectives and define the funds required to achieve those objectives, as well as to monitor the implementation and efficacy of those objectives. The corporate governance model and good practice should ensure equal rights for all shareholders and, in particular, protect minority shareholders and their right to a fair return on their investment.

The main tasks of the Committee cover the following areas:

- developing a framework for corporate governance within the Company;
- rights of shareholders;
- equality of shareholders;
- the role of interest-influence groups on corporate governance;
- disclosure of information and transparency; and
- the liability of the Company bodies and the prevention of conflict of interest.

The President of the Corporate Governance Committee shall be authorised to communicate directly with the stakeholders. The President of the Supervisory Board and the Management Board must be notified in advance of such communication. The Company Management Board must be included in communication concerning the issues related to managing the Company.

## **4.3. MANAGEMENT BOARD**

### **4.3.1. Tasks and Responsibilities**

The Management Board of Atlantic Grupa d.d. manages the business affairs of the Company independently and at its own responsibility, and makes decisions exclusively at its own discretion. When managing the Company's business operations, the Management Board performs the tasks defined by law, the Articles of Association of Atlantic Grupa d.d. and other internal acts in accordance with the provisions of this Code. In particular, these tasks include:

- developing and implementing the Company's strategy and business plans;
- managing the Company's activities and resources;
- enforcing the Company's values and ethics;
- selecting and appointing members of senior management;
- implementing effective risk management and internal control systems;
- maintaining constructive relationships with all shareholders and with significant stakeholders.

The existence of consent or instruction of other Company bodies does not preclude the Management Board's responsibility to manage business operations with the care of a conscientious manager.

The Management Board is always bound to act exclusively in the interest of the Company and its shareholders, taking into account the interests of employees and wider community, with the goal of increasing the Company's value.

Each member of the Management Board shall continually, accurately and without delay, report to the President of the Management Board on all important developments from his/her competence essential for the evaluation of the current situation and development, as well as for managing the Company.

The Management Board members shall strive towards the maximum possible independence in relation to individual shareholders, shareholders' groups or stakeholders, and must be aware that, once appointed, they are responsible to all shareholders of the Company.

If a member of the Management Board is exposed to pressure or limitations from shareholders or members of the Supervisory Board which are affecting the performance of his/her duties, he/she shall be obliged, notwithstanding that, to take an independent position during voting or making the decision, or to give his/her resignation, depending on what the circumstances require.

The Management Board cannot transfer its authorities of managing the Company's business operations to any other Company body. Giving the full power of attorney (*prokura*) shall not be considered as a transfer of authorities of managing the Company's business operations. The activities of the Management Board, its scope of work and rules of procedure shall be prescribed by the internal procedural rules of the Management Board, with the goal of clarifying its authorities and duties.

The Management Board members can, when there is such a need, request advice from experts (legal advisors, auditors, tax and human resources experts) so as to obtain specific advice on important issues.

The Management Board is responsible for the implementation and efficiency of the decisions it makes.

The Management Board members are liable in solidarity for damages occurred as a result of violating their duties unless they can prove that they performed their duties honestly and conscientiously.

#### **4.3.2. Composition of the Management Board**

The Management Board of Atlantic Grupa is comprised of one to ten members, which includes the President of the Management Board and its members. The methods of cooperation between the members shall be regulated by the Articles of Association or internal rules of the Management Board approved by the Supervisory Board.

When constituting the Management Board, it shall be strived towards the Management Board members having different experiences, education and character, including:

- experience in business management, developed organisational skills;
- experience in identifying and controlling risks and handling crisis situations;
- understanding of accounting and finances;
- understanding the areas of the Company's activities;
- understanding national and international markets;
- interconnection of all interests within the Company;
- with his/her personal features, contributing to the realisation of the Company's goals;
- being familiar with the good practice of corporate governance;
- having a strategic vision.

In addition to fulfilling the above terms, the President of the Management Board must have a reputation of a recognised and good manager in a wider economic environment.

At least once a year, the Management Board must evaluate its own effectiveness, as well as the effectiveness of its individual members, and shall report its conclusions to the Supervisory Board.

#### **4.3.3. Membership in Supervisory or Management Boards of Other Companies**

For membership in supervisory or management boards of other companies that are not subsidiaries or companies affiliated with the same majority ownership of Atlantic Grupa d.d., a member of the Management Board of Atlantic Grupa d.d. must receive prior consent from the Company Supervisory Board, whereby a member of the Management Board cannot at the same time hold more than two functions in management or supervisory boards of such companies.

