

A photograph of a globe being held by two hands inside a cardboard box filled with white bubble wrap. The globe is tilted, showing Europe and Africa. A small, semi-circular scale is attached to the top of the globe. The text "DISTRIBUTION WITH CARE" is overlaid in large, white, bold letters across the center of the globe.

DISTRIBUTION WITH CARE

SUSTAINABILITY REPORT 2014/2015

The Way of Distribution

N E L T

IMPRESSUM

DISTRIBUTION WITH CARE SUSTAINABILITY REPORT
NELT Co d.o.o. Maršala Tita 206, Dobanovci, Belgrade
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Printed by Finegraf, Nikole Marakovića bb, 11090 Belgrade

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NELT MAIN DISTRIBUTION CENTER
SERBIA, BELGRADE, DOBANOVCI

Investing in development as a stability precondition

In 2013, after 20 years of Nelt's existence, during which the company has grown and was expanding its operations, with the aim of managing the resources more efficiently we formed a modern new organization - the Nelt Group.

For the first two years of its existence, Nelt Group has recorded substantial business results in all territories and segments it operates in, generating a turnover of 500 million EUR in 2014, and 700 million EUR in 2015.

In order to best meet the needs of our principals and accounts, and complete the distribution cycle in line with market trends, in the previous year we acquired the Tako Lako Shop – an online sales platform, and Banim Reklame – a company specialized in the production of promotional products.

Today, Nelt Group employs nearly 4000 people in 7 countries, in 2 continents, in 12 companies. We are all one big international family. Our team members are of different races, religions, nations, ages and interests, but we are all bound by the same values. Doing business in the Western Balkans and Sub-Saharan Africa, we come across numerous cultural and economic challenges, and successfully overcome them by terms of good cooperation, communication, and professional attitude.

Following the dynamics of the markets we operate in, implementing new technologies in all of our activities, and meeting the needs of our accounts and principals with constant commitment and professionalism, we have developed into a successful ever-growing system. Commitment and professionalism we continue to demonstrate are the best recommendation to some of the largest global companies,

such as Philip Morris, Procter & Gamble, Mondelez, Mars, that outsourced significant proportion of their business activities in several markets to Nelt.

Better positioning in the market of logistics services, geographic expansion and further investment in growth are the strategic pillars that enable Nelt Group to ensure stabile operations in days to come.

We aspire to maintain the stability of our company through organic growth, investing in the development and education of our employees, expanding our portfolios, as well as the production and service capacities of all companies within our Group, and contributing to the improvement of local communities we operate in.

Miloš Jelić, Nelt Group CEO

NELT GROUP

The Way of Logistics



Nelt, founded in Belgrade in 1992, today is the leading company in the region in the fields of consumer goods, tobacco and pharmaceutical products and trade marketing. It is a part of the Nelt Group, an organizational system headquartered in Serbia, that interconnects 3800 employees in 12 companies, in 7 countries - Serbia, Bosnia and Herzegovina, Montenegro and Macedonia in Europe; and Angola, Zambia and Mozambique in Africa.

Nelt Group was established after 20 years of successful business operations of Nelt and other companies in the same ownership base, as a modern organizational system with uniform strategy and business procedures. With the synergy of knowledge and experience, Nelt Group seeks to establish a significant position in the market, but also to ensure long-term stability of its existing business operations.

NELT
The Way of Distribution

N E L T

G R O U P

2
CONTINENTS

7
COUNTRIES



12
COMPANIES

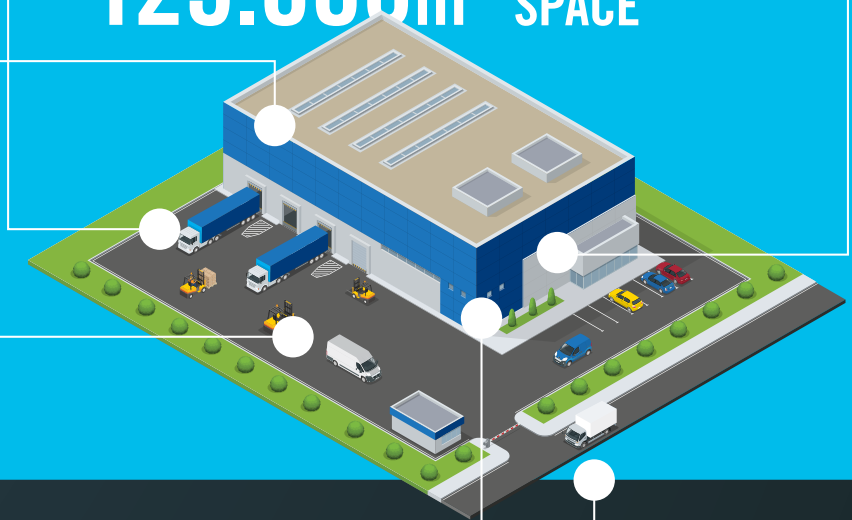
NELT GRUPA

| | | | |
|---|--|---|--------------------|
| NELT The Way of Distribution | NELT The Way of Distribution | banim REKLAME | Neoplanta |
| NELT ST The Way of Distribution | NELT The Way of Distribution | SAUNA SKLADIŠTA | Corner Shop |
| NELT The Way of Distribution | NELT The Way of Distribution | NEREGELIA The Power of Distribution | takolako |

50
PRINCIPALS

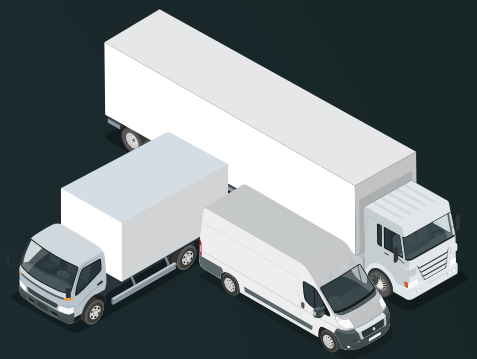
3.800
EMPLOYEES

125.000 m² WAREHOUSE SPACE



SKU
6.900
ARTICLES

350 TRANSPORT VEHICLES
1.200
VEHICLES



| | |
|----------|----------|
| TURNOVER | € 702.3M |
| ASSETS | € 284.3M |
| CAPITAL | € 158.6M |
| BUYERS | 21.538 |

51.467
DELIVERY LOCATIONS

DEVELOPMENT



| 1992 | 1996 | 1998 | 2000 | 2001 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|

| | | | | | | | | | | | | | | |
|---|---|---|--|--|---|---|--|---|---|---|--|--|---|--|
| <p>Nelt was founded with headquarters in Belgrade, with trade as the core business.</p> <p>Neregelia was founded in Montenegro, based in Podgorica.</p> | <p>Started with the distribution P&G products in Serbia and Montenegro.</p> | <p>Nelt ST was founded in Macedonia, based in Skopje.</p> | <p>Started with the distribution of Kraft Foods in Serbia, Montenegro and Macedonia.</p> | <p>Started with the distribution of Wrigley products in Serbia and Montenegro.</p> | <p>A new Distribution Center opened in Serbia, in Dobanovci, Belgrade.</p> <p>The provision of logistics services started in Serbia.</p> <p>Distribution Center opened in Montenegro, in Donja Gorica, Podgorica.</p> <p>Nelt acquired 50% ownership of the Orbitko company from Bosnia and Herzegovina.</p> <p>Started with the distribution of Durex and Scholl brands.</p> | <p>Nelt became the majority shareholder in Neoplanta Meat Industry Novi Sad, and started with product distribution in four Western Balkan countries.</p> <p>Started with the distribution of pharmaceutical products.</p> <p>A new Distribution Center opened in Skopje, Macedonia.</p> <p>Started with the distribution of BAT products in Bosnia and Herzegovina.</p> | <p>Nelt acquired the Public Warehouses Subotica company.</p> <p>Started with the distribution of Dr. Oetker products in Serbia and Macedonia.</p> <p>Nelt implemented and certified its quality management system in line with ISO 9001:2008 standard in Serbia.</p> <p>The provision of trade marketing services started in Macedonia</p> | <p>Nelt implemented and certified the HACCP system in Serbia.</p> <p>New Distribution Centers opened in Banja Luka and Sarajevo, Bosnia and Herzegovina.</p> <p>A new retail chain Corner Shop was established in Serbia.</p> <p>Orbitko changed its name into Nelt BiH.</p> <p>The provision of trade marketing services started in Montenegro</p> | <p>Nelt established and registered a company in Angola.</p> <p>Started with the distribution of Bambi and Jaffa products in Macedonia.</p> <p>Started with the distribution of Arle and Fabrika duhana Sarajevo products in Bosnia and Herzegovina.</p> | <p>Started with the distribution of Ambi Pur products.</p> <p>Neoplanta started exporting its products to Russia.</p> <p>Started with the distribution of Phillips and Vitalia products in Montenegro and Bosnia and Herzegovina.</p> <p>Nelt Angola started with the distribution of P&G products.</p> | <p>Implemented the SAP software in Serbia.</p> <p>Nelt Angola started with the distribution of Neoplanta products.</p> <p>Nelt established and registered a company in Zambia.</p> <p>Nelt Zambia started with the distribution of P&G products.</p> | <p>Nelt marked the 20 years of its business operations.</p> <p>Nelt implemented and certified the HACCP system in Montenegro and Bosnia and Herzegovina.</p> <p>Initiated cooperation with Philip Morris International in the Logistics segment.</p> <p>Neoplanta awarded with Global GAP and IFC certificates.</p> <p>Nelt established and registered a company in Mozambique.</p> <p>Nelt Mozambique started with the distribution of P&G products.</p> <p>Nelt Angola started with the distribution of Wrigley products.</p> <p>Nelt Angola started with the distribution of Nestle products.</p> <p>Nelt Group was established</p> | <p>Started with the distribution of Mars Foods products in Serbia and Montenegro.</p> <p>Nelt signed the distribution agreement with Hochland.</p> <p>Neregelia voted one of the most desirable companies to work with in Montenegro.</p> <p>Neoplanta awarded with HALAL certificate for its product range.</p> <p>Nelt Macedonia implemented and certified the HACCP system.</p> <p>The first issue of Nelt Group's in-house magazine published - "Nelt Magazzin".</p> <p>Nelt voted one of the most desirable employers in Bosnia and Herzegovina.</p> <p>Nelt BiH started with the distribution of Mondelez and SC Johnson products</p> | <p>Nelt started with the distribution of Philip Morris products.</p> <p>Nelt implemented the "Pick to voice" warehouse management system in Serbia and Montenegro.</p> <p>Nelt acquired the Tako Lako Shop online shop.</p> <p>SAP implemented in Neregelia in Montenegro.</p> <p>A new Regional Distribution Center opened in Bijeljina, Bosnia and Herzegovina.</p> <p>Nelt began cooperating with Actavis in the logistics segment in Serbia.</p> <p>Nelt becomes 100% owner of the Corner Shop.</p> <p>Nelt acquired the Banim Reklame from Kraljevo, Serbia</p> |
|---|---|---|--|--|---|---|--|---|---|---|--|--|---|--|





About the Report

Operating in a transparent manner and in accordance with the principles of sustainable development, in addition to our standard reporting procedures, in 2016 Nelt introduced a practice of reporting on economic, social and environmental performance.

Applying the most relevant global methodology for sustainability reporting, the Global Reporting Initiative (GRI G4), Nelt strives to provide its stakeholders with a comprehensive insight of its impact and progress in the area of sustainability, as well as to present its successes and challenges.

Nelt's first Sustainability report is in accordance with the Core option of the GRI G4 Sustainability Reporting Guidelines, with 21 performance indicators within the identified material aspects fully reported on.

Unless otherwise indicated, all the data in the report relate to the company Nelt Co d.o.o., based in Serbia, for the years 2014 and 2015.

The person responsible for the content of this report is Ms. Nada Stamatovic, Corporate Communications Department of the Nelt Group. All inquiries regarding the published material can be sent to the e-mail address: stamatovic.n@nelt.com.

Corporate social responsibility is a part of our strategy

After two decades of successful growth and business expansion, we have recognized the need to present achieved results, strategic directions and objectives set in the areas marketplace, workplace, environmental and community responsibility of to our stakeholders, in a comprehensive and systematic manner.

Nelt's first sustainability report was drafted in line with the most widely used sustainability reporting framework – Global Reporting Initiative (GRI).

Using these guidelines, we presented the performance of our company in aspects in which it has major impact on the society through measurable indicators.

Our basic principles in business are: providing excellent services in the field of distribution, logistics and marketing, conquering new markets, maintaining stable development of the company and profit growth, care for our customers and employees, active contribution and support to development of the community, and environmental protection.

Due to the significant accomplishments achieved in the past year in the areas of business performance, employment, implementation of new technologies and relationship towards the community, the American Chamber of Commerce in Serbia recognized us as winners of the Leader in Change award for 2016.

We owe our gratitude for the achieved results to all of our employees, who, along with the winning mentality and team work, demonstrate exceptional dedication, initiative, integrity, and professionalism, all being integral qualities of our organizational culture.

We identified the current needs of young people, the leaders of progress in our country, which is why we created special education programs and formed partnerships with educational institutions.

We traditionally support talented individuals in various domains, in order to support their further professional accomplishments and career development.

Considering that our primary impact on the environment is made through transport, we constantly take new initiatives to reduce energy consumption and carbon footprint, which led to the decrease of global warming potential (GWP) in 2015. Particular attention is being paid to systematic waste management, and our efforts are focused on improving the regulatory framework in this area.

In order to continue achieving good results in the forthcoming years, we will continue to incorporate the following strategic priorities:

- Competent and engaged organization. We recognize, train and retain the best talents through a defined system of total remuneration. We foster entrepreneurial approach, support the initiative, and develop openness in communication.
- Operational and service excellence. We generate high quality services through a highly developed IT structure and fully automated operations.
- Business growth. We form long-term strategic partnerships and provide fast business growth through diversification, and production of the leading brands in various categories.

We perceive the trust we have gained in the past years as an obligation to move forward and be even more efficient in the future, continuing to grow, and constantly raising the level of the quality of our services, as well as the quality of life in the communities we operate in.

Boris Mačak, Nelt Serbia Executive Director



NELT CO LTD. SERBIA

Nelt Co Ltd. Belgrade (Nelt) was founded in 1992, as a company with trade as its core business. Established as a small wholesale business, Nelt developed into a leading company in the fields of: distribution of consumer goods, tobacco and pharmaceutical products, logistics services and trade marketing in Serbia. In 2006, Nelt opened a modern Distribution Center in Dobanovci, in the heart of Belgrade industrial zone, in the same location our headquarters are today.

Apart from the distribution and trade marketing, our company provides logistics services that encompass: international transportation, warehousing, customs clearance, delivery, additional repacking, labeling and adapting the packaging in line with our clients' needs.