In addition to the above, a member of the Supervisory Board cannot at the same time be a member of the supervisory board in more than 7 companies in total. In that sense, the function of the President of the Supervisory Board counts as membership in two supervisory boards.



#### **4.3.4. Additional Responsibilities of the Management Board of Atlantic Grupa d.d. as the Leading Company of the Concern**

The Management Board of Atlantic Grupa d.d., as the leading Company of the Concern, is responsible for strategic management and long-term success of the whole Concern and, through membership in supervisory boards of daughter companies, oversees their business operations and the Group's investments in daughter companies.

Accordingly, the Management Board of the leading Company shall insure an appropriate cooperation within the Concern, taking account of the timely and quality exchange of information between the companies of the Concern.

### **5. RELATIONSHIPS BETWEEN THE MANAGEMENT BOARD, THE SUPERVISORY BOARD AND THE COMPANY**

#### **5.1. Cooperation and Relationship between the Supervisory Board and Management Board**

The Supervisory Board and Management Board of Atlantic Grupa d.d. are obliged to fully cooperate in the best interest of the Company, and to mutually discuss and reach an agreement on strategic guidelines of the Company's business operations.

Accordingly, the Supervisory Board sessions must be attended by all members of the Management Board, except when the Supervisory Board decides otherwise, when it discusses issues that are directly related to the Management Board or any members thereof, and particularly when discussing the dismissal, liability or remuneration for the work of the Management Board members.

The Management Board of Atlantic Grupa d.d. shall be obliged to, in due time and in its entirety, report to the Supervisory Board on all facts and circumstances which can influence the Company's or its daughter companies' business operations, financial position and status of assets, and provide access to all facilities and premises of the Company, as well as to necessary information and records required for the performance of their competences.

The Supervisory Board shall be obliged to ensure the existence of a long-term plan of succession in the Company, thus ensuring careful and timely appointment of successors to any individual member of the Company's management personnel. The Supervisory Board shall also include in this process members of the management personnel.

The President of the Supervisory Board is responsible for establishing a calendar of regular annual sessions and for convocation of extraordinary sessions of the Supervisory Board, whenever the need arises. The frequency of holding sessions shall be determined in accordance with the needs of the Company, but at least once each quarter. These sessions should be held frequently enough to ensure the effectiveness of the Supervisory Board, but should not be more frequent than once a month in order to avoid undesirable interference with the management of the Company. To ensure the efficiency and effectiveness of the Supervisory Board sessions, it is necessary to provide relevant documents to all members of the Supervisory Board on time.

The Management Board shall provide the Supervisory Board and its Committees with timely access to the Company's facilities and premises, as well as to senior management and employees when necessary for performance of their duties, and to all documents required for these purposes. The President of the Supervisory Board shall, on behalf of the Supervisory Board or the Committee that requests so, and based on the decision adopted by a majority of votes of the Supervisory Board or the relevant Committee, submit a written request for such access to the President of the Management Board, who shall be responsible for engaging the head of the relevant department of the Company for the purpose of operational organisation of such access.

The Supervisory Board shall, at least once a year, evaluate the effectiveness of cooperation between the Supervisory Board and Management Board, as well as the adequacy of the support and information it receives from the Management Board, while the results of such an evaluation shall be included in the Supervisory Board's report that is part of the Annual Report.

The Company shall designate a person to perform the activities of the Company Secretary. That person shall be responsible for ensuring that the Supervisory Board procedures are complied with, advising the Supervisory Board on governance matters, supporting the President of the Supervisory Board, and assisting the Supervisory Board and its Committees to function efficiently.

The Supervisory Board is entitled to receive information or advice from persons outside the Company at the Company's expense if it considers it necessary for successful performance of its duties. The President of the Supervisory Board shall, on behalf of the Supervisory Board, and based on the decision adopted by a majority of votes of the Supervisory Board, submit a written request for such an engagement to the President of the Management Board, who shall be responsible for engaging the proposed provider of information or advice on behalf of the Company.

## **5.2. Remuneration of the Management Board and Supervisory Board Members**

The remuneration of members of the Management Board and Supervisory Board of Atlantic Grupa d.d. shall adequately reflect the time, effort and experience related to their functions and shall be established in such a manner as not to jeopardise their ability to make decisions in the best interest of the Company and its shareholders.