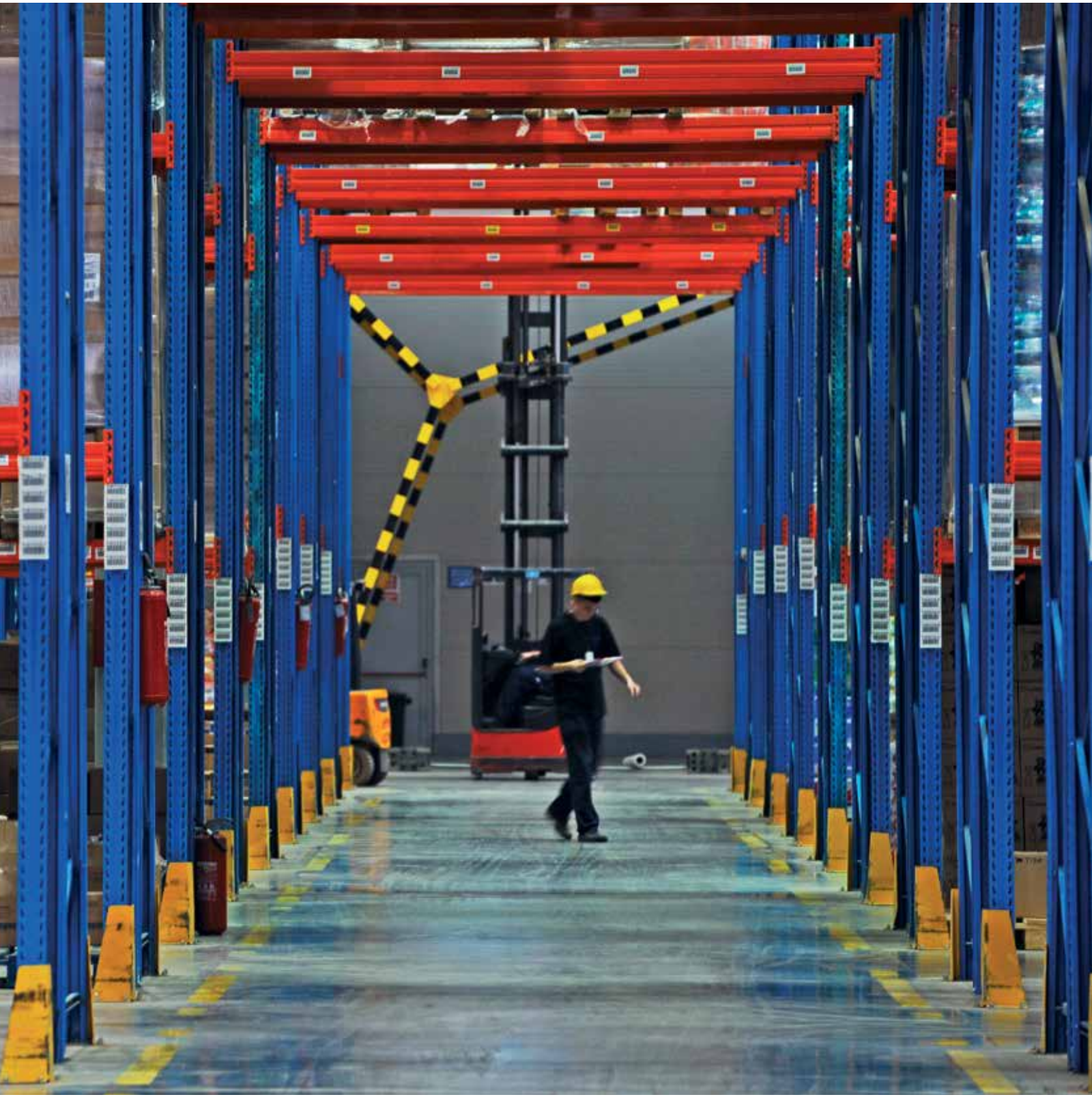
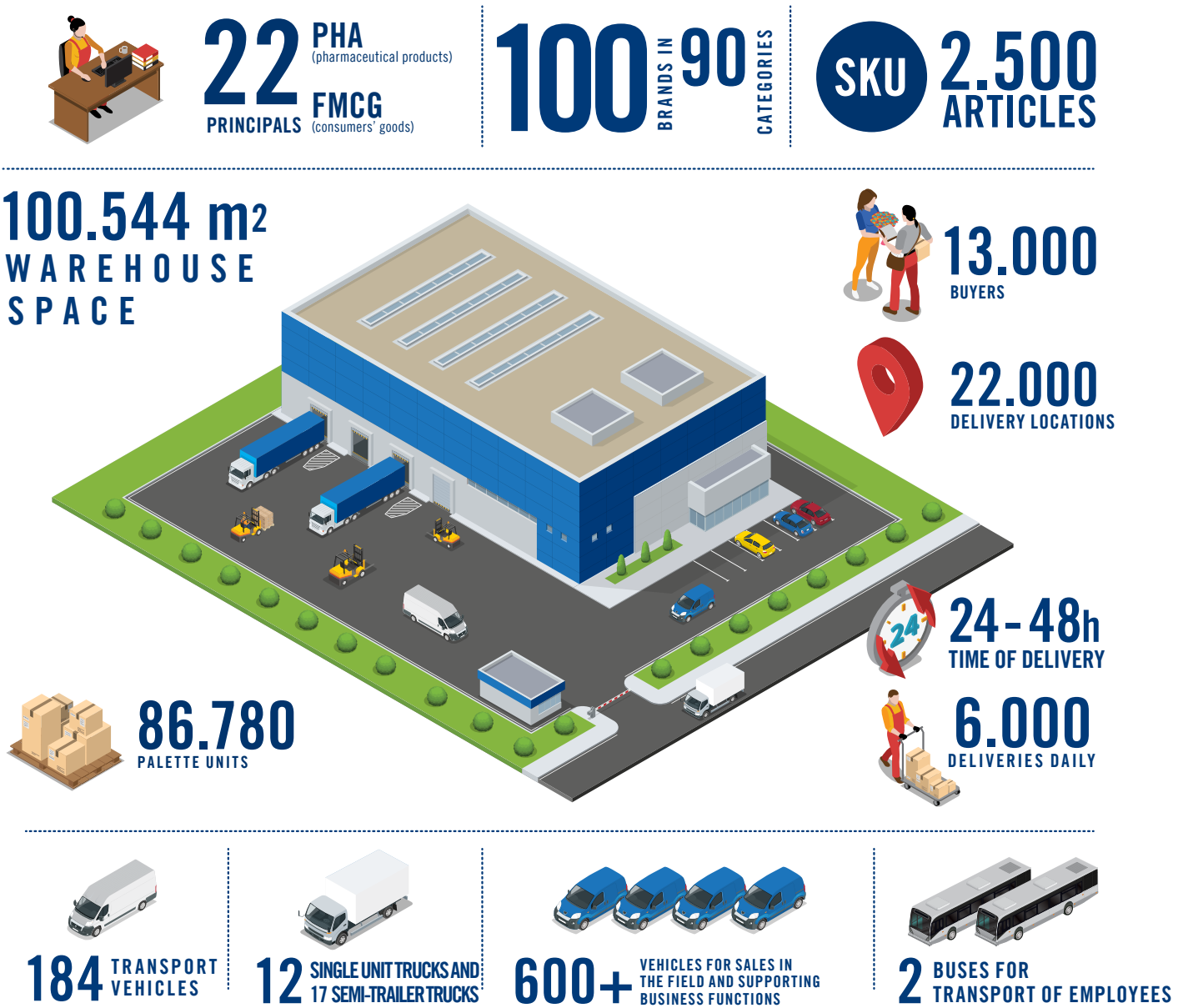
Nelt aims to achieve the maximum coverage of sales channels and points of sale, and raise the bar for the entire industry.

We employ over 1.700 people in Serbia, in segments of sales, marketing, logistics, and other business support functions.

The company cooperates with all national and international retail chains, wholesalers, small and large private stores, kiosks, pharmacies, perfumeries, gas stations and other retail shops.



KEY FIGURES



STRATEGIC ORIENTATION



THINK OF
A QUOTE
ABOUT A
1000 MILE
JOURNEY.

GOVERNANCE AND BUSINESS ETHICS

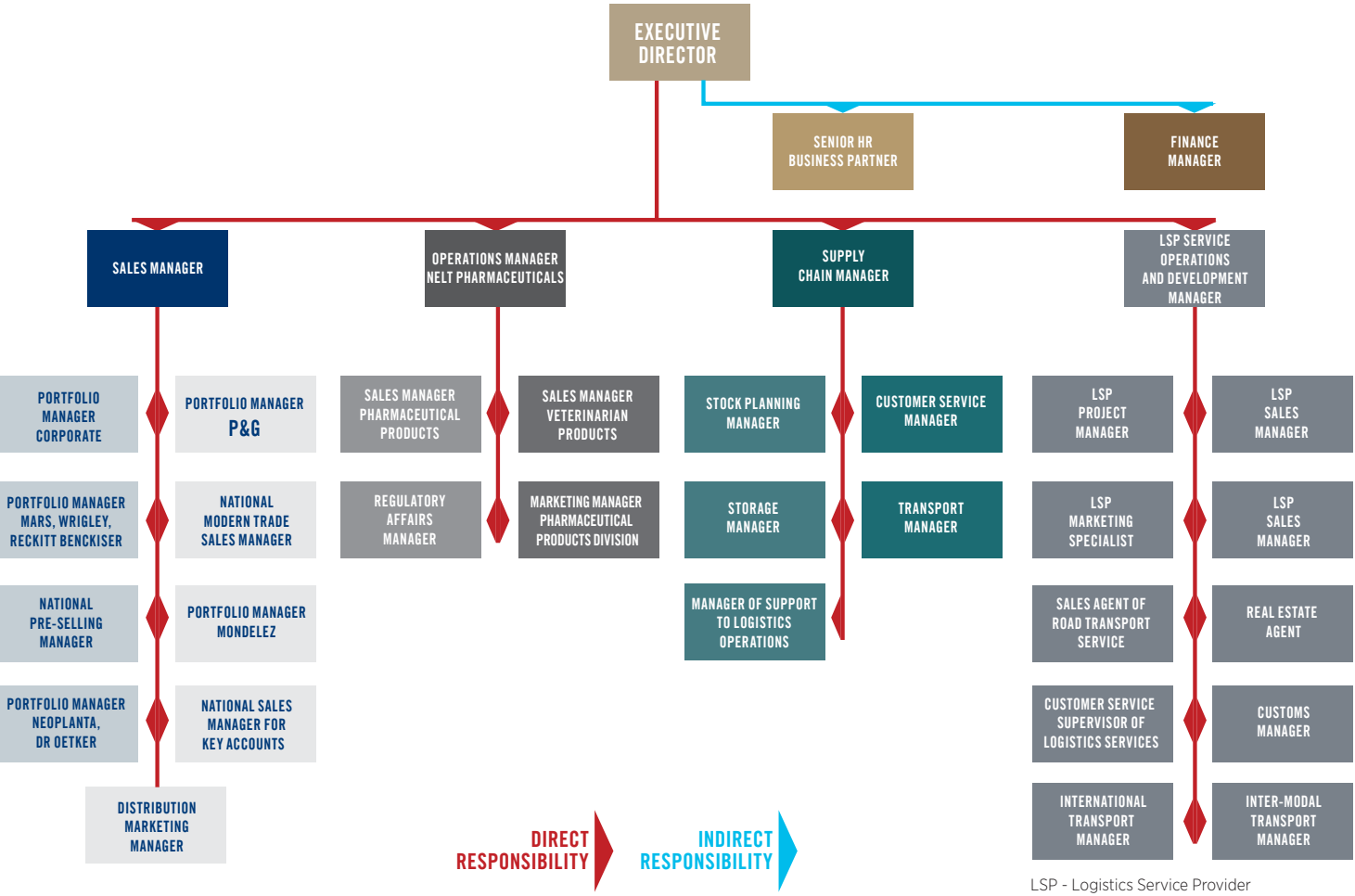
Analyzing the full scope of our business activities, especially the diversified and diffused business operations, a necessity emerged for channeling all of our experience and knowledge through one, strategic and executive body – the Board of Directors. In order to centralize our processes, and keep the flexible approach to the market, we established the so-called “matrix organizational structure”. That means that we formed the Board that consists of group function directors, and business/market directors. All companies operating under the umbrella of Nelt Group have their own organizational structures, while the strategic decisions are made in coordination with the central office in Belgrade.

Nelt Group Communications Manager is responsible of all economic, ecologic and social issues; he proposes, creates, and organizes the implementation of the overall CSR strategy. Key aspects of strategic decision-making are communicated with the Executive Director who decides on their implementation. These topics are communicated vertically through the organization, via

the existing communication channels or by direct notification by the management. This way, we enable timely delegation of responsibilities.

We began with the implementation of Nelt’s current mission and vision, together with the implementation of our company’s values in 2013, after completing a comprehensive research. Every two years, we conduct surveys among our employees, which enable us to have an insight in the level of acceptance and implementation of the standards set in our business activities, mutual relations and relations towards other stakeholders. HR Director, as a member of the Board of Directors, participates in the most important discussions on the Board’s strategy, and delegation and implementation of organizational culture at all levels falls under his/her responsibility.

CHAIN OF RESPONSIBILITY IN NELT



The Way of Distribution

LSP - Logistics Service Provider

MISION AND VISION

For two decades now, Nelt has been building the roads of success led by experience, knowledge and hard work. That is why we point out the importance of corporate values, on which we base our work, mutual relations and our company reputation.

We defined the fundamentals of working processes, adopted series of decisions and reaffirmed the professional backbone of everyday operations. This strategy, which we have named the 3Ps, is a way and a direction for all of us in Nelt, on how to become the ambassadors of our company, both in the working environment, and in any other place we may go to.

The defined values make the identification document of the company, reflect our ethical and responsible approach to business.

Our PURPOSE

What we do and how we do it?

We create ways of success by delivering ideas, services and products to final users in all areas of our business, relying on experience, theoretical and practical knowledge, and committed work.

Our PROMISE

What is it we want to be and who for?

We strive to be the first choice of:

- **Leading companies** - for the services in the distribution segment in our business markets;
- **Our esteemed partners** - by optimizing our work effectiveness in all operations;
- **Devoted employees** - present and future ones, who choose to work in a dynamic and challenging environment with the opportunity of personal and professional development;
- **The renowned civil institutions** - by supporting social initiatives for enhancing the quality of life in the communities we operate in.

Our PILLARS

What do we believe in, what is a guarantee of success, what are our values?

- **Professionalism**
- **Commitment**
- **Initiative**
- **Team work**
- **Winning mentality**



Our PRINCIPLES

- **Understanding the needs**, meeting and exceeding the expectations of our clients as a team, is the permanent strategy of our company's development.
- **The Management sets aligned goals** and leads the company towards their fulfillment by delegating responsibilities and authorities.
- **Cooperation, trust and the sense of belonging** to the company are primarily based on following highly set ethical standards, dedication of our employees, taking the initiative and engagement in achieving goals, designing and upgrading of business processes and services.
- **As leaders in the field of distribution and logistics**, by providing top quality and innovative services we strive towards an effective and efficient implementation, followed by increasing productivity and profits.
- **In order to ensure timely orientation towards achievement of goals**, the management continuously examines business operations, viewed through the systems and its processes.
- **Process owners make efficient decisions** on the basis of analyzed data and obtained information.
- **Mutually beneficial relationships with all of our business partners**, based on the professionalism of each and every employee, enable achieving excellent results and maintaining the position in the market.

KEY AREAS OF OUR QUALITY POLICY

Risk Management

The preventive and systematic approach, implemented by the Risk Management Team, provides us with timely information that leads to making evidence-based decisions on acceptance, limitations, reductions and transfer of risk impacts that may have negative effects on the business, the overall image and influence on the stakeholders (employees, community and environment). Involving employees on all levels in the identification of potential risk events enables us to continuously maintain the system up to date and improve it, to manage risks and provide relevant inputs for strategic decision-making within the company, based on the best practices' guidelines and international standard for risk management.

Food Safety

Responsibility and commitment of the management in terms of food safety reflect in the fulfillment of all necessary conditions, adequate organization and implementation of processes for the preservation of food safety of distributed products while under our control.

Occupational Safety and Health

Raising the quality of the working environment is based on active involvement of employees in the OSH* team, for the purpose of creating programs and implementing occupational safety and health measures. These programs are integrated in company's regular activities.

Environmental Protection

All process owners are oriented towards rational use of natural resources, hence our regular and integrated activities, as well as the use of selected technologies, equipment and materials, reduce adverse impacts our services and processes have on the environment.

*OSH - Occupational safety and health



Corporate Social Responsibility

Designing, financing and implementing various educational projects in cooperation with Serbian Universities, demonstrate strong commitment to modernization, progress and prosperity of the society. By involving young people in specific projects, we provide them with the opportunity to gain professional recognition and acquire new knowledge and skills. By investing in the future leaders in our country's progress, we contribute to the development of the entire community.

Re-evaluation

The company undertakes annual reevaluation of the Policy in order to maintain its adequacy and effectiveness.

RISK MANAGEMENT

In line with the ISO 31000 standard, Nelt was one of the first companies in the market to implement risk management methodology based on the European best practice examples in similar businesses. Due to the new methodology, Nelt established a good platform for decision-making and planning, based on risk and possibility assessment, measured both internally and externally.

Specific benefits that come from this approach are the improved identification of threats and opportunities in business, enhanced control mechanisms, better allocation of resources and raised awareness on the importance of proactive management within the organization for the purpose of prevention and timely response.

When it comes to antitrust and anti-corruption, risk analysis implies that the risk register is able to identify the behaviors contrary to the rules of antitrust and anti-corruption policy of the company, and the planned procedures are:

- Increased control of contracts by the selected members of Nelt's legal team
- Control of business operations in accordance with the principles of anti-corruption and antitrust operations (by external law firm).



ANTI-CORRUPTION AND ANTITRUST

All Nelt's operations are carried out in a professional, ethical manner, with integrity in all relations and transactions with the persons outside the company. Doing business in accordance with anti-corruption and competition regulations is one of the priorities in our business development. Therefore, Nelt defined specific internal guidelines that regulate this important field:

- **Code of Conduct**, which contains the fundamental principles of professional conduct, and basic elements that relate to the conflict of interest and competition;

The Code recognizes the conflicts of interests that may arise directly between the activities of the company and its employees, and between the interests of the company and other businesses or private interests that an employee engages in outside of his/her work for the company. Hence, the Code stipulates that employees may, in their free time, be engaged in other work engagements only if there is no direct or indirect conflict of interest, and they are obliged to notify their superiors of such engagement in advance.

When it comes to the prevention of corruption, employees are obliged to safeguard the interests of the company in their relations with competitors, suppliers, customers and third parties, and not to use their position in the company, or business and other information at their disposal in order to achieve personal gain from these interested parties. It is strictly forbidden to give and promise bribes, provide inaccurate information and statements, as well as to withhold information.

It is allowed to collect information on competitors, their products and services, only within the limits defined by the law. Contacting staff in potentially competitive companies is allowed in very specific circumstances, and with the authorization and approval of superiors.

Beside the Code of Conduct, in performing its business activities Nelt relies on:

- Principles and rules for compliance with anti-corruption laws and regulations
- Antitrust Rulebook

Every person employed with Nelt is required to read and study the Antitrust Rulebook, at any time ensure compliance of his/her activities with the Antitrust Law, to consult Nelt's Legal Team on actions that may have any implications regarding the implementation of the Antitrust Law, to attend trainings related to the compliance with antitrust regulations, if such trainings are periodically organized, and to attend meetings related to compliance with antitrust regulations, if such meetings are occasionally convened.

In addition, Nelt's Legal Team informs the employees on the provisions of the applicable anti-corruption and competition laws and regulations through in-house trainings, while eminent law firm dealing with this particular area of expertise provides external trainings. A total of 88 employees - 84 managers (47.73% of the executive staff) and 4 non-managers (from the Legal Team) - completed their anti-corruption training in 2015. Managers further pass the gained knowledge to their team members, in line with the needs.

This ensures that all of our employees conduct their work activities in line with applicable laws and regulations. Any behaviour contrary to the relevant regulations leads to disciplinary actions in accordance with Nelt's internal rules and procedures, but also with other, civil, legal and criminal penalties, in line with applicable legislation.

Nelt is the co-founder of NALED's Fair Competition Alliance

A group of socially responsible companies, major employers and taxpayers in Serbia formed the Fair Competition Alliance in April 2014.

The goal of the Alliance, as one of NALED's working bodies, is to assist the Government in defining and implementing specific measures and policies for establishing fair competition and countering shadow economy, as well as creating and raising awareness among experts and broader public on the causes and effects of illegal operations and trade. The Alliance also strives to ensure the state's institutional support to companies operating legally and significantly contributing to local economy.

COOPERATION WITH BUSINESS PARTNERS

Nelt's main activity is the distribution of consumer goods. We guarantee the availability of goods for all sales programs that we distribute at any time and any place to our end consumers. Given our commitment to the goals, we strive to achieve an ideal distribution - 100% of the recommended portfolio, to 100% of the facilities, 100% of the time.

Focus on the quality of services, organization, knowledge of the local market and a good geographical coverage of the Western Balkans are what sets us apart and makes us the leading distribution company in the region.

DISTRIBUTION

FMCG
CONSUMERS
GOODS



PHA
PHARMACEUTICAL
PRODUCTS



TOBACCO
PRODUCTS



In addition to distribution, Nelt has extensive experience in providing all kinds of logistics services to clients from various industries. Through faster processes, time-saving, transparency, less administration, Nelt provides the optimization of logistics costs. That is how Nelt enables its clients to optimize the effectiveness and minimize costs. If necessary, we can create complete logistics support for our clients, tailored to their specific requirements.

In the segment of distribution, Nelt cooperates with companies like Procter & Gamble, Philip Morris, Wrigley, Mars, Mondelez, Dr. Oetker, Neoplanta, Reckitt Benckiser, Sebapharma, Panacea, Sanofi, Johnson & Johnson, etc.

In the segment of logistics, Nelt cooperates with P&G, Dr. Oetker, Actavis, VIP Mobile, Mondelez, Wrigley, Ball Packaging, TDR, MARS, Samsung, Lactalis, and many other companies.

LOGISTICS



20 years of successful cooperation
with Procter & Gamble.

2015 - THE YEAR OF SUCCESS

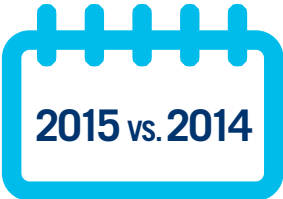
After two years of cooperation in the segment of logistics services, Nelt became the distributor of renowned Philip Morris (PMI) products for the territory of Serbia in 2015. PMI is the leading international tobacco company that sells its brands in 180 countries worldwide, and employs over 80,000 people in production and sales. With 1,000 employees and 12 brands in Serbia, PMI holds the leading position in the market of tobacco products. The fact that PMI selected Nelt as its partner in the segment of distribution in the local market, implies the trust gained over two decades of collaboration in providing logistic services, and significantly contributes to the reputation the company has as the leader in distribution and logistics in the region.

Within the cooperation with PMI, Nelt's employees participate in the PMI Fiscal Compliance Program - trainings on procedures of control and actions in cooperation with buyers, in order to prevent illicit trade of tobacco products. In addition, PMI's partners engaged in marketing, packaging for consumers goods or sales, participate in "Marketing Code" trainings. These trainings define all forms of acceptable communication with consumers of legal age - marketing, advertising, packaging and selling flammable tobacco products.

For the faster, more efficient and functional delivery of goods in the territory of Serbia, in addition to existing Distribution Centers - Central (CDC) in Dobanovci and 6 Regional Centers (RDC) in Niš, Novi Sad, Užice, Bor, Kraljevo, Subotica, we introduced 6 cross-docking warehouses in Šabac, Valjevo, Požarevac, Vranje, Zrenjanin and Kragujevac.

In the same year, our logistics segment established the cooperation with Actavis, one of the leading pharmaceutical companies.

Nelt was the first company in the region to implement the safer, supreme voice-directed picking system - "Pick to Voice". This solution is based on voice-directed commissioning that enables warehousing staff to focus on the picking process without interruptions caused by checking documentation. The upgrade of the existing system helped improve the safety standards for workers, increasing the overall productivity and precision in warehousing processes.



AWARDS AS A CONFIRMATION OF SUCCESS

- **“Leader in Change”** - awarded by the American Chamber of Commerce in Serbia (AmCham) for outstanding contribution to the economy through good business results, annual growth, investments, employment, innovation, ethics and community involvement (2015).

- **“Planeta Biznis 2016”** - award received by the Nelt Group CEO Miloš Jelić, for successful management (2015). This award is given by editorial board of the economic journals Ekonometar and Magazin Biznis.

- **Award of the Chamber of Commerce of Vojvodina** for the most successful business results of companies and individuals in 2015 on the territory of the Province granted to Public Warehouses Subotica.

- **Award of the specialized IT magazine PC Press** for the Best LinkedIn corporate page (2015).

RECOGNITIONS FROM OUR PRINCIPALS:

- **“The best golden store”**- global award for the best Brown products placement (2015).

- **The best distributor in the “Developed markets” category** - awarded by the SC Johnson in African markets it operates in. The criteria for the award are monthly coverage, monthly sales result forecasts, and the quantity of sold goods (2015).



Memberships in associations

For more than 20 years, Nelt's business has been based on superior services in the areas it works in, maintaining good and professional relationships with its accounts, business partners, employees, and actively contributing and supporting the community development. Nelt stands for the protection and promotion of human and labor rights, environmental protection, and anti-corruption. Therefore, joining the Global Compact was a logical and natural step further committing the company to respect the defined principles of responsible business.

- The United Nations Global Compact is the world's largest global civic initiative, whose aim is to integrate the ten corporate social responsibility principles into business, and to promote sustainable development goals. Participating companies pledge to align their operations with ten universal principles in the areas of human rights, labor, environment, and anti-corruption. The Global Compact has a strong influence worldwide via their local networks.

In addition, Nelt actively participates in several renowned business associations promoting positive business practices and high business ethics:

- National Alliance for Local Economic Development, NALED
- Serbian Chamber of Commerce, PKS
- Swiss-Serbian Chamber of Commerce
- American Chamber of Commerce in Serbia
- Slovenian Business Club

Nelt actively participates in many working groups within the mentioned associations, dealing with issues like labor regulations, corporate and business regulations, reducing the shadow economy, environmental protection, waste management, healthcare, etc.

Nelt is the co-founder of the Fair Competition Alliance.





ECONOMIC IMPACTS

In the context of sustainable development, the indirect economic impacts are an important aspect that shows the level of company's commitment to socio-economic changes, particularly in the local community. Two decades of successful operations resulted, in addition to enviable financial results, in Nelt's ability to recognize the needs of the community it grows and evolves with, and finding the ways to respond to them.

Investments in infrastructure are a way for the company to make long term contribution to the community, adding value to the level of generated and distributed economic value.

One of the most extensive and most important projects in this area is the financing of the ring road in Dobanovci. In cooperation with the Surčin Municipality, Nelt donated funds for land acquisition and has been actively contributing to making changes in the spatial planning documents in 2009 and 2010. The value of the investment amounts ca. 418,000 EUR.

Construction of the bypass road shortened the way of Nelt's fleet consisting of several hundred transport vehicles by 11 km (or 22 km both ways), thereby avoiding the traffic of Nelt and its partners' vehicles through the center of the town, which led to significant decrease of traffic, drastically reduced levels of pollution and noise, and led to a higher level of safety of local population. Also, significant savings in fuel consumption were made for both Nelt's vehicles and for vehicles of other companies located within the industrial zone of Dobanovci using this road.

AS A RESULT OF USING THE RING ROAD,
VEHICLES' ANNUAL MILEAGE IS REDUCED

**FOR MORE THAN
1,200,000 KM**

**5,000_{GJ}
ENERGY SAVINGS**



In 2014 and 2015, Nelt has directed significant resources to:

| |
|---|
| Salaries, contributions, and employee development |
| The community, by donations and infrastructure projects |
| Cooperation with suppliers in the local community |
| Obligations towards the state |

| 2014 | 2015 |
|-----------|-----------|
| 2,258,580 | 2,566,146 |
| 15,143 | 16,827 |
| 7,257,000 | 7,380,000 |
| 120,622 | 183,706 |

Value in '000 RSD

ECONOMIC VALUE GENERATED AND DISTRIBUTED
IN '000 RSD

| | | 2014 | 2015 |
|------|---|------------|------------|
| 1. | TOTAL REVENUES | 27,485,543 | 50,085,837 |
| | NET REVENUES FROM INTERESTS ON LOANS | 24,822 | 57,390 |
| | NET REVENUES FROM FEES AND COMISSIONS | 390 | 1,607 |
| | NET SALES | 27,470,336 | 50,026,840 |
| 2. | TOTAL EXPENSES | 26,656,906 | 49,278,431 |
| 2.1. | OPERATING EXPENSES | | |
| | Premises costs | 40,619 | 49,873 |
| | Current operating costs | 2,017,436 | 1,571,712 |
| | IT costs | 82,786 | 102,838 |
| | Marketing and communications costs | 880,303 | 525,903 |
| | Legal and consultancy fees | 50,796 | 31,845 |
| | Other operating costs | | |
| | Costs of sold goods and materials | 20.391.848 | 43.390.120 |
| | Non-operative result | 116.373 | 182.007 |
| | OPERATING EXPENSES TOTAL: | 23,580,161 | 45,854,298 |
| 2.2. | EMPLOYEE WAGES AND BENEFITS | | |
| | Salaries and contributions costs | 2,104,920 | 2,425,187 |
| | Travel and training costs | 153,660 | 140,959 |
| | EMPLOYEE WAGES AND BENEFITS TOTAL: | 2,258,580 | 2,566,146 |
| 2.3. | PAYMENTS TO PROVIDERS OF CAPITAL | | |
| | Dividends to shareholders | 78,074 | 280,772 |
| | Interest payments to providers of loans | 194,805 | 125,773 |
| | Interest payments to all forms of debt | 10,461 | 10,914 |
| | Other financial result | 49,475 | (146,431) |
| | PAYMENTS TO PROVIDERS OF CAPITAL TOTAL: | 332,815 | 271,028 |
| 2.4. | PAYMENTS TO GOVERNMENT | | |
| | State and local taxes costs | 120,622 | 183,706 |
| | Penalties costs | 1,933 | 622 |
| | PAYMENTS TO GOVERNMENT TOTAL: | 122,555 | 1 84,328 |
| 2.5. | COMMUNITY INVESTMENTS | | |
| | Donations | 4,099 | 15,837 |
| | Infrastructure investments in the community, including financial valued and value of in kind donated goods, products and working hours (excluding the investments driven primarily by business needs) | 11,044 | 990 |
| | Community projects consultancy | - | - |
| | Other community investments | - | - |
| | COMMUNITY INVESTMENTS TOTAL: | 15,143 | 16,827 |
| 2.6. | AMORTIZATION COSTS | 346,752 | 385,824 |
| 3. | ECONOMIC VALUE RETAINED (INVESTMENTS, SHARES, ETC. 1. – 2.) | 839,542 | 807,386 |

*Data presented in line with the model and indicators of GRI Guidelines.

RESPONSIBILITY IN THE SUPPLY CHAIN

Expanding its business into many regions in the country, Nelt made a significant impact to the economic development of the less developed areas by opening branches in Bor, Sevojno and Kraljevo. This way, we created new job positions within the company, and also enabled local suppliers in underdeveloped areas to preserve and increase job positions by transferring certain amount of supplies from the central to the local level.

Nelt spends a large portion of its procurement budget on local suppliers. In 2014, total supplies of goods and services amounted ca. 59 million euro. The supplies had been carried out in cooperation with 2,520 different suppliers across Serbia. In 2015, total supplies of goods and services amounted ca. 60 million euro. The supplies had been carried out in cooperation with 2,620 different suppliers across Serbia.



* number of suppliers and the value of purchased goods and services

By expanding its suppliers network, Nelt enables small and medium enterprises to, together with the large enterprises, generate turnover and provide economic stability, further growth and development, and job stability for their employees. Before the cooperation with a new supplier is established, Nelt takes certain criteria into consideration. First of all, we consider the price and the quality supplier offers, and of course, the reputation supplier has in the market.

The first step a supplier has to take is filling out the Questionnaire, in which suppliers provide elementary data about their organization, management of the organization, products, or services offered, references, financial indicators, information systems and system management. After being positively evaluated for all of the criteria, suppliers are asked to make offers for specific product/service, after which the offer is considered, together with all the factors (price, quality, delivery deadlines, technical specification, etc.)

Since 2014, the procurement of technical goods and services for all companies operating within the Nelt Group is done via Nelt's eProcurement portal. This way we ensure transparency and enable all active and potential suppliers to obtain information about the published procurements of the Nelt Group.

Using the eProcurement, suppliers can send their offers and get timely notification on the status of every individual procurement. Nelt fosters the principle of good partnership and absolute trust with its suppliers, and in this regard, we tend to maintain stable and long-term cooperation.



A STRATEGIC APPROACH TO SUSTAINABILITY

On the occasion of marking 20 years of establishing our business operations, as a socially responsible company wishing to give back to all segments of the society and local communities in the markets in which Nelt operates, the company initiated a new long term corporate social responsibility strategy, outlining specific activities in this area.

The Social Responsibility Policy which Nelt implements was adopted in 2012, and it is based on business ethics and aspiration to contribute to creation of better environment for our employees, partners and wider community, while achieving good business results and high level of environmental responsibility at the same time. The Policy identifies wider areas, within which Nelt implements numerous initiatives and activities.

- **Market**

Nelt distributes products of high and constant quality, and all of our activities are focused on meeting the requirements of our clients and customers. Cooperation with partners is built solely on the grounds of mutual respect and trust. Nelt implemented and certified quality management system in accordance with the ISO 9001 and HACCP, with the aim of continual improvement and maintaining competitiveness.

- **Workplace**

Employee relations are based on respecting human and labor rights, occupational health and safety, training and education, the possibility of personal and professional growth and promotion within the system.

- **Environment**

Our facilities are built in line with the highest standards, ensuring energy savings and environmental protection. Waste management and thoughtful consumption of non-renewable resources are an integral part of our business strategy and Quality Policy.

- **Local community**

Support to development of education entails strategic projects, that include youth of different ages, educational and professional profiles, talented pupils and students. Direct cooperation with universities and cultural institutions, as well as the Nelt's specialized one-year educational program are indicators of company's commitment to empower young people and modernize the community in which it operates.



MATERIAL ASPECTS AND STAKEHOLDER ENGAGEMENT

In order to determine the content of Nelt's first sustainability report, GRI G4 methodological framework's guidelines were consistently and systematically followed.

From a broader range of sustainability topics, we identified either those that reflect Nelt's most significant economic, social and environmental impacts, or those that have substantial influence on the assessments and decisions of stakeholders. Although, due to the diversity of its activities, Nelt follows and manages much broader range of sustainability-related topics, the goal was to focus on issues that are of utmost importance: a) for achieving the company's goals, and b) to the key stakeholders. That process singled out several broader sustainability topics, representing a framework for some more narrow topics, or aspects, that have been identified as material.

MATERIAL ASPECTS:

ECONOMIC IMPACTS

- Economic performance

RESPONSIBILITY FOR THE ENVIRONMENT

- Energy
- Emissions
- Effluents and Waste
- Transport

HUMAN RIGHTS

- Investments

RESPONSIBILITY FOR THE WORKING ENVIRONMENT

- Employment
- Occupational health and safety
- Training and education

SOCIAL IMPACTS

- Anti-corruption

PRODUCT RESPONSIBILITY

- Labeling products and services
- Marketing communications

**According to the GRI methodology for sustainability reporting, materiality is the threshold at which topics (called aspects) become sufficiently important that they should be reported. The new version of GRI G4 guidelines further emphasizes the need to focus reporting on topics material to the company's operations, and to the stakeholders.*



Nelt in social media

As a modern and innovative company, Nelt is opened for communication with all its stakeholders and the general public. Transparent, professional appearance on social media is a part of our business strategy, with the aim of building reputation, raising brand awareness and improving relationships with accounts and business partners.

Using **LinkedIn**, Nelt builds a better connection with its future and current employees, and its business associates. As the company’s success depends on the success of its employees, Nelt seeks to present the efforts made in employee development and creating an inspiring work environment to a wider professional public, and potential job candidates. On Nelt Group’s LinkedIn page, users can find the latest news regarding the everyday activities, read more on the latest trends in industries our company operates in, and above all, get an update on newly opened job opportunities. At this moment, we have more than 4.000 followers.

Nelt’s **Facebook** page contains all the data relevant to the company, principals, employees, thereby bringing its business closer in a transparent, friendly manner, through every day communication with the followers: principals, business partners, employees, possible job candidates, influencers within the online community, and other interested individuals and the broader public using this network. Nelt’s Facebook page has over 5,800 followers.

Nelt’s corporate videos can be viewed on our corporate **YouTube** channel. Video materials are made in Serbian and English language, and they present the company and important projects the company implements. All contents placed on the YouTube channel are also communicated via Nelt’s profiles on other social media.

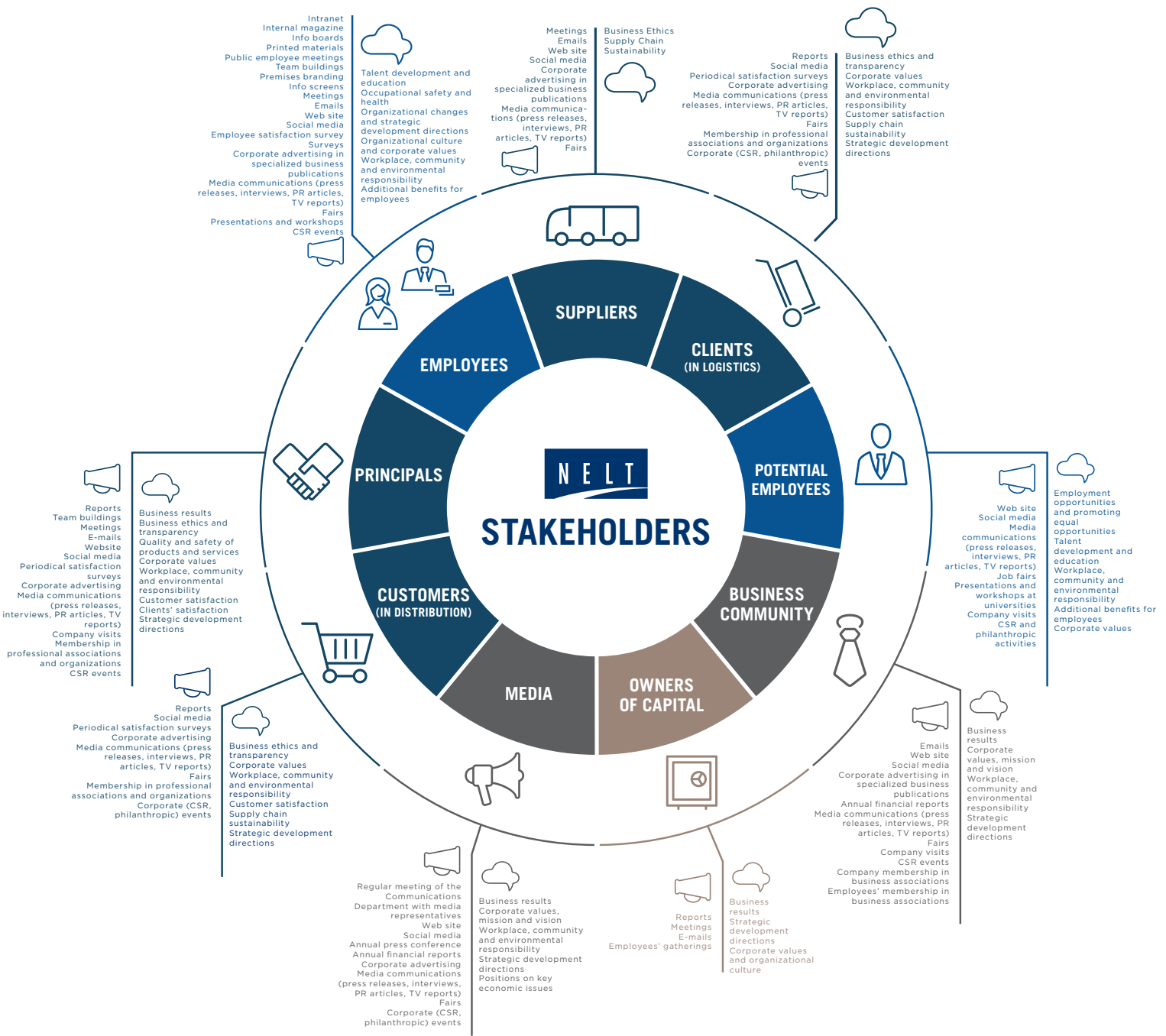
STAKEHOLDER ENGAGEMENT

In the context of the areas of impact, all identified material topics are relevant for Nelt in Serbia, and relate to all stakeholder categories that the company recognizes. In the process of defining material aspects, key stakeholders have had the vital role, being recognized as long-term partners, that this report is addressing.