**The Supervisory Board members** can be remunerated for their work. Levels of remuneration for the President of the Supervisory Board and other Supervisory Board members shall reflect their time commitment and responsibilities, including on the Supervisory Board's Committees in which they are members. Remuneration of the Supervisory Board members shall not include variable or other performance-related elements.

The Company shall publish on its website the decision on remuneration of the Supervisory Board members as approved by shareholders at the General Assembly.

**The Management Board members** shall be paid according to their work in line with the level of remuneration established by the Company Supervisory Board.

Remuneration of the Management Board members shall consist of:

- fixed part which is unchangeable and independent of business results;
- variable part which is conditioned by business results in a certain business year, as well as of share options and similar instruments which have the effect of long-term stimulations.

When determining the amount and appropriateness of remuneration of the Management Board members, the following shall be particularly taken into account:

- scope of competence of an individual member of the Management Board;
- personal successfulness in business performance;
- size and financial status of the Company;
- economic environment in which the Company operates;
- the Company's successfulness in relation to other companies engaged in the same business activity;
- fulfilment of strategic and annual plans;
- remuneration of management board members in affiliated companies.

The Supervisory Board shall determine the annual remuneration of each Management Board member based on the recommendations of the Nomination and Remuneration Committee and in accordance with the remuneration policy approved by the General Assembly. The remuneration policy for the Management Board members shall be prepared in accordance with the relevant legal requirements.

Levels of remuneration of the Management Board members, and key performance indicators which are taken into account when determining the performance-based part of remuneration, must be appropriate in relation to the agreed strategy and risk appetite, the economic environment in which the Company operates, as well as the salaries and conditions of employees of the Company and its affiliates.

If shares are awarded to a member of the Management Board as part of the remuneration package, the Management Board member may not dispose of those shares for at least two years from the day they were awarded to him/her. If options to buy shares are awarded to a member of the Management Board as part of the remuneration package, the Management Board member may not exercise those options before the expiry of the period of two years from the day they were awarded to him/her. The remuneration policy for the Management Board members shall include provisions under which a part of the Management Board member's remuneration would be withheld or recovered, provided that the Company specifies such circumstances.

The Company shall publish on its website the remuneration policy for the Management Board members as approved by shareholders at the General Assembly.

The Management Board and Supervisory Board shall each year submit to the General Assembly the **Report on Remuneration of the Supervisory Board and Management Board members** for the previous business year, with its contents as prescribed by legal regulations. The Remuneration Report for each individual Supervisory Board member shall, in addition to the information required by legal regulations, include information on:

- any payments received by any Supervisory Board or Management Board member from the Company, or persons related to the Company, that were additional to the remuneration they received as the Supervisory Board or Management Board members;

- any loans, advance payments or guarantees made to each Supervisory Board or Management Board member by the Company or its affiliates; and
- any gifts, services or other benefits of significant value received by each Supervisory Board or Management Board member.

### **5.3. Reporting to Shareholders on the Ownership of Shares by the Management Board and Supervisory Board Members**

Each Management Board member shall be obliged to inform the Supervisory Board, that is, each Supervisory Board member shall be obliged to inform the Company on any changes with regard to his/her ownership of the Company shares on the next working day, and at the latest three working days, from the day of the transaction, while the Company shall be obliged to publicly disclose such a change in accordance with applicable regulations.

### **5.4. Conflicts of Interest**

A conflict of interest exists when a member of the Supervisory Board or a member of the Management Board, who is not neutral in relation to the subject of decision-making or for whom it can be assumed from the fact of his/her affiliation with other companies, persons or affairs that he/she can have interests which are not at the same time necessarily the interests of the Company, can influence the making of a decision on the grounds of interests or tendencies which are not necessarily coinciding with the Company's interests.

The Supervisory Board or Management Board members cannot make decisions on the basis of personal interests or on the basis of interests of persons with whom they have close relations nor participate in decisions where they have a conflict of interest.

### **5.5. Contracts between the Company and the Management Board or Supervisory Board Members**

Any contracts between a member of the Supervisory Board and the Company must be previously approved by the Supervisory Board.