Accountability to stakeholders means taking into consideration their views and interests; and an ongoing dialogue is a means of open and two-way communication. Some engagement mechanisms have existed in Nelt for many years, and they include regular consultations with relevant stakeholder groups’ representatives. Business sustainability largely depends on the ability of the company to recognize the expectations and needs they thereby express.

STAKEHOLDER MAP

Stakeholder map is defined in accordance with the recommendations of the Global Reporting Initiative (GRI G4) and standards for stakeholder inclusiveness, AA1000 (Institute of Social and Ethical Accountability). The topics stakeholders pointed out as relevant have been addressed in different segments of this report.



MARKETPLACE RESPONSIBILITY

Promoting fair business practices, Nelt strives to superiorly cover the markets in which it operates to expand sales and distribution, improve the provision of logistics services with the use of latest technology and the establishment of supreme standards in the industry.

Besides responsibility towards our principles, which are highly respected in the international business community, Nelt focuses on providing premium services to its accounts and end consumers. Partner relations based on mutual trust are the basis for long-term development of the company. Nelt endeavors to maintain and strengthen good and professional relations with the partners we create joint value with – our key accounts, tens of thousands of independent retail stores; and family, neighborly shops our company does business with for decades.

Besides the certified quality management system in line with the requirements of ISO 9001 standard, and implemented HACCP system, we implemented the SAP business-information software with aim to replace the existing ERP*, and adopt a new solution that can completely encompass and support our strategy of sustainable growth and improvement of our operations, as well as all internal company processes.

*ERP combines business management and technology, in such way that information technology. (IT) integrates the most important business processes within the organization in order to achieve the set goals

Nowadays, Nelt has its in-house expert team, made up of internal SAP consultants for almost all modules (finance, controlling, HR management, procurement and stock management, sales management, and business reporting), who can provide prompt and quality answers to the wide variety of business demands. Some of the main benefits obtained after implementing the SAP solution are:

- standardization and consolidation, introducing a long-term solution
- improved process control and monitoring
- optimized performance
- improved quality of business reporting
- HR management
- procurement and stock management

SUPPLY CHAIN

Nelt's primary goal is to provide services in line with international standards in the areas of distribution and logistics. Developed and modern supply chain and logistics solutions tailored to customers' requirements are necessary prerequisites for business success of any distribution company.

KEY FIGURES

22

PRINCIPALS



13,000
BUYERS

100+

BRANDS IN
90 CATEGORIES



22,000 +
DELIVERY LOCATIONS

2,500+

ARTICLES



24 - 48 h
TIME OF DELIVERY



100,544 m²
WAREHOUSE SPACE



86,780
PALETTE UNITS



184
TRANSPORT VEHICLES

Nelt's supply chain has
5 functionally-related sectors:

1. STOCK PLANNING

The basic process in the sector of inventory planning is the prediction of demand. The results we achieved in this segment rank among the highest on the global level. The effect is a balanced stock that follows the changes in the market, enabling the company to reach one of the most important goals – the availability of goods to our end consumers at all times.

We order goods from our suppliers according to drafted sales plans (regular and special offers) for the current stock and already ordered goods, keeping the stock at an optimal level, with as little capital employed as possible. This sector is not only in charge of the optimal distribution of stock to our branch offices, but it also issues orders for making special offers, and communicates with the principals for the purpose of harmonizing orders and other operative processes (method of delivery, delivery time, exchange logistic data – shelf life, palletization).



2. WAREHOUSING

The central logistics center of the company is located in the heart of Belgrade's industrial zone and it employs over 1,000 people. It is located near Nikola Tesla airport, and it has about 55,000 m² of storage space.

Besides the one in Belgrade, we own Regional Distribution Centers and branches in Novi Sad, Subotica, Kraljevo, Niš, Bor, and Užice, enabling us to make more than 6,000 deliveries every day with 6 cross-dock points.

Following all the relevant legal requirements and our principals' demands, we acquire the goods, store them, and prepare them for delivery according to delivery orders received from our accounts. By constant monitoring of the storage space availability, we manage the existing capacities used in the segment of logistics.

Along with the distribution, warehousing sector within logistics is in charge of receiving, storing, and preparing the goods for delivery, according to the requirements of the users of Nelt's logistic services. Efficient management and maximum use of all storage resources is accomplished via the computerized warehouse management system (WMS) G.O.L.D. Stock. This multifunctional system enables the company to store more than 10,000 products by applying the best storage practices, and achieving delivery accuracy of over 99.5%.

In order to meet our clients' increasing needs to offer products tailored to the patterns of consumer behavior, Nelt has developed the CONOPS* service within its storage capacities.

CONOPS includes the finishing services (repacking, labeling) and adapting (making specific commercial packaging, and promotional and special offer sets) of the wide range of consumer goods, foodstuff, pharmaceutical and technical products and advertising materials.

*CONOPS - Contracted Operations

3. DISTRIBUTION OF CONSUMER GOODS

Distribution of consumer goods incorporates the delivery of goods to our accounts with efficient planning of route schedules to ensure punctuality, minimal costs and customer satisfaction. All vehicles are equipped with GPS devices and, therefore, the organization, control and monitoring of all the transport and delivery routes are done by means of a modern transportation management software solution (TMS).

Delivery routing for the entire fleet is done by the dynamic (adaptive) routing software. Delivery vehicles are equipped with PDA devices that provide the driver with a detailed overview of all delivery-related parameters – route information, dispatch notes review, delivery status, navigation in accordance with the delivery plan, etc.

All of our systems (ERP- SAP, TMS-Sky Track, WMS- GOLD) are interconnected, and provide optimal solutions in implementing logistic tasks required by Nelt's eminent clients.



Distribution of drugs, auxiliary medicinal products and dietary supplements is one of the fundamental pillars of Nelt's future development. Nelt Pharmaceuticals comprises a competent team of pharmacists who together with the rest of the organization take care of all aspects of distribution to pharmacies and medical centers - from adequate storage of goods, transportation, to active sales in the pharmacies.

4. CUSTOMER SERVICE

The operating center is available to our customers for the provision of full support in managing documents, requests and complaints. The center is also available to the sales department and the supply chain, which are in charge of updating the system pricelists and pricelists for the customers. Customer service can be reached from 8 a.m. to 10 p.m. Monday to Friday, and until 2 p.m. on Saturdays. Customer service cannot be reached only on Sundays.

5. REGULATIONS

A part of the Supply Chain that has the task of following and applying all relevant regulations and requirements related to product release. Regulations mainly refer to quality requirements, labeling, product documentation, obtaining possible permits for placing the goods on the market, reports submitted with the competent authorities, etc.

SALES AND TRADE MARKETING

We guarantee the availability of consumer goods for all sales programs that we distribute at any time and any place to our end consumers. Given our commitment to the goals, we strive to achieve an ideal distribution - 100% of the recommended portfolio, to 100% of the points of sale, 100% of the time. Focus on the quality of services, organization, local market knowledge and good geographical coverage of the market are what sets us apart from our competition.

To get the attention of consumers, and further help products to find their way from the shelves to the consumer baskets, we provide our partners with the trade marketing services. They are reflected in merchandizing the products on the shelves, designing and organizing promotional activities, branding of vehicles, production of the advertising material and providing feedback from the field. Nelt's creative team, with over 130 employees in the field, contributes to a better sale of products we distribute.





USE OF ADVANCED INFORMATION TECHNOLOGIES

Nelt is a company that constantly invests in the development and innovations, which can be seen in the use of advanced technologies in different segments:

- * sales- Hand Held and Tablet devices, B2B portals
- * communications- IP telephony, IM, 3G+ data transfer from the field
- * logistics- WMS and Dynamic routing
- * delivery- Sky Track system, PDA devices
- * business information systems-SAP
- * monitoring of energy efficiency-SCADA

By implementing the Pick-to-Voice technology, Nelt has once again demonstrated to be one of the leading companies in the region in accepting, using, upgrading and implementing IT solutions for the effective support of the supply chain.

Pick-to-voice technology has so many benefits, compared to the standard warehouse goods commissioning. In contemporary complex warehousing operations, where time is the main factor, achieving efficiency is extremely important.

Warehousing operators have to be highly effective, not only in productivity, but in accuracy as well, given the fact that they manage thousands of items within the warehouse.

The Voice Picking system enables our warehousing staff to focus on the picking process without looking at the paperwork or the handheld terminal and have both hands free to perform the pick.

Direct benefits from the implementation of this system are increased overall productivity in warehousing processes and improved picking accuracy which is at more than 99.9%, as well as the compatibility of this technology with different warehouse management solutions.

When it comes to salesmen working in the field, Nelt set the bar a decade ago, by implementing revolutionary technology of the time, the “hand held” devices, thereby positioning the company far ahead its competitors.

The device enabled the salesmen to make the invoice, send it by GPRS, have an insight into the payments made the day before, having buyer’s financial cards available at any time – and marked a revolution in the distribution business, saving enormous amount of time and money. With daily progress of the technology, the need emerged to replace the old devices with new ones, which is why Nelt has decided to invest and equip our employees in the field with new, state-of-the-art tablet devices. Tablets enable:

- **multifunctionality** – exchanging e-mails, taking pictures, recording sales; and those actions which previously required three devices (a computer, a cell phone, and a “hand held” device)
- **less administration through content digitization** (catalogues, presentations, leaflets, etc.) ruling out the need to print and distribute the printed material, creating significant savings in time and paper
- **time-saving**
- **automated procedures** that “lead” salesmen through steps of the visit
- **structured field data** ready for immediate analysis
- **efficiency assessment**

* Pilot project started in November 2014, with five salesmen of the P&G sales division, and now, the entire P&G division uses the new devices, and so does the PMI division, and the program will continue until the entire sales organization is covered.



CUSTOMER SATISFACTION

Since Nelt's corporate sustainability closely relates to the success and customer satisfaction, at the beginning of every year we tend to carry out joint planning with our key accounts, harmonize our requirements, wishes and needs, in order to achieve joint goals. Meetings are divided into several sessions, and cover some of the most relevant collaboration-related topics:

- the profitability of mutual cooperation
- joint revenue plan
- manner of supplying
- payment system and currency discounts
- special tailor-made promotional activities.

Topics include key segments of cooperation, moving the focus from the simple quantity of goods, to additional conditions of cooperation – logistics, finance, marketing.

The company plans to implement the definition of a Joint Business Plan – JBPs in 2016, with its top 5 accounts, and further contribute to the development of mutual relationships and clear communication.

JBP*- Joint Business Plan

What is a JBP?

- JBP - or Joint Business Plan - is a plan made and harmonized with the account. It is based on mutual goals and strategies of both parties. It is monitored on monthly or quarterly bases.

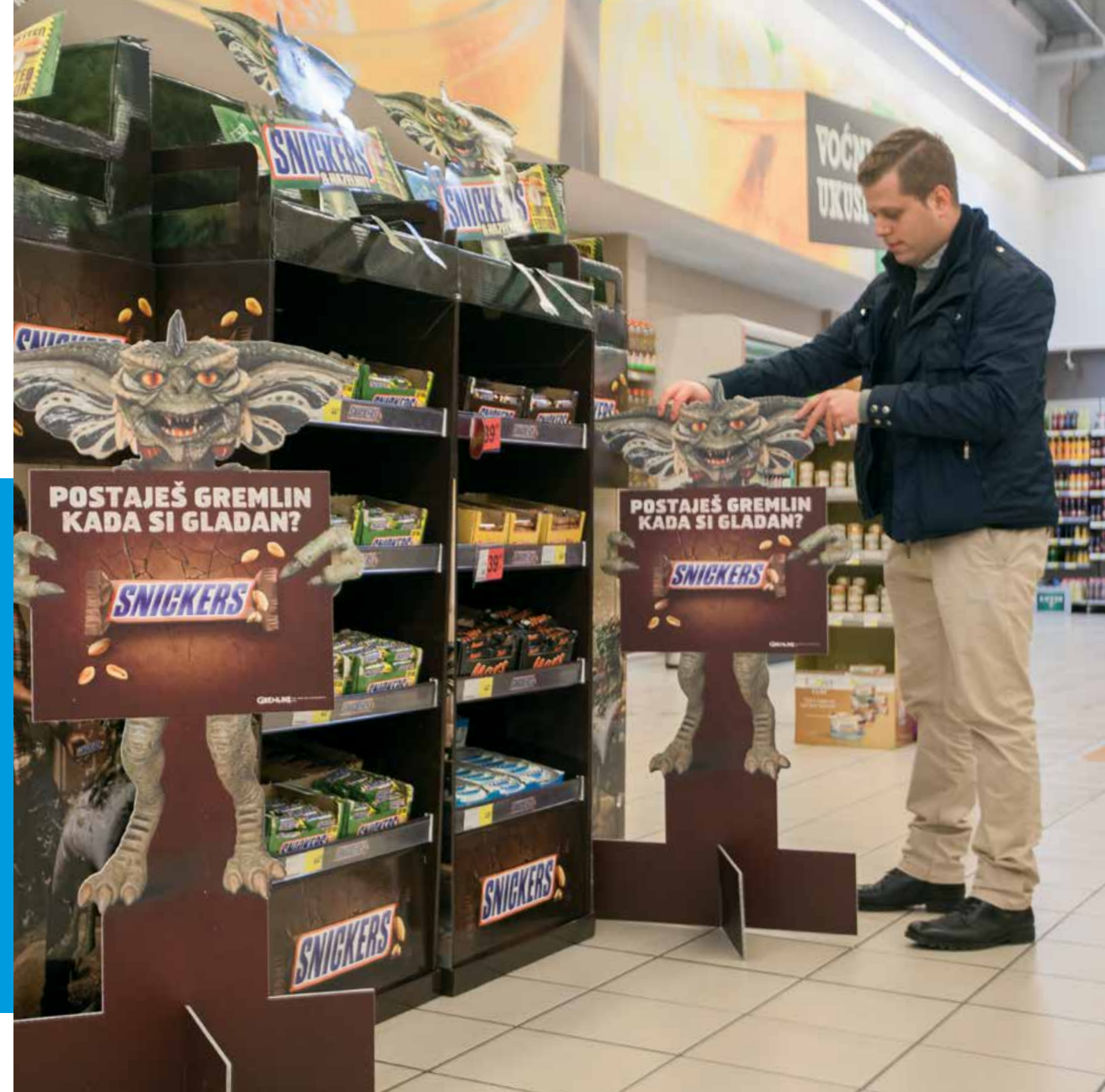
How to create a JBP?

- Step 1: Harmonize goals and strategies (win-win model)
- Step 2: Create a plan that leads to achieving the set goals
- Step 3: Point out key activities – projects, and monitor them individually
- Step 4: Monitor activities and achievements

What are the benefits of a good JBP?

- Structured operations
- Development of the relationship with the account
- Clear communication
- Greater involvement of all persons responsible

*JBP - Joint business plan



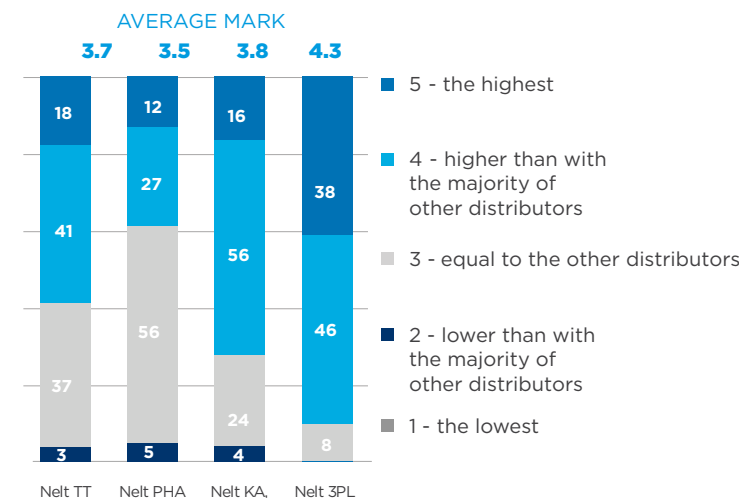
CUSTOMER SATISFACTION SURVEY

Advanced business practices, related to monitoring the satisfaction of Nelt's customers, rely on regular surveys Nelt has been conducting since 2014.

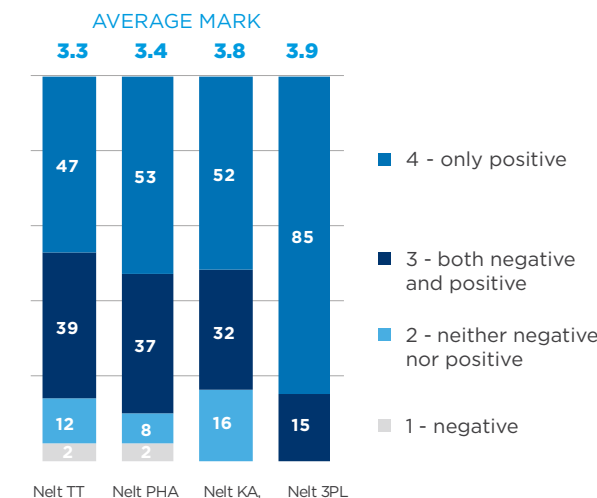
The level of satisfaction among our customers is being measured in cooperation with the GfK agency. The survey was conducted by defining goals, determining the topics and questionnaires, implementing the field research, findings and results analysis, and defining appropriate improvement measures upon the obtained data. The sample size is considered relevant, since in size and structure it covers the whole Serbian market, i.e. all the regions and all the groups of customers and clients.