Contracts with a member of the Supervisory Board on the provision of consulting services and similar contracts may pertain only to the provision of services or actions that exceed his/her duties in the work of the Supervisory Board, and which are based on his/her special knowledge, while he/she is prohibited from consulting the Company in a manner that would be equal to performing activities of operational management of the Company's affairs. It must be possible to, without any doubt, conclude from such a contract whether the relevant advice, service or action is beyond the scope of regular duties of the Supervisory Board, its importance for the Company, and whether the amount of remuneration of the Supervisory Board member is appropriate.

For this purpose, the contract must include:

- a detailed description of the action or service provided to the Company by the Supervisory Board member;
- the defined amount of total remuneration or the amount of remuneration per work hour, in which case the maximum number of hours required for providing the relevant service or action, as well as the price per hour, must be specified;

and allow the Supervisory Board to determine the appropriateness of remuneration, meaning that the Company must previously research the market and establish a comparable remuneration for the same action. If the same action is not offered on the market, the appropriateness of remuneration must be justified by the quality of the relevant action and the benefit that the Company will derive from it.

The maximum remuneration (in the net amount) that a member of the Supervisory Board may receive on the basis of such contracts in a calendar year corresponds to the amount of remuneration (in the net amount) for membership in the Company Supervisory Board that he/she received in the previous calendar year.

This also applies to contracts that the Company concludes with a company which is controlled by a member of the Supervisory Board or a company in which he/she is a member of its management board, as well as to companies in the Concern with regard to contracts concluded between a member of the Supervisory Board of Atlantic Grupa d.d. and its subsidiary.

The essential elements of such contracts must be included in the Annual Report.

## **5.6. Transactions with Related Parties**

The Company Management Board is responsible for establishing a mechanism for verifying whether transactions with related parties are subject to the criteria set by legal regulations and financial reporting standards under which a prior consent of the Supervisory Board and public disclosure are required. In the case that the intended conclusion of a transaction with related parties matches those criteria, the Company Management Board shall inform the Company Supervisory Board for the purpose of issuing the prior consent. A member of the Supervisory Board is not entitled to vote when such a transaction is voted on if he/she is also a related party with which the Company is undertaking the transaction, or if he/she is potentially in a conflict of interest based on his/her relationship with related parties in that transaction.

If the Supervisory Board refuses to give prior consent, the Management Board may request from the General Assembly to provide it, whereby a shareholder is not entitled to vote if he/she is also a related party with which the Company is undertaking the transaction.

The Company shall publish the transactions with related parties without delay, in a manner and with contents in accordance with legal regulations. The notice shall be available on the Company's website at least five years from the day of its publication.

In addition to the above, no transaction between the Management Board or Supervisory Board members and the Company or persons related (as defined under financial reporting standards) to any party may be concluded without prior consent of the Supervisory Board. The fair value of any material transaction (as defined by law) must be confirmed by an independent expert prior to the transaction, and his/her report must be available free of charge on the Company's website.

At least once a year, the Audit Committee must evaluate the effectiveness of the Company's procedures pertaining to transactions with related parties.

## **5.7. Non-competition Obligation of the Management Board and Supervisory Board Members with the Company**

The Supervisory Board or Management Board members may not, on their own or somebody else's behalf, in person or through third parties, engage in activities that are performed by the Company, be members of management or supervisory boards of companies that perform such activities, advise persons who can be considered to compete with the Company, nor own significant holdings in companies which can be considered to compete with the Company. A significant holding represents a holding of 5 % or more of the Company's share capital.

The Supervisory Board members must inform the Company Secretary of their membership in management or supervisory boards of other companies and of their holdings in companies that can be considered to compete with the Company. Details of such holdings shall be available free of charge on the Company's website.

## **6. AUDIT AND INTERNAL CONTROL MECHANISMS**

### **6.1. Independent External Auditor**

Atlantic Grupa d.d. is aware of the significance and role of the audit for the successfulness of corporate governance and for the legality and transparency of governance of all business processes in the Company.

Atlantic Grupa d.d. shall be obliged to have independent external auditors as an important instrument of corporate governance in order to ensure that financial reports adequately reflect the real status of the Company as a whole.

An auditor who is not, in terms of ownership or interests, related to the Company and does not provide, by himself or through related parties, any other services to the Company shall be considered an independent external auditor.

Independent external auditors are obliged, in a clearest possible manner and without any doubt, to express their opinion whether the financial reports prepared by the Management Board adequately reflect the status of capital and the financial status of the Company, as well as the results for a specified time period.

The work plan for independent external auditors is established by the Audit Committee, which also suggests remuneration for the auditor's work. The Audit Committee shall be obliged to submit to the Supervisory Board proposals and recommendations when selecting independent external auditors, as well as extending or discontinuing cooperation with the auditors.

Independent auditors are obliged to directly report to the Audit Committee on the following issues:

- discussion on the main accounting policy;
- important deficiencies and significant shortcomings in the internal control system and procedures;
- alternative accounting procedures;

- lack of agreement with the Management Board;
- risk assessment; and
- possible fraud and/or misuse analyses.

The procedures implemented by an audit company must reflect their independence and objectivity, especially if, within the framework of the same audit company, workers are providing other professional services including, in particular, consulting services. The Audit Committee must be acquainted with all services provided by the company of independent auditors, as well as with the fees for those services, so there would be no doubt whatsoever about the auditors' independence, as well as to avoid potential conflicts of interest.

In the case of circumstances that indicate the possibility of jeopardising the auditor's independence, the Supervisory Board shall be obliged to recommend to the Assembly the engagement of new business advisors or auditors.

The Company shall be obliged to publicly disclose amounts of the fees paid to independent external auditors for the rendered audit and other services.

## **6.2. Risk Management and Internal Auditor**

The Company shall be obliged to maintain an efficient risk management system that is adequate for its objectives, size and scale of activities. The system shall include processes that can ensure reliable risk identification and measurement, risk management, risk monitoring and clear internal responsibilities for maintaining the risk management system.

The Company shall be obliged to have an internal audit function responsible for supervising the effectiveness of the internal control system, including the management of risks.

Internal auditors supervise the internal control system and compliance with regulations, guidelines and instructions. Internal auditors report the results directly to the Audit Committee or the Supervisory Board of the Company. The Supervisory Board shall be obliged to approve the internal auditors' work plan, analyse their results and monitor the implementation of their recommendations.

The Audit Committee and the Supervisory Board should effectively participate in planning the activities of internal auditors. The internal auditor is responsible for creating the internal control system which is used for establishing and controlling the flow of accurate, specific and complete information about the Company's organisation, such as data on compliance with financial, business and legal obligations that may pose a significant risk to the Company. The internal auditor should examine and verify the effectiveness of such a system at least once a year.

## **7. INVESTOR RELATIONS**

The Management Board of Atlantic Grupa d.d. shall be obliged to make available for investors balanced information relating to both positive and negative sides of the Company's business operations in order to enable investors to correctly understand and evaluate the Company's status and, on the basis of such collected information, make a decision on their investment.

Investors shall always have the possibility to ask in writing and receive in due time all relevant information from the Company Management Board or from the person in the Company responsible for investor relations.

However, the Management Board of Atlantic Grupa d.d. should not provide information or answer asked questions only as fulfilling an obligation, but should provide information at its own initiative and, if it is considered appropriate and necessary for understanding the answer, over and above the requested scope, since a quality exchange of information, particularly when it is spontaneous, clear and fast, leads to the atmosphere of trust between investors and the Company bodies.

The Management Board of Atlantic Grupa d.d. shall periodically and in cases of expressed interest hold special conferences with investors.

## **8. RULES OF CONDUCT**

For the purpose of establishing and maintaining the culture and values of Atlantic Grupa d.d. and its subsidiaries, standards are defined that should apply in relation to the conduct and communication of members of the Management Board, Supervisory Board and its Committees, workers and other persons acting on behalf of the Company between themselves, and in relation to their conduct towards stakeholders, shareholders and third parties.

The basic principles and standards of conduct that members of the Management Board, Supervisory Board and its Committees, workers and other persons acting on behalf of the Company must comply with between themselves and towards external stakeholders and shareholder are as follows:

- professionalism, expertise, impartiality;
- conscientiousness and honesty;
- prohibition of any form of discrimination and any form of harassment that violates a person's dignity;
- equality, justice and respect of human rights, integrity and dignity of a person;
- responsibility;
- transparency;
- compliance with the rules of business ethics;
- honesty in relations with business partners, shareholders and other stakeholders;
- avoiding conflicts of interest;
- managing the Company's assets with due care.

The above listed principles and standards of conduct are not an exhaustive list, but only a basic framework of conduct.