Survey results showed that in the market, Nelt is perceived as a professional company with excellent IT reporting options, and reliable salesmen that truly comprehend customers' needs. The results also showed that Nelt is a distributor that has the most developed image among key accounts, and is highly appreciated due to the quality of the products it distributes.

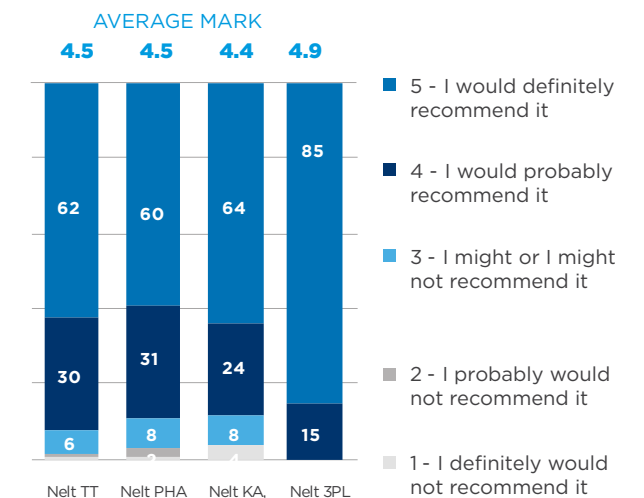
QUALITY OF COOPERATION



EVALUATION OF REPUTATION



RECOMMENDATION



* Nelt TT - (traditional trade) small stores N=599
 Nelt PHA - buyers of pharmaceutical products N=252
 Nelt KA - key accounts (big retail chains) N=25
 Nelt 3PL - logistics N=13

What accounts in the group of traditional shops and pharmacies hold in high regard in their cooperation with Nelt is the professionalism, seriousness and reliability of our company. After these general aspects of cooperation, there comes the satisfaction in delivery and products, and finally, with our salesmen. On the other hand, what this group of accounts highlighted in negative terms are the segments related to financial aspects (discounts, payment terms and prices), and pharmacies also stated the small assortment. The survey showed a very high level of satisfaction in users of Nelt's logistic services.

On the average, more than 40% of total users of Nelt's services in the market (users of logistic services, key accounts - large retail chains, traditional shops and pharmacies) expressed the opinion that their cooperation with Nelt is better than with the majority of other distributors. More than 59% of participants had a positive opinion, and 68% would definitely recommend Nelt. The obtained results served as guidelines for the implementation of improvement measures in the area of transparency of the pricing policy, credit policy, flexibility in the negotiations on the terms of trade, and more efficient administration.

When it comes to our principals, Nelt's Quality function independently conducted a satisfaction survey, through in-depth open-ended interviews, and with defined key issues and objectives of the research.

Starting from 2016, we enhanced our surveys by introducing GfK as our partner in conducting research, which has opened up the possibility of applying globally recognized methodologies, comparability of results, greater objectivity and deeper data analysis.

QUALITY MANAGEMENT AND FOOD SAFETY

Quality Management System in Nelt is based on the process approach and aspiration for constant improvement. All the activities carried out in Nelt are designed according to the PDCA (plan-do-check-act) cycle, meaning they are systematized, planned and that for each of them we perform analyses after the implementation, as well as measures aimed at improving the process.

Certification of the Quality Management System according to the requirements of ISO 9001 and HACCP standards, in accordance with the requirements of the Codex Alimentarius, by an internationally recognized certification body - SGS, is the confirmation of the company's commitment to complete fulfillment of the customers' demands and regulations, as well as of the leading position in the market.

In accordance with Nelt's Quality Policy, the responsibility and commitment of the company on the issue of food safety is reflected in the fulfillment of all necessary conditions, adequate organization and implementation of processes for preservation of health and safety of food products the company distributes while under its control. This includes standards for food quality and safety pertaining to storage, logistics and security in the supply chain:

- Operational Risk Management in accordance with ISO 31000
- integrated system for monitoring the equipment and working conditions / storage environment (SCADA), which provides
- timely information on the performance of the equipment and
- conditions for the storage of products that are to be distributed
- TAPA in warehousing and transportation
- ISO 28000 Security Management System for the supply chain
- IFS Logistic Standard for logistics operations

In addition to that, Nelt formed an entire sector and expanded its team for monitoring regulatory and technical requirements for products the company distributes. In order to qualify the product as safe and innocuous to the health of consumers, it should comply with the regulations governing the product placement on the market. The requirements of these regulations primarily relate to:

- product appearance
- possible existence of prohibited substances or elements in the product
- product labelling
- microbiological safety.

Since Nelt imports different types of products, it must follow a number of different laws and regulations relating to food, cosmetics, electrical appliances, chemicals, as well as the Law on Consumer Protection and the Law on General Product Safety.

Compliance of the goods with the regulations is being determined on the basis of valid manufacturer documentation, standards applied in the production, and the results of analyses (qualitative, microbiological, presence of pesticides and heavy metals, radiation, GMOs, etc.) performed in our country, and by physical examination of the product. We also check the existence and validity of the product label that has to be in Serbian and contain all the information required by the legislation.

Customer Service

All complaints that involve consumer dissatisfaction with the quality of the product or service of products distributed, or places on the market, are recorded with the Customer Service, and forwarded to the persons responsible. Complaints regarding the quality of the products are forwarded to the principal. The statutory term for the notification of the consumer on the receipt of complaint is 8 days since the receipt, and the deadline for the notification on the outcome is 15 days after the receipt.

Consumers can place their complaints from 8 a.m. to 10 p.m. Monday to Friday, and until 2 p.m. on Saturdays.

Customer Service cannot be reached on Sundays only.

In the field of product labeling, we have had 4 complaints in the first half of 2015, and they were all related to products not having labels in Serbian language.

The complaints were dealt within a short period of time, by sticking labels on all quantities of goods at buyers' locations, engaging the merchandising team and stock quantities in the CONOPS, our finishing services department.

NELT LSP

Logistics Service Provider

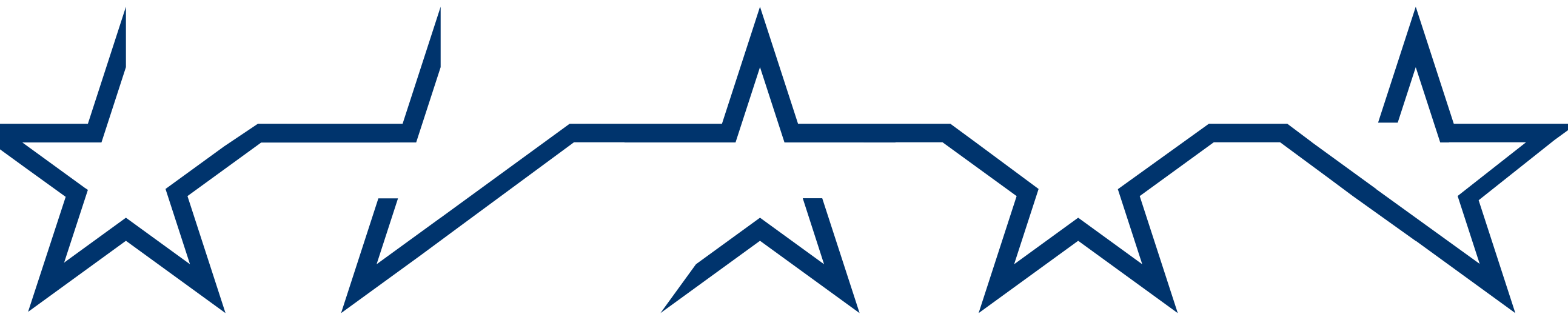
As a logistics services provider, Nelt LSP provides the logistics costs optimization through faster processes, time save, transparency, less paper work. When needed, we tailor the complete logistics processes in accordance with our client's specific needs.

P&G, Dr. Oetker, VIP Mobile, Mondelez, Wrigley, Actavis, Lactalis, Ball Packaging, TDR, MARS, Samsung Electronics and many others entrusted Nelt LSP with segments or even complete processes of their supply chains.





The Way of Logistics



In addition to the services that are part of Nelt's supply chain, NELT LSP also provides the services of:

International transport

The vast experience Nelt has in the field of transport together with our reference list, ranks Nelt among the leading companies in the Southeastern Europe. The fleet of more than 220 vehicles, operating in all temperature and other transport-related regimes, enables over 9,000 full loads annually. Vehicles our company owns are fitted with supreme equipment, in line with the level A of the TAPA TSR standard. In this way we can meet the most challenging transportation tasks.

Customs clearance

This service is based on years of experience in representation before the customs authorities in customs procedures related to consumer goods, foodstuff, pharmaceuticals, technical equipment and general purpose goods. We provide our clients with the service of obtaining the necessary certificates, test certificates; and sanitary, veterinary and market certificates and permits. Within our logistics complex CDC Dobanovci, and our branch office in Subotica, we have available warehouses for storage of customs goods in temperature-controlled and ambient regimes.

Public Customs Warehouse Services

We have over 3,000 m² of customs warehouse space available for customs goods storage, within the convenience of Nelt's logistics complex in Dobanovci. Due to the excellent technical equipment and our employees' experience, we are able to provide a full service warehousing, including sorting, picking and distribution of goods in accordance with good business practices and in compliance with official regulations applying for type A customs warehouse. Customs goods are under customs control, and it is possible to get the goods cleared partially, according to our client's needs. Offering sufficient parking capacities and support services - restaurant, car wash, and restrooms with showers, is an additional benefit. The Warehouse Customs Office is one of the offices for the reception of the so-called cumulative shipments.

Internal logistic

In-house logistics is a business phrase that represents the presence of a logistic company at client's location. It is a process that involves numerous activities, from taking the products from production line, packaging the product according to client's demands and standards, adding certain operating supplies and raw materials to the production line, to system logging and labeling of goods according to the system input, to warehousing, transferring the goods to the warehousing locations, migration within the storage locations, inventory, preparation of goods according to client's orders, system record keeping, shipment of goods, maintenance of equipment for goods manipulation, to waste management, etc. With such an approach to the client - the host, Nelt enables flexibility in planning and implementation of basic operations, prompt and efficient organization, excellence, and a knowledge base that advances all the basic operations, creating added value to the company through different cost-cuttings - of time, resources, and money.

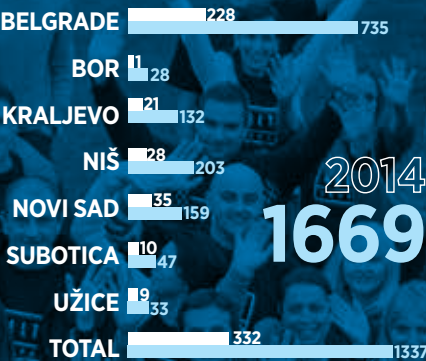
Renting office and residential space

Within its logistics services, Nelt has been successfully providing the services of renting real estate in Belgrade for many years, in accordance with high standards pertaining to quality, functionality, and safety. Our years-long clients include the Faculty of Media and Communications, IDEA, Societe General, USA Embassy, Telekom Srbija, Telenor, Vip, Customs Administration, and many others. Our rent offering includes spaces of different capacities and purposes: office space - outlets and offices from 20m² to 500m², and residential space ranging from 40m² to 200m². These premises are located in downtown Belgrade. We also have office spaces from 20m² to 100m² within our Central Distribution Center in Dobanovci, in the free zone.

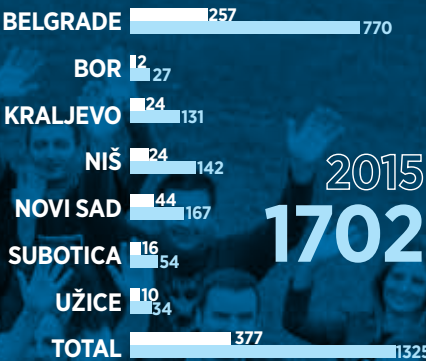
WORKPLACE RESPONSIBILITY

At the end of the reporting period (December 31st, 2015) Nelt employed 1,702 people in Serbia, i.e. it had 33 employees more than the previous year. All of Nelt's employees are hired on a full time basis. In 2014, Nelt employed 80 permanent third parties. Until 2016, all permanent third parties have been fully employed with the company. At first, we hired 16 of them in 2015, and then the remaining 64 in 2016.*

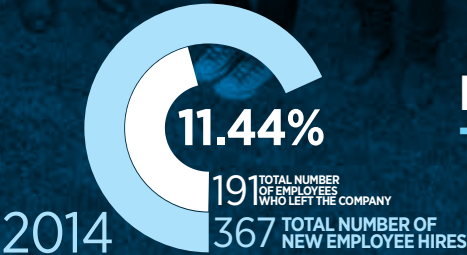
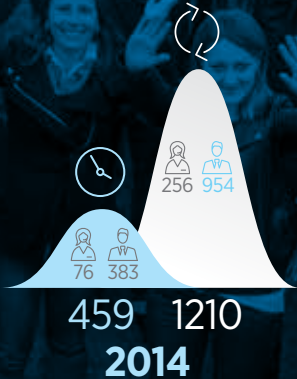
*permanent third parties – persons present at the company on a regular basis, but not employed with the company (for example, workers hired via employment agencies or hired for services such as maintenance or security provided by another company).



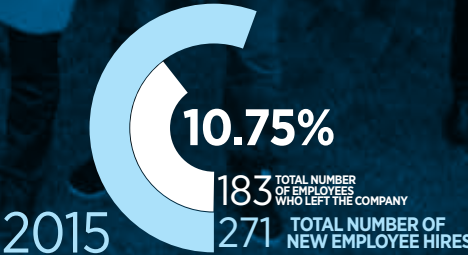
2014
1669



2015
1702



EMPLOYEE TURNOVER



*The employee turnover rate is calculated based on the following formula: (number of employees who left the company/average number of employees in the reporting period) x 100.

EMPLOYEE EQUALITY

Nelt offers equal employment opportunities for all qualified candidates. Nelt encourages and promotes diversity, and is committed to guaranteeing equal opportunities. The company does not discriminate against people on the basis of gender, religion, age, nationality or race.

All employees in Nelt have equal rights, including the right to freely express their opinion, right to safety in the workplace and right to work in a professional setting. It is the obligation of a company to provide a discrimination-free environment. There is no collective agreement in Nelt made between the company and employee representatives.

It is of great importance to us to nurture interpersonal relations among colleagues based on trust and loyalty as well as between the company and its employees. Employees are encouraged to treat each other equally, regardless of their title and position.

Pursuant to Nelt's Code of Conduct, every form of harassment at work, or work-related, as well as the abuse of the right to the protection from harassment, is strictly forbidden. The company, and every employee that learns of a behavior reasonably perceived as a form of harassment at work, has the right to initiate a procedure of protection from harassment at work, filing a substantiated complaint.

Due to the amendments and supplements to the Labor Act in 2015, 17 members of our Legal sector went through adequate training, and company's Code of Conduct was harmonized with the aforesaid amendments and supplements. All of our employees were informed of amendments and supplements to the Code by internal portal and bulletin boards.



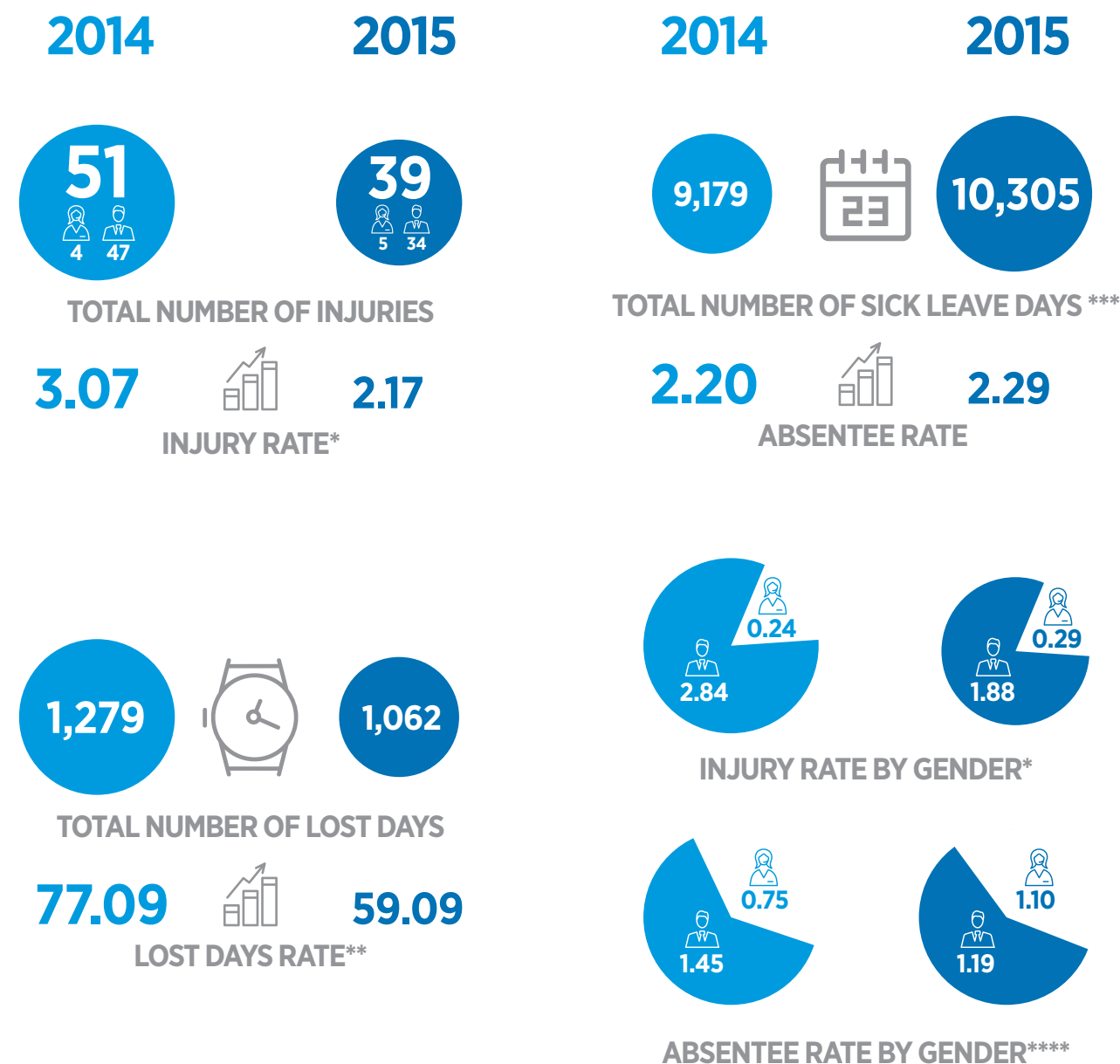
OCCUPATIONAL HEALTH AND SAFETY

Employee safety is of great importance. That's why in Nelt, we pay a great deal of attention to maintaining safe working conditions and applying all the relevant regulations. It is of utter importance that employees respect one another, apply all the relevant regulations governing the occupational health and safety and follow our company's rules so that the safety of every employee is on a highest level at all times. All of our employees are covered by individual insurance policies against accidents, i.e. accidents during and outside working hours throughout the year.

Our Safety Department conducts all the affairs related to the health and safety of employees and third parties within Nelt's premises. By the decision of our directors, a team of 10 persons has

been formed for performing the stated tasks on corporate level, coordinated by our Safety Manager, and consisting of employees from various sectors, and from all locations business processes take place in. Every employee has the possibility of in-person, telephone, e-mail communication with team members at any moment, in case they come up with suggestions, or may have some requirements related to occupational health and safety.

All hazardous situations, minor and severe injuries, as well as other types of adverse effects to human health are reported and recorded. We analyze all reported cases on an annual basis. There's been no record of occupational diseases, or injuries with fatal outcome during the reporting period.



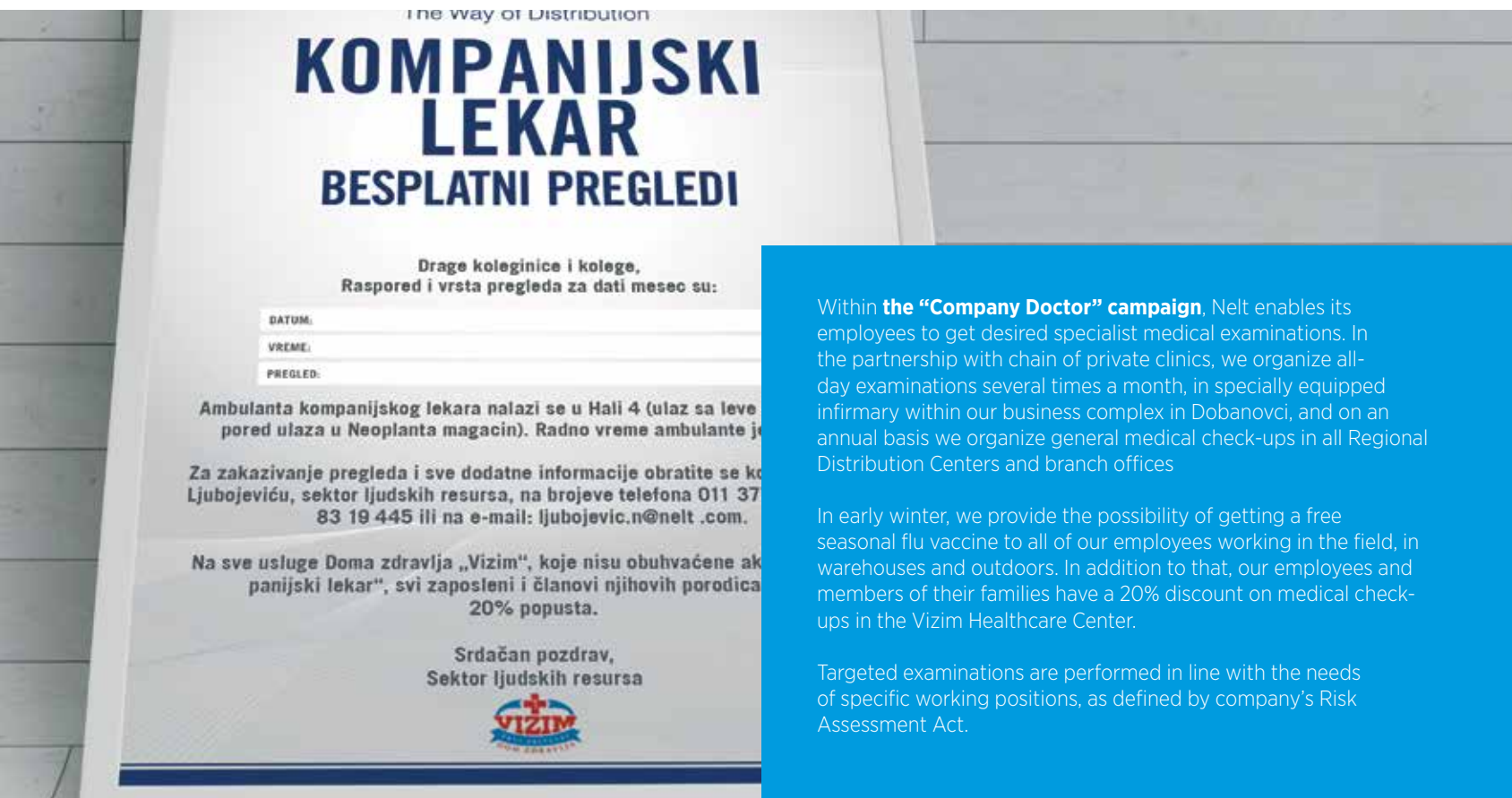
*Injury rate is the frequency of injuries per 100 employees in the reporting period. It is calculated by using the following formula: total number of injuries / total number of working hours × 200,000.

**Lost work day rate is the frequency of lost work days due to injuries per 100 employees. It is calculated by using the following formula: total number of lost work days / total number of working hours × 200,000.

***Maternity leaves are excluded from the total number of sick leaves.

**** Absentee rate is the percentage of days lost as a result of absence. It is calculated by using the following formula: total number of sick leave days / total number of working days of persons employed x 100.

Within the **“Company Doctor”** campaign, Nelt enables its employees to get desired specialist medical examinations. In the partnership with chain of private clinics, we organize all-day examinations several times a month, in specially equipped infirmary within our business complex in Dobanovci, and on an annual basis we organize general medical check-ups in all Regional Distribution Centers and branch offices.





“Safety Day” in Nelt

With the aim of raising the safety culture of employees in the Nelt Group, as well as highlighting the importance of this topic, in the organization of our Business support department and Occupational health and safety team, and fully supported by all of our sectors, on June 6th, 2015 we held our first Safety Day in company’s headquarters in Dobanovci. About 350 employees from the Central Distribution Center actively participated, together with representatives from Regional Distribution Centers, branch offices, and a part of our employees from Nelt BiH, Corner Shop, Neoplanta, Banim and Public Warehouses of Serbia.

In line with the specific features of each sector’s business operations, through practical work, exercises and lectures, we carried out activities and exercises in the field of safety, i.e.: traffic

safety, safety in warehouse, safety at the office and the practical firefighting training. We designed, printed and shared leaflets with appropriate educational content for each section. Employees participated in these organized activities wearing T-shirts and hats with the slogan “Safety, that’s me”.

“Safety Day” ended with a formal meeting of participants in which we gave recognitions and awards to six employees that had, in complex situations, acted upon the prescribed security procedures and thus forestalled risks to people and property. Participants assessed this event as the one deserving the highest marks and the most favorable comments, so we organized the same events in Nelt’s companies in the region, on the basis of the good “Safety Day” practice.

Rewards for the best drivers

Since transport is one of Nelt’s most important activities, in 2015 we established a Rulebook on conditions and manner of use of company owned motor vehicles, according to which three drivers from the region of Belgrade and three drivers from the region of Serbia receive financial rewards each quarter, providing they have no negative points in central records, or negative entries in the reports of the GPS vehicle tracking systems. We also take into account the positive attitude towards

the vehicle maintenance (following the maintenance plans, maintaining interior and exterior of the vehicle, taking basic vehicle care, timely defect reporting).

The goal of the award is to promote the employees who have demonstrated responsibility for the vehicles they drive as ambassadors of conscientious behavior in traffic.



EMPLOYEE SATISFACTION

Bearing in mind that employee satisfaction does not only depend on the success of the business, Nelt constantly takes care of its team of people and their motivation. Through various motivational activities and different perks, the company strives to provide its employees with a variety of benefits, which apply to all employees, regardless of their contract type.

All employees in Nelt are provided with healthcare and the right to maternity leave. Furthermore, they are insured against injuries and accidents during and outside working hours, throughout the year.

We have provided suitable severance pay and retirement packages for all the employees that end their careers in Nelt. We also prepare suitable gifts we give our employees on other occasions, such as marking 10 years of their service with the company or celebrating March 8th. Wishing to share both the most beautiful and the hardest times with our employees, we provide presents for occasions such as weddings and births, and financial compensations in case of disease or death in the family.

Special benefits for Nelt's employees

Employees in Nelt have the possibility of using numerous benefits when purchasing tickets for theaters, travel packages, footwear, and clothing in stores of our partner companies.

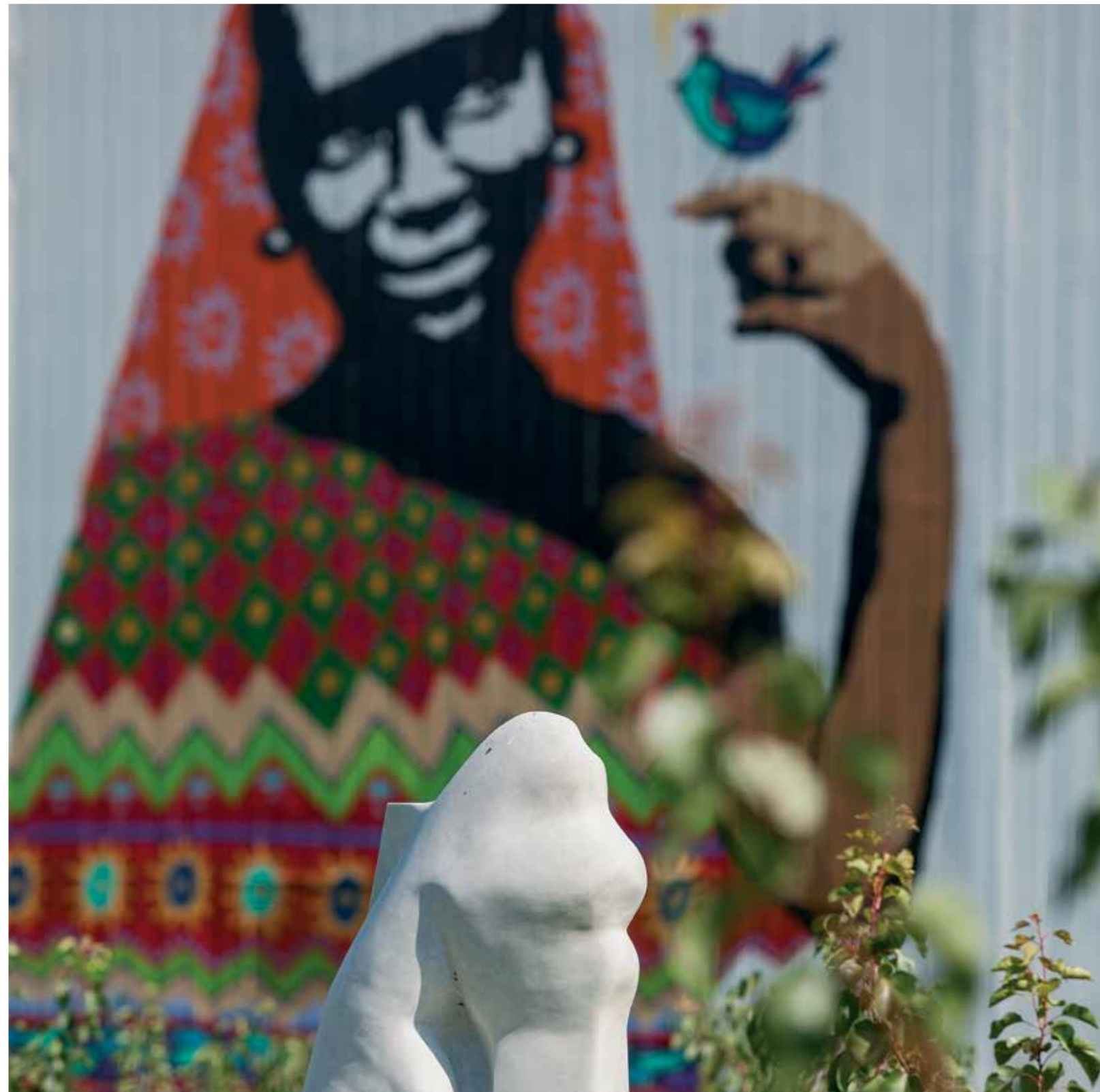
Within the corporate discount, employees can have 10% off for monthly purchases amounting up to RSD 11,000, and the option of buying Neoplanta product packages at discounted prices two times a year, with the possibility of paying in 5 monthly installments.

AN INSPIRING WORKING ENVIRONMENT

Wanting to make our employees' everyday surrounding more inspiring and beautiful, and at the same time to enable the talented local artists to apply their skills in an actual business environment, we created the "Wall street by Nelt" project in 2013.

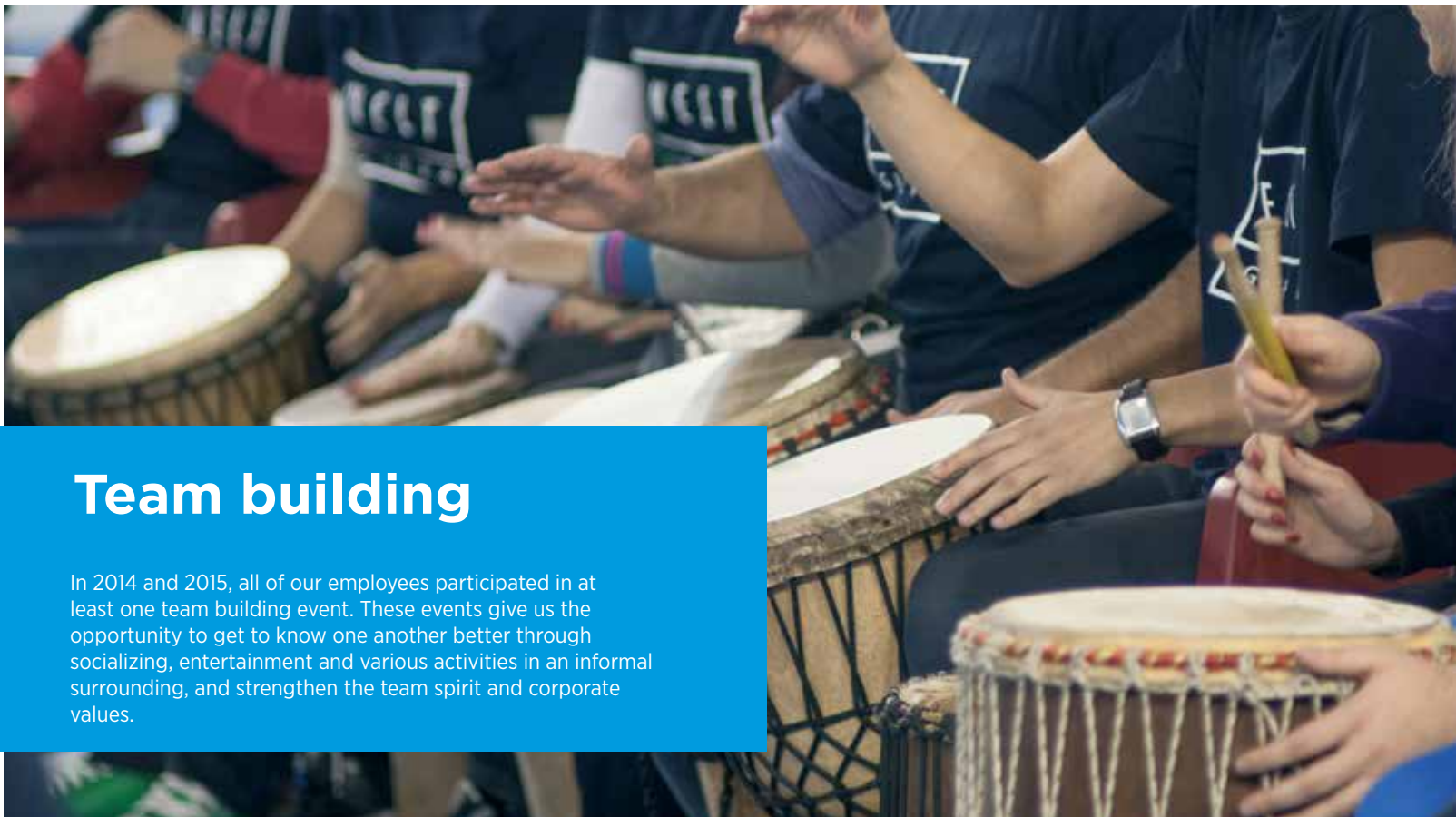
The project in which the renowned designers and street art artists painted 10 murals in 10 x 12 meter areas lasted for 6 months, and these original murals still adorn Nelt's complex in Dobanovci, embellishing the wall of one of the largest warehouses in the region.

The complex in Dobanovci is also enriched with marble statues created within the "Marble 10" project, that enabled the students of Applied Sculpting (Faculty of Applied Arts), with the support of their professor Goran Čpajak, to create their first sculptures in 2012.



HUMANITY AT WORK

Motivated by the activities of its employees who voluntarily supported the humanitarian action of collecting plastic caps for recycling, Nelt officially joined the humanitarian campaign "A Cap for the Handicap" in 2015, initiated by the Association of paraplegics and quadriplegics of Banat (OSI) from Zrenjanin. The goal is to provide the funds for the purchase of wheelchairs and other orthopedic devices for people with special needs, including the Paralympic athletes and National Table Tennis Team.



Team building

In 2014 and 2015, all of our employees participated in at least one team building event. These events give us the opportunity to get to know one another better through socializing, entertainment and various activities in an informal surrounding, and strengthen the team spirit and corporate values.





Kids' Day in Nelt

We pay special attention to take care of the youngest. Therefore, our employees receive vouchers for shopping in toy stores for the New Year holidays. In June, we traditionally organize the Kids' Day in all Regional Distribution Centers. During this event, the little ones have the opportunity to attend various workshops and interesting tours through Nelt's premises, and learn of their parents' jobs in a creative way, have fun watching animators and a specially designed program, and receive interesting presents.



P&G Football World Cup

The winning spirit is developed in the field as well!