Depending on the gravity of violation and the person who committed a violation of the listed principles and standards, measures prescribed by the provisions of the law governing labour and employment relations, the law governing companies and/or measures prescribed by internal acts of the Company may be imposed.



## 9. SOCIAL RESPONSIBILITY

### 9.1. Environmental and Social Impacts

Atlantic Grupa d.d. and its subsidiaries, as an organisational whole, give special attention to understanding, identifying and monitoring the impact of their business operations on the economy, environment and society. In addition to the fact that this impact determines their contribution to sustainable development, the listed factors are also related to risks for the organisation itself since a certain impact on the economy, environment or society can lead to consequences for the its business model, reputation, or ability to achieve its objectives.

The environmental dimension of sustainability refers to impacts that such an organisation has on living and non-living natural systems, including land, air, water and ecosystems. The social dimension of sustainability refers to impacts that an organisation has on the social systems within which it operates, including social capital, employment practices, wages, health and safety practices and industrial relations.

*The Social Responsibility Committee* of the Company, at the level of an entire organisation that includes its subsidiaries, contributes to the implementation of principles of sustainable development in the organisation's everyday operations, monitors its status and starts initiatives for the improvement of corporate social responsibility. The Social Responsibility Committee operates in the following composition: the Company's Secretary General, Executive Director of Corporate Human Resources, Director of Corporate Communications and Director of Corporate Quality Management.

The Quality Policy of Atlantic Grupa d.d. and its subsidiaries is focused on the commitment to the principles of sustainable development, economic efficiency, environmental responsibility and social responsibility. Other than complying with national laws and international standards, the policy in question is upgraded through internal procedures and policies concerning the listed issues, while taking into account local and global sustainability trends. In this sense, the Company and its subsidiaries shall, in addition to implementing the fully Integrated Environmental Management System (EMS) and Energy Management System (EnMS), which are based on well-considered and economical use of natural sources, using environmentally friendly technologies in production, reducing waste and lowering the consumption of energy and water, continuously implement activities aimed at their further development.

The companies within Atlantic Grupa d.d. carry out a systematic analysis of their environmental and social impact by using documented, accurate and comparable measuring methods. They issue an integrated annual report on their environmental and social performance using the worldwide excepted Global Reporting Initiative methodology).

Atlantic Grupa d.d. and its subsidiaries carry out a systematic analysis in order to prevent and mitigate negative environmental impacts in the supply chain. The Ethical Code of the purchasing organisation that they apply prescribes the criteria of sustainable purchasing. When making sourcing and purchasing decisions, the purchasing organisation considers both environmental and social factors aimed at minimising the environmental and social impact that the purchased items might have.

Under the Purchasing Guidelines, all suppliers are required to comply with the applicable environmental laws, rules and regulations and to demonstrate commitment to preserving the environment, protecting their employees' rights, including the prohibition of child labour and forced labour and the prohibition of workers' abuse, discrimination or harassment, ensuring health protection and safety at work, as well as acting with integrity, including the prohibition of giving or receiving a bribe. Evaluation of suppliers is conducted annually.

## **9.2. Human and Labour Rights**

Atlantic Grupa d.d. and its subsidiaries pay particular attention to their impact on internationally recognised human rights which include, at a minimum, the rights set out in the International Bill of Human Rights and the principles set out in the International Labour Organisation's (ILO) "Declaration on Fundamental Principles and Rights at Work". An organisation can impact human rights directly, through its own activities and operations, and indirectly, through its interactions and relationships with others, including governments, local communities and suppliers, as well as through its investments.

By acceding to the UN Global Compact Principles, Atlantic Grupa d.d. has committed to support and respect the protection of internationally proclaimed human and labour rights.

In this regard, the basic guidelines of Atlantic Grupa d.d. and its subsidiaries' actions are as follows:

- fostering diversity and providing equal opportunities for employment, career development and advancement to all their workers, regardless of their gender, age, disability, national or social background, and other diversity indicators;
- zero tolerance for discrimination in the workplace aimed at ensuring a working environment in which employees are protected from any form of discrimination or harassment by their employers, superiors, associates and other persons;
- supporting the right of association of workers and the work of the Union Alliance, including collective bargaining and collective agreements;
- prohibiting child labour, forced or compulsory work, as well as complying with all applicable health and safety regulations in order to ensure safe and healthy working environment for their workers.