Nelt's football team, consisting of 19 employees from Sales and Supply Chain Departments, has been competing since 2015 in the Football World Cup organized by our long-term partner - Procter & Gamble. Teams from P&G head offices and P&G distributors worldwide participated in the Cup. 50 teams competed in the last year's tournament, and over 1,000 people took part in it. Nelt's football team, with the name of "Serbian Eagles" and Nelt's

emblems, won the enviable 4th place in its first performance last year. The team has been preparing for new challenges and competitions in 2016. The support of the colleagues and the company does not weaken, because "talent wins games, but teamwork and intelligence win championships" (Michael Jordan).

THE WINNERS SEEN THROUGH THE EYES OF THEIR PEERS



About Dejan

“Since I’m newly employed in the company, Dejan’s help in mastering my duties and his politeness meant a lot” - Ivan Andrasec

“Always has a smile and a kind greeting for everyone. A professional worker of joyful spirit” - Aleksandar Jovanović

“A peer that motivates the entire shift by his work and charisma. He’s got a team spirit therefore it’s a pleasure to work with him” - Marko Atanacković

“Brings the sunshine into the warehouse. Hard worker that sets an example” - Marko Radojčić

“HE DARES!” - Vladimir Mrđa

“He is an example of a man who doesn’t allow himself to become an unfeeling robot without care for others. He holds relationships and humaneness in high regard, informal and friendly approach is important to him, which is why he treats others in the way he does. Articulate, bold and ready to respond to injustice.” - Ivana Canić



About Miodrag

“Very sincere and honest. He treats his peers and bosses equally. Always a good listener and a helping hand. Always in a good mood and positive” - Radovan Đukić

“A good friend – one can easily reach an agreement with him, always in good mood and of cheerful spirit. A team player. He always helps his team out” - Aleksandar Došenović

“What would the world be if there were more guys like Miki. A great fellow, a grand man” - Aleksandar Ivanović

Together with the best peer award, we presented special awards to employees who have in a special way contributed to promoting and nurturing corporate values by long-term commitment or through important activities and ventures.

The winners of the special awards for 2015 were: for devotion - Ilija Knežević, IT operations supervisor, for promoting corporate values - Dušan Četković, IT supervisor, for courage and initiative - Saša Stojadinović, merchandiser. A special award for team work was presented to the Belgrade Delivery Team.

The Praise Your Peer campaign in 2015 recorded 2.16 times more praises than in the previous year, and 1.19 times more participants who nominated their peers.

PRAISE YOUR PEER

We initiated the “Praise Your Peer” campaign in 2014. The goal was to identify the employees who are shining examples of corporate behavior the company wishes to nurture. All employees were asked to praise the colleagues whose work and conduct they perceive as motivational and stimulating.

The award given on this occasion bears the name “Neven Škorić” in honor of a wonderful man who suddenly passed away in 2012, and had been working with Nelt for 16 years. Neven’s nature was similar to Nelt’s essence – a man who was a peer to everyone, but also a friend, a good listener, who shared the good times in joy, and was supportive when times were tough, who perceived Nelt as his home and who, in addition to fulfilling his professional obligations, did all those special little things for people around him, making them feel at home too.

The award is given to employees recognized by their colleagues for the qualities that made Neven Škorić unique. Dejan Knežević, a warehouse worker was recognized for 2014, and Miodrag Milovanović, a warehouse worker/supervisor was recognized for 2015.

INTERNAL COMMUNICATIONS



Following the needs of its employees, Nelt carries out various activities that contribute to the quality of the exchange of key information within the company, thereby strengthening the team spirit and cooperation. Considering the size and the structure of the company, it is of great importance to make sure that all employees get all the important information. Information is disseminated to all employees through various means of communication, while the most important work-related information is sent by an e-mail or text message.

Our internal portal called IntraNELT contains all the latest information on services and corporate events, corporate forms, and procedures. IntraNELT portal greatly facilitates the entire communication.

By using forms uploaded on the portal, for example, employees can file a request to use the company car, or book and order corporate resources.

Placed at visible places within the offices or warehouses, employees can find our bulletin boards and posters with regularly

updated and published notifications and invitations to internal events.

In order to raise awareness of our employees in the warehouses, in the summer of 2015 we introduced a new means of internal communications for employees in warehouses – info screens. Info screens are in use in the Central Distribution Center in Dobanovci and 6 Regional Distribution Centers in Serbia. Using them, as a form of internal television, employees get the news from all companies within the Nelt Group, they receive service information and notifications (schedule of examinations in the internal infirmary, changes in the transportation regime, benefits for employees, special offers within the corporate discount offer, etc.).

Info screens are also a means of promotion of internal employee activities (Praise Your Peer, Organizational Culture Survey, etc.). The content is updated at least once a week. Based on good practices and positive reactions of our employees, the same solution will be implemented with all the members of the Nelt Group in the West Balkans.



In-house Magazzin

With the expansion of the Nelt Group, the need has emerged for expanding our communication channels. To improve communication within the entire Group, and following the needs and suggestions of the employees, Nelt has created an internal magazine – the Magazzin. This magazine enables co-workers on a global level to get an update on Nelt Group's affairs, get to know one another, learn more on motivational campaigns and values Nelt fosters.

EMPLOYEE DEVELOPMENT

Nelt enables every individual employee to show their abilities, by working in a team of experts in accordance with standards of the leading world companies. Employees are encouraged to express their talents, while we invest in their development, and constantly provide them with new opportunities to prosper both personally and professionally.

We build professional and motivated employees by providing planned external trainings, designed and implemented by renowned local and foreign training companies for our corporate needs, and internal trainings that represent a good combination of knowledge, experience and good practices of Nelt's employees.

A great deal of attention is paid to employment of personnel who would contribute to the success of the company in the best possible manner. We constantly find new ways to get the company closer and present it to the candidates in the market, through presentations at universities, direct contacts with students, and participation in job fairs. Nelt gives talented young candidates a chance to get to know more about the work of the company through practice, and acquire basic knowledge and skills in the field they are interested in.

The selection of new staff is carried out by combining different forms of selection, such as tests and interviews, always bearing in mind company's core values and job requirements. All the new employees first undergo an initial training period during which they learn about their work assignments and operation of all sectors within the company.

The possibility of employee promotion within the company is one of Nelt's most important principles. All employees who have been employed for one year with the company can apply for new job positions, if they meet all the requirements, and house ads with appropriate information can be found on company's website and bulletin boards. The fact that a large number of managers got promoted from lower positions is what makes this company proud. A good balance between staff who started their careers or spent a significant part of their careers in Nelt, and those recognized in the market as adequate members, is a solid base for the stable growth of the company.

We create development plans and conduct performance assessments for each of our employees. In 2014, 94% of employees got a formal performance assessment, i.e. 98% of employees in 2015.



The good start in Nelt

The “Good Start” program was initiated in August 2015, with the aim of providing young, successful and ambitious students and graduates with the opportunity to develop their business skills in the Sales department, thereby profiling themselves for the position of Key Account Managers.

In an eight-month period, participants get the chance to work in several positions within the Sales department, and acquire knowledge through working with their mentors, job shadowing, formal trainings and workshops. A well-defined system of moving through the organization helps them understand the responsibilities of every individual position, adapt better to the next position, and most importantly, get a wider picture of sales operations within a large business system.

Participants work with assigned teams and mentors, but also function as a group, cooperating in periodically organized joint trainings, presentations and informal get-togethers. In each phase of the program, we perform an appropriate evaluation of acquired knowledge. After the program is completed, Nelt offers the best participants full time employment.

The first generation of the “Good Start” program counted ten members. In different program phases, we evaluated their performance, and assessed the level of adaptation to the company and to the Sales department. Eight out of ten of them were hired in Nelt, and one in P&G. Thanks to the positive experience, Nelt continued with the practice of investing in the development of young professionals.

As a part of internal talent development strategy, Nelt provides its employees within the Sales department to participate in this development program, advance their skills and get promoted to senior positions.

TRAINING AND SPECIALIZATION

In order to keep up with new trends in business operations and employee development, Nelt organizes different types of training. Every training is adapted to the level of knowledge and needs of the participants. In-house trainings also make a good way to pass on the knowledge within the company. In 2014, we had 65 different trainings, and 92 of them in 2015. Knowledge gained in schools is usually not enough for employees to successfully meet the demands of the modern workplace. Therefore, the sector of Human Resources Department at Nelt prepares trainings in order to ensure high-quality work tools and to encourage new ways of thinking.

The aim is to provide functional trainings related to actual work, and so-called soft skills trainings which help develop interpersonal skills that are of long-term importance for achieving good results. The objective of each training is to help get the job done better and faster, as well as to be of better quality, and to keep employees motivated in their work environment, constantly evolving. Education of employees is well planned and designed in order to develop staff competencies they need to perform their duties well, support the strategic focus of the company, while considering individual and specific needs of our employees. Nelt’s training portfolio includes trainings that are continuously performed internally or in collaboration with consultants. Also, employees have the opportunity to visit professional seminars, conferences and trainings in the country and abroad throughout the year. Some of Nelt’s trainings:

LEARNING EXCEL

The aim of the training is to improve the knowledge of this indispensable tool used in everyday business. Employees have the opportunity to learn new functions, formulas, shortcuts, ways to understand the results they get in Excel, and how to display the obtained data in a more compact way. This internal training is conducted by our sales analysts, stock planners, and financial analysts.

FINANCE FOR NON-FINANCIAL PROFESSIONALS

The aim of the training is to introduce financial concepts and better understand them, learn how to properly interpret financial statements; assistance in budget drafting, cost planning and monitoring. This internal training is conducted by Nelt’s financial managers.

STAFF MANAGEMENT

The aim of the training is to bring participants’ leadership skills to a higher level. Participants will gain knowledge in the field of communication skills, delegating, giving feedback, motivating employees, in order to achieve team business results more easily. The training encourages participants to review their teams, their strengths and developmental needs, and to understand how to adapt their management style to specific situations and to each member of the team more efficiently.

PROFITABLE NEGOTIATIONS

The training is intended for employees whose everyday tasks involve negotiating the best conditions of cooperation and achieving long-term partnerships. The aim of the training is to provide the participants with tools to help them plan their negotiating strategy better and efficiently implement it in order to accomplish their goals.

“ON THE JOB” TRAINING PROGRAM

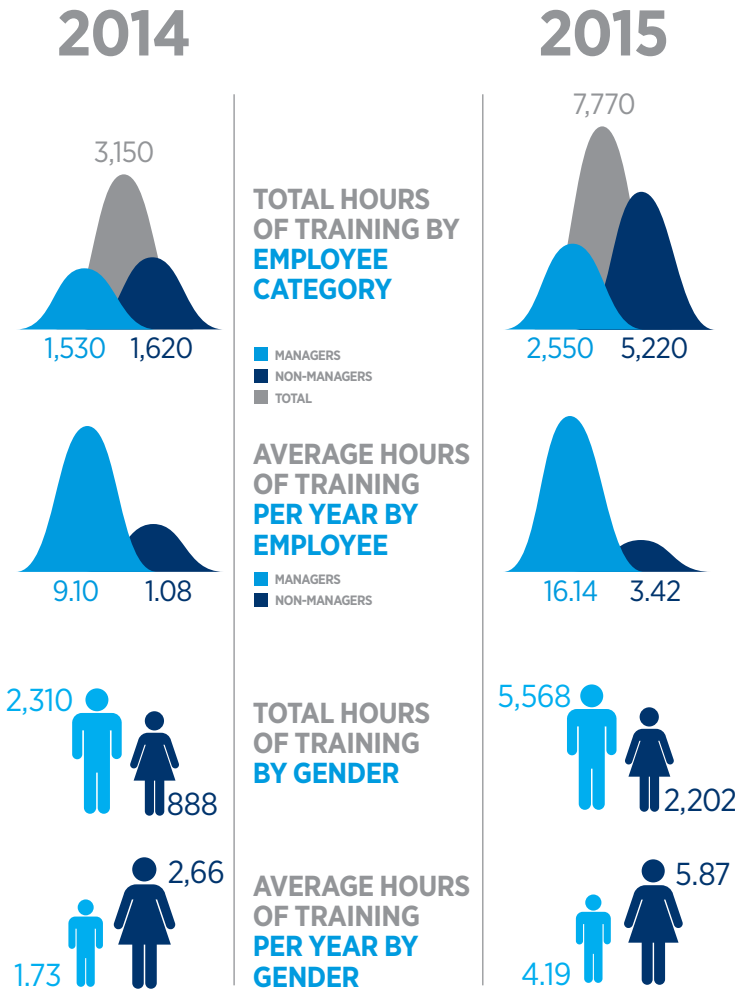
The training is intended for managers. Manager’s role in employee development is extremely important, hence the “On The Job” field training sets clear goals and high standards of skill and action plan assessment. The first day is devoted to sales skills. On the second day, participants engage in practical work and learn about the “On The Job” training standards.

PRESENTATION SKILLS

The training is intended for employees whose job description includes the important tasks of presenting an idea, a result or an offer for cooperation to a wider audience. The aim of the training is for the participants to learn how to make the most of their presentations, adapt the content to the target group so that their message is conveyed in a meaningful and effective manner. The aim is also to improve their verbal and non-verbal communication in presenting, and reduce the nervousness, since those aspects significantly affect the quality of the presentation.

PROJECT MANAGEMENT

The training is intended for employees who encounter the project work in their jobs, and need some extra knowledge to run the process in the best way possible. The goal is to make the participants realize the ways on how to recognize the business need for launching a project, develop a project as a tool of business change, and how to recognize different interests and influences of numerous stakeholders and successfully manage them during the project implementation. Through practical exercises and with the extensive experience of the lecturers, participants learn how to tactically initiate, plan and manage projects, analyze risks and manage them, plan time and resources for the project, budget the costs properly, and monitor the performance.



INTERSECTORAL EDUCATION – WE EXCHANGE THE KNOWLEDGE

Exchange of experience between sectors and getting to know the processes and operating modes is of utmost importance for the improvement of cooperation. Therefore, we strive to approach this area in a systematic manner, by showing presentations of the work of one sector to employees in other sectors. A good example would be two training sessions on stock planning processes, held by the employees from this sector to their peers from the Sales department.

Presentations included information in the field of sales planning, stock planning and stock components, and their impact on annual goals, and were supported by a large number of examples, interaction and exchange of information between participants, and all of our employees’ reactions on this type of training have been excellent almost beyond expectations.



UPGRADING SYSTEMATIC EDUCATION

Nelt initiated a training and lecturing development program in 2015, the Nelt Sales Academy, which represents a comprehensive and precise training plan for employees in all positions within Nelt's Sales and Marketing departments.

Nelt Sales Academy aims to promote skills of people employed in sales and marketing. By combining materials, exercises, best practices and knowledge of Nelt's partners with the knowledge and experience of our company, we designed interactive trainings that include examples, exercises and real-life situations in the field.

Implementation of this program represents a significant step in achieving desired objectives, improving company's operations, and promoting individual development of our employees in Sales and Marketing.

Trainings are implemented by the Sales Capability Team made of Sales Capability Manager, Executive Director of Sales and Marketing and 11 Nelt's in-house trainers - 2 for Bosnia and Herzegovina, 1 for Macedonia and 1 for Montenegro, and 7 for Serbia.

The program, which is continually being updated in line with the needs, comprises the following trainings:

Induction Training Program

organized for all new employees in order for them to get acquainted with the history of the company, product portfolio, mission, vision, values, quality control, procedures, and the markets Nelt operates within.

Merchandising Program

comprises a series of trainings for persons employed in the position of Refiller, Merchandiser and Merchandising Supervisor. This interactive program, combines presentations in stores of different formats with different sales channels. During the program participants have practical exercises performed both in the classroom and in a real environment - in buildings and in the field.

Customer Training Program

aims at improving sales, planning and communication skills. The program provides knowledge on effective implementation of various activities within stores, in order to improve the sales and find the best ways to resolve complaints. The program develops communication techniques with the purpose of building good customer relations. The Sales Capability Team conducts trainings in cooperation with in-house trainers.

Retail Math

has a goal to upgrade business and financial skills, retail math, resolving complaints, and presenting initiatives to our accounts with the use of sales tools. The training includes many practical exercises with real-life examples that include: discounts on invoices, selling and purchase prices, gross profit, mark-up, and account-relevant financial parameters.

Leadership Training Program

for employees in supervising and managerial positions within the Sales department. They are aimed at developing skills of team management, people management, communication, teamwork, leadership styles, feedback, and building customer relationships.

Basic Selling Skills

organized for our employees within Logistics department and Pharmaceutical Department, whose teams sell products to pharmacies and healthcare institutions. The training is designed for those whose everyday activities include sales, negotiations and presentations. This two-day program contains eight modules that include introduction to basic sales – sales skills, steps of the sales process, resolving complaints through role playing, steps and phases in negotiations.

Key Account Management Training

is intended for our employees in the position of Key Account Manager, Marketing Manager, Local Key Account Manager, Portfolio Manager, National Key Account Manager. The aim of the training is to help participants improve the skills of planning, organization, communication, sales, effective negotiation, feedback and building customer relationships in Key Account and Local Key Account sales channels.

Time Management

is intended for our employees in managerial positions. The aim of the training is to improve planning, organization, communication, and prioritizing skills.

On The Job Training

is intended for our employees in managerial positions in the Sales department. It comprises theoretical and practical segments. The aim of the training is to train managers to use tools that will help them evaluate the knowledge and skills of their team members. Evaluation is an ongoing process, and it should be performed in the field with the purpose of constant upgrade of knowledge, sales skills, and employee motivation

.

Category Management

is intended for our employees in managerial positions. The aim of the training is introducing participants with all aspects of product categories. We go through the management and creating of a plan for the category through the definition of roles, analysis and determination of tactics for each product.

Negotiation Skills

designed for employees whose everyday activities include sales, negotiations and presentations. The training considers three phases of the negotiation process. It is interactive and includes everyday examples from the field.

RESPONSIBILITY IN THE LOCAL COMMUNITY

Contribution to improving the quality of life of the entire community remains one of the most important objectives and guidelines of our business decision-making, as well as an integral part of Nelt's corporate social responsibility strategy.



CORPORATE SOCIAL RESPONSIBILITY STRATEGY

Realizing the strategic importance and necessity of education on the national level, and bearing in mind the real social conditions, we decided to show our aspiration toward the modernization, progress and overall wellbeing of the community we live and work in - through designing, funding and implementing various educational projects.

By providing new possibilities to the most talented pupils and students, we support the best of us, those who will be the leaders in progress in the countries we operate in.