A regulatory compliance registry for occupational safety and fire protection is established in all markets with the aim of preventive action and coordination of regularly activities, while risk assessments are regularly conducted. The Company's policies and procedures concerning human rights, equal opportunities, safe and healthy working conditions are available in the Company's internal publication, as well as on all of our bulletin boards.

According to the Ethical Code of the purchasing organisation, purchasing activities must be conducted in such a way as to respect social, ethnic, cultural, sexual and racial diversity, and business decisions must not be directed in a way that favours any of the categories of ethnic, sexual or racial criteria. The Purchasing Guidelines require from all suppliers to protect their employees' rights, including the prohibition of child labour and forced labour and the prohibition of workers' abuse, discrimination or harassment, as well as to ensure health protection and safety at work.

### **9.3. Anti-Bribery and Anti-Corruption**

The terms bribery and corruption are understood to include practices such as: facilitation payments, fraud, extortion, collusion, money laundering, offering or receiving gifts, loans, fees, rewards or other advantages as an inducement to do something that is dishonest, illegal or represents a breach of trust, as well as embezzlement, trading in influence, abuse of function, illicit enrichment, concealment, and obstructing justice. Corruption is broadly linked to negative impacts, such as poverty in transition economies, damage to the environment, abuse of human rights, abuse of democracy, misallocation of investments, and undermining the rule of law.

Atlantic Grupa d.d. and its subsidiaries demonstrate their adherence to integrity, governance, and responsible business practices on the marketplace, international norms, and stakeholders by acceding to the UN Global Compact Principles, the Code of Ethics in Business issued by the Croatian Chamber of Economy, the Code of Corporate Governance issued by the Croatian Financial Services Supervisory Agency and the Zagreb Stock Exchange.

The reporting procedure for corruption-related misconduct is defined under the Atlantic Grupa d.d. and its subsidiaries' Whistleblowing Procedure Rules, which prescribes the reporting procedure, as well as rights and duties of each and all employees of Atlantic Grupa who in their work observe or become aware of either an actual or a potential illegal action or potential violation of the accepted rules of business conduct in the Company carried out by another employee(s). 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.

Atlantic Grupa d.d. and its subsidiaries require from all their suppliers to act with integrity and comply with all applicable laws of their respective countries, including the prohibition of giving or receiving a bribe or personal payment. The requirements for suppliers are defined in detail in the Ethical Code of the purchasing organisation and the Purchasing Guidelines of Atlantic Grupa d.d.

## **10. STAKEHOLDERS**

Within the meaning of this Code, stakeholders are considered to be the persons who assume certain direct or indirect risks in relation to, or in connection with, the Company. Aside from shareholders, the stakeholders, among others, are: workers, customers and users of the Company's services, suppliers, creditors, local community and public authority bodies.

The Management Board is responsible for the transparent and quality relationships of Atlantic Grupa d.d. and its stakeholders, being obliged to take care that the Company respects all rights of stakeholders based on the law and good business customs, and to inform the Supervisory Board of important issues arising from them.

The Supervisory Board may, when it deems necessary, organise meetings with stakeholders for the purpose of better understanding of the issues important for the Company, including opinions on the Company's results and reputation. The Company Management Board must be informed beforehand of such communication, and must be included in communication concerning the issues related to managing the Company.

No one should suffer negative consequences if he/she points out to authorised bodies within or outside the Company any shortcomings in the implementation of regulations or ethical norms within the Company.

## **11. DISCLOSURE OF INFORMATION ON COMPLYING WITH THE CODE'S PROVISIONS (ANNUAL QUESTIONNAIRE)**

This Code and its recommendations are based on the principle “implement or explain”, i.e. if the Company deviates or is not implementing one of the recommendations of this Code, it must provide an explanation in the annual questionnaire as to the reasons why the non-implementation or deviation occurred.

The annual questionnaire prescribed by the Rules of the Zagreb Stock Exchange is an integral part of this Code.

In its annual report as well as on its website, Atlantic Grupa d.d. shall be obliged to state whether it has adhered to all recommendations listed in this Code and, on the prescribed form, the Code of Corporate Governance Code of the Croatian Financial Services Supervisory Agency and the Zagreb Stock Exchange.

Atlantic Grupa d.d.

Emil Tedeschi,  
President of the Management Board