We want to integrate young people of different ages, educational and professional profiles into our projects, and thus ensure substantial and long-term recognition of Nelt in the future. Being a socially responsible company, we wish to systematically repay all segments of the society and communities we operate in.



COOPERATION WITH UNIVERSITIES

For many years now, Nelt has been connected with the institutions of higher education in countries it operates in, so that we can properly prepare the students to enter the business world and start their professional careers. Through expert lectures, visits to the company, and internship programs, we provide young people with the opportunity to gain practical knowledge on the functioning of business processes in a large business system, that will later on help them find a suitable employment and adapt more successfully to the business environment.

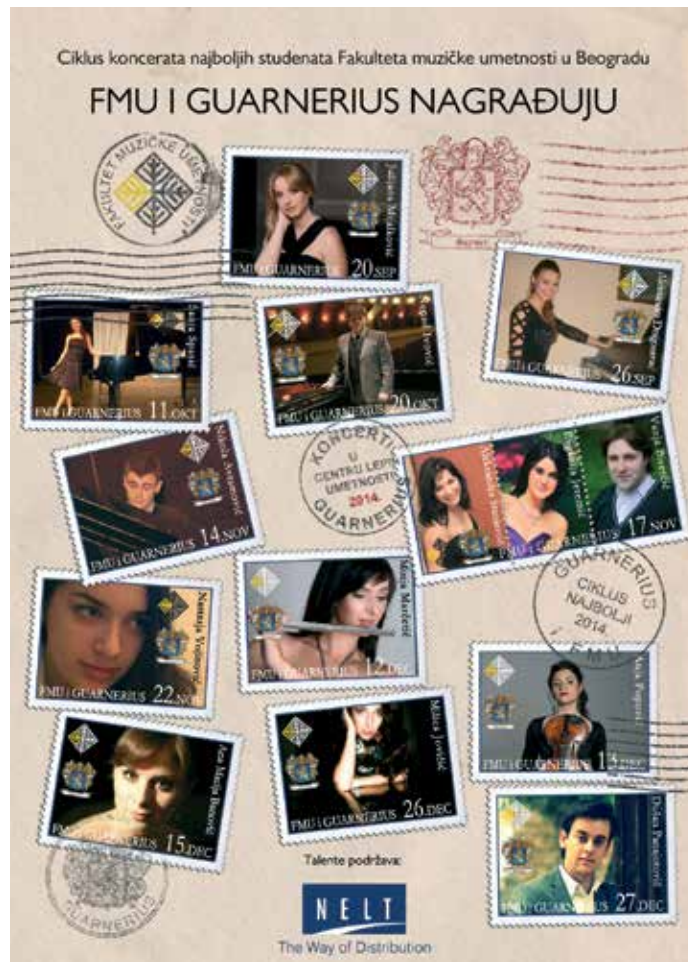
By the end of 2015, we signed strategic continuous cooperation agreements with the Faculty of Economics, Faculty of Transport and Traffic Engineering, Faculty of Electric Engineering, Faculty of Organizational Sciences, and the Faculty of Finance and Administration in Belgrade.



WE SUPPORT THE TALENTED YOUNG MUSICIANS

For the fourth year in a row, Nelt supported the talented students of the Faculty of Music in Belgrade by providing them with the opportunity to present their skills and achievements to the local audience via series of concerts in the Centre of Fine Arts Guarnerius.

More than 50 talented young musicians had the opportunity to present themselves through solo or group concerts, and the collaboration with the Centre of Fine Arts Guarnerius will continue in the future.



NELT'S EDUCATIONAL PROGRAM

In line with our corporate social responsibility strategy, we support talented students, and help those who will be the leaders of progress in the years to come. That's why we have, in collaboration with the 12 HUB Gallery, initiated Nelt's Educational Program in 2014 entitled "Interdisciplinary cooperation as a development potential for young professionals in the fields of art, science, and new technologies". Design incubator Nova Iskra joined the second cycle of the program in the season 2016/2017.

The basic idea of Nelt's Educational Program is to prepare students for a professional career after graduation, through lectures and professional mentoring workshops. The goal of the program is to provide opportunities for intersectoral collaboration, sharing experiences, and improving skills of young people in line with today's development of the professional environment, that includes the use of new technologies, art and science, surpassing regular study programs that focus only on specific areas.

The program is implemented through collaboration with seven faculties of Belgrade University and the University of Arts - Faculty of Electrical Engineering, Faculty of Architecture, Faculty of Dramatic Arts, Faculty of Fine Arts, Faculty of Economics, Faculty of Organizational Sciences, and Faculty of Applied Arts.

Nelt's Educational Program consists of workshops, guest lectures and study visits. The students who get elected through a contest will have the opportunity to work with noted educators, artists, and professionals from Serbia, Europe and other regions, experts in different areas – from economics, entrepreneurship, critical theory, and cultural management to dramatic arts, design, and new technologies. One professor - mentor from each Faculty takes part by creating the program scheme with other professors, and monitors the work of student groups during the program.

The program is divided into three thematic segments. The objective is for participants to acquire practical skills through team work in the fields of design and new media, as well as to get inspired and empowered in their intention to turn their ideas into real projects, whose further development could potentially be supported by Nelt.

Once the workshops and lectures end, the students will present final work and will be given diplomas as the evidence of successful completion of Nelt's Educational Program.

"The mere fact that seemingly completely different organizations – 12 HUB Gallery, Nova Iskra and Nelt joined, speaks for itself that the significance of the project surpasses the usual corporate campaigns in the domain of social responsibility in Serbia. We demonstrated that business and culture can work together, and they are best at designing and channeling quality, knowledge and specific contents. I would say that we're on the right track of setting the bar in the domain of education transfer onto those who wish to acquire the knowledge and carry it into the world." Marko Milanković, Nelt Group Communications Manager.



NELT'S EDUCATIONAL PROGRAM



WHAT STUDENTS SAY ABOUT NELT’S EDUCATIONAL PROGRAM

“Lectures within Nelt’s educational program enabled me to learn of the latest modern practices and trends, from art and engineering to those in economics and medicine, and we also gained an insight into the ways the world around us will change in the forthcoming period. Besides that, I greatly benefited from this program’s workshops that gave us the opportunity to gain new skills and experiences, get to know one another very well and the fields every one of us works in, and it opened many opportunities for future cooperation”. Mladen Lazarević, Faculty of Electrical Engineering

“I would love to be able to study at a university with such a diversified program like Nelt’s Educational Program. It is such a pity it does not last longer because I think we barely got to know each other and opened the possibilities for mutual cooperation. What has left the biggest impression on me is the very group that was formed, consisting of members from different professions, but of similar interests and complementing each other”. Ema Teokarević, Faculty of Fine Arts

“Participation in Nelt’s Educational Program enabled me to understand what interdisciplinarity today may involve and encompass, which significantly changed the way I think in terms of my work. Cooperation and friendship with the participants of the program led to a better understanding of the position in which we find ourselves in society and life, and our similarities, differences and knowledge I definitely see as a potential for future cooperation”. Mihailo Mandić, Faculty of Architecture in Belgrade.



The one-year cycle was completed in October 2015, with a grand opening of the exhibition of final works in the 12 HUB Gallery, and handing out of diplomas to the participants.

Recognitions for Nelt’s Educational Program

The cooperation of Nelt and 12 Hub Gallery was presented as a positive example of partnership between business and cultural sectors at the “Culture, concepts and change management” conference, organized by Creative Europe Desk Serbia in Belgrade in December 2015. In an interview Milica Pekić, Program Director of the 12 HUB Gallery, gave to the New York Times, she stated that “Nelt Educational Program” is one of shining examples of providing support for students in Serbia.

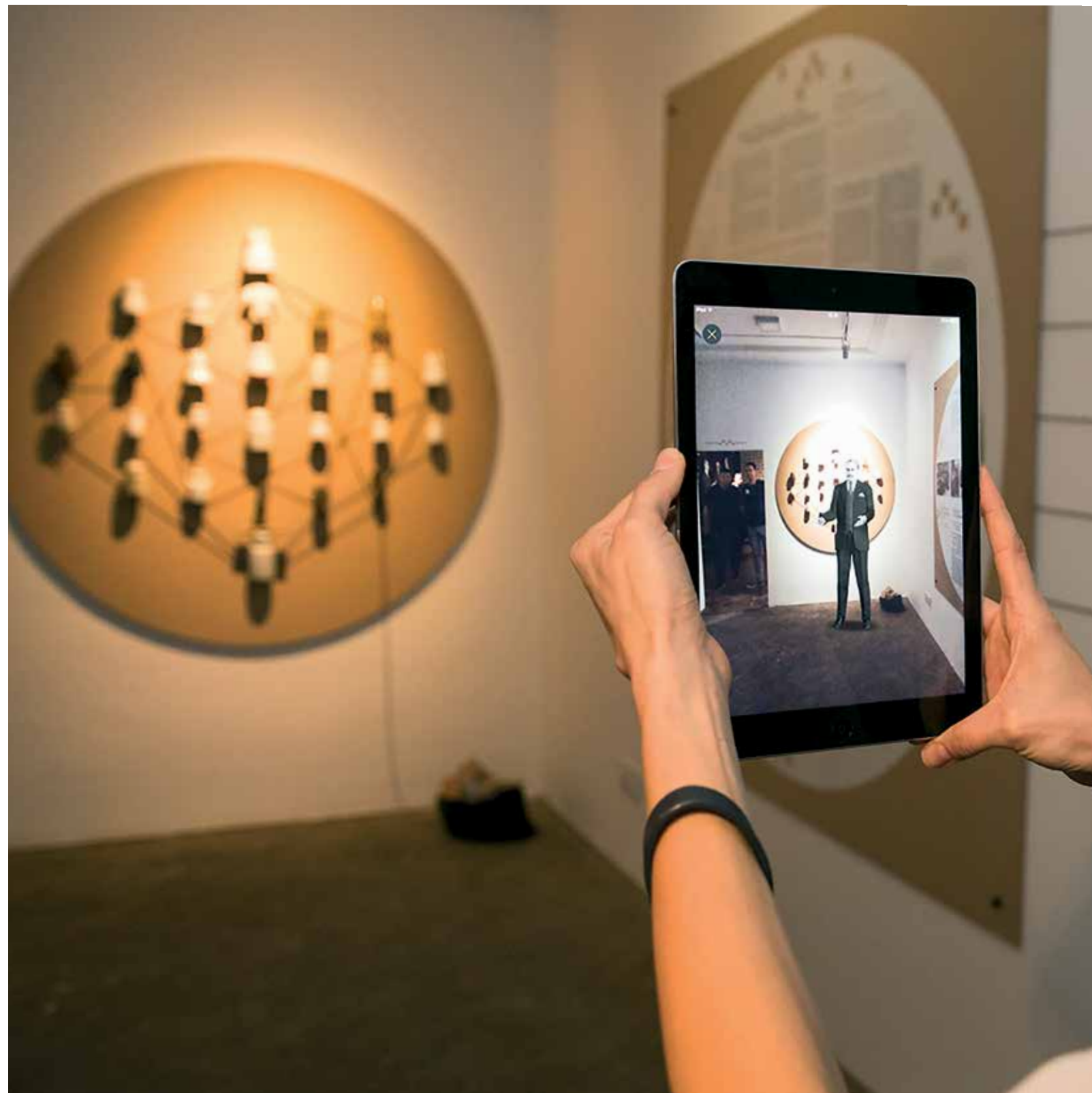
NELT SUPPORTS THE MIHAILO PUPIN EXHIBITION

Interactive exhibition entitled “Pupin – From Physical to Spiritual Reality”, first of its kind in Serbia, was launched at the Historical Museum of Serbia in September 2015. The exhibit is organized under the auspices of the Ministry of Culture and Information, and supported by Nelt and Telekom Srbija, on the occasion of marking a centennial since Pupin registered his seven key patents, and 80 years since his death.

This exhibit has the purpose of encouraging young people to realize the importance of education and commit themselves to developing their talents.

This one-of-a-kind display has welcomed more than 50,000 visitors and more than 300 school groups that got an opportunity to find out why the FBI was interested in Pupin’s work and learn all about his countless patents, his part in founding NASA, as well as his relationships with the US President Woodrow Wilson, Nikola Tesla, Albert Einstein, and other prominent figures of the time.

What makes this display a unique museum experience for visitors is the use of the latest Augmented Reality (AR) technology. With a mobile phone or tablet and the free Pupin app, each segment of the exhibition becomes interactive in order to describe and illustrate the famous inventor’s life and work using audiovisual elements.



SUPPORT IN TIMES OF CRISIS

During the floods that hit Serbia and Bosnia and Herzegovina in 2014, and afterwards, all members of the Nelt Group reacted in a quick and efficient manner, being among the first companies to provide substantial help to the most vulnerable. Neoplanta Meat Industry donated 10 tons of canned products. The affected population received hygiene products and 10,000 diapers from Nelt via the Red Cross.

Nelt also participated in providing aid for the population in flooded areas, with its partners P&G and Mars. We donated hygiene products, diapers, Duracell batteries, sweets, and food.

Also, everyone who wanted to buy goods from Nelt and direct the means as a donation to affected areas, Nelt provided with special conditions of purchase with calculated corporate discounts, and extra discounts from our principals.



Moreover, Nelt Group organized a solidarity campaign in June 2014, to gather aid for the employees of the companies from the Group that had directly been affected by this major natural disaster. The campaign included employees from Nelt in Serbia, Bosnia and Herzegovina, Macedonia, Neregelia, Public Warehouses, Corner Shop, Neoplanta, our expat employees in Africa and Nelt Group Management Board. This campaign raised nearly 45,000 EUR, and the funds were distributed mainly to employees from Serbia and Bosnia and Herzegovina, and to one employee from the Corner Shop and one from Neoplanta, in line with an objective assessment of damages, carried out by a specially formed committee. Nelt has demonstrated a great deal of solidarity, care and humaneness, and sent a clear message of being a strong support to the community and to its employees.

At the beginning of the refugee crisis, which hit the region in 2015, Nelt helped the refugees based in Belgrade by providing them with the necessary hygienic products, glasses, water, sweets and basic medical supplies. The aid was delivered during regular field campaigns conducted by the Asylum Protection Center APC / CZA.

ENVIRONMENTAL RESPONSIBILITY

As a long-term strategic direction, Nelt implemented, and keeps maintaining and promoting its quality management system that, among other, encompasses the environmental management system. The company maintains a rational use of natural resources, as well as regular and integrated activities, and the use of selected technology, equipment and materials that help reduce the adverse impacts our services and processes have on the

environment. We pay particular attention to reducing emissions resulting from our core business - transport, as well as to the waste management. Environmental protection is recognized as one of the top priorities in Nelt's social responsibility strategy, which further highlights our commitment to making all of our business operations harmonized with the principles of sustainability.

The Two Wheeler Fleet

Since August 2015, employees from the Central Distribution Center in Dobanovci have had bicycles available as an alternative means of transport within the 20 ha complex. At this point, the fleet consists of 10 bicycles, which makes moving within Nelt easier, more functional and healthier.

THE IMPORTANCE OF ENVIRONMENTAL PROTECTION INVESTMENTS

Being a company fully aware of its responsibilities towards the broader social and natural environment it operates within, Nelt has implemented several major investments that had multiple benefits for the local community, enabling the company to produce direct cost-savings. In the period from 2009 to 2010, Nelt directed 418,000 EUR for the construction of the Surčin Loop in Dobanovci, thereby contributing to the relocation of a large part of the traffic from this settlement.

Apart from the fact that Nelt and other companies operating in the area made significant fuel savings, we accomplished rather drastic reduction in environmental pollution in this settlement, as well as a reduction in noise levels and better maintenance of the infrastructure.

It is estimated that in 2014, when we were able to feel the benefits of using the new junction, the distance travelled by

Nelt's vehicles decreased for more than 1,200,000 km (30 times around the Earth) leading to energy savings of nearly 5,000,000 GJ. In addition, Nelt allocated funds in the amount of 67,000 EUR for the installation of LED lighting in 2015, and 66,855 EUR for the installation of separators for wastewater treatment in the company, contributing to the reduction of adverse substances discharge into the local environment.



TRANSPORT

Due to the nature of Nelt’s core activities, the largest impact on the environment is achieved through transport. In the supply chain, the goods are delivered by a fleet consisting of over 250 vehicles, with a load capacity from 2.5 to 11 tons, operating in different temperature regimes.

All vehicles are equipped with GPS devices, and the organization, control and monitoring of the transport and delivery routes are done via a state-of-the-art transport management software solution. Delivery routing for the complete delivery fleet is done by a software for delivery optimization, the Sky Track – a system that obtains data from the ERP (SAP), and calculates optimal delivery routes upon receiving the collected data. The dynamic routing system transfers the data on delivery routes via the ERP into the WMS Gold, a software for warehouse operations that performs the classification of goods for delivery.

The delivery vehicles are equipped with PDA devices, which give the driver a detailed overview of all parameters related to the delivery (route details, overview of dispatch notes, status of delivery tasks, navigation in accordance with the delivery plan). In the Logistics services department, Nelt manages a fleet that includes different types of delivery vehicles, as well as haulers with semi-trailers, enabling clients to precisely and timely supply their consumers in the territory of Central and Southeastern Europe. All vehicles are equipped with GPS devices and the organization, control and monitoring of all the transportation and delivery routes is done by means of a modern transportation management software solution.

In order to influence the reduction of fuel consumption, the routes are planned via a route optimization software that generates optimized vehicle routing plans in line with optimal routing and vehicle loading, thus enabling orderly distribution of goods and reducing the distance travelled, that is, the goods are distributed with the use of minimum number of delivery vehicles possible. The analyses are performed daily, while routing the vehicle fleet, and after the monitoring period, indicated by the changes in mileage and in the number of vehicles.



ENERGY CONSUMPTION - FUEL CONSUMPTION (GJ)*

| 2014 | Petrol | Diesel | Gas |
|----------|--------|--------|--------|
| Belgrade | 2,001 | 29,618 | 10,973 |
| Bor | 115 | 1,102 | 729 |
| Kraljevo | 682 | 5,377 | 3,156 |
| Niš | 569 | 3,425 | 3,938 |
| Novi Sad | 515 | 5,136 | 3,293 |
| Subotica | 275 | 2,023 | 1,687 |
| Užice | 216 | 1,663 | 1,055 |
| TOTAL | 4,373 | 48,344 | 24,831 |

TOTAL: 77,548

ENERGY CONSUMPTION - FUEL CONSUMPTION (GJ)*

| 2015 | Petrol | Diesel | Gas |
|----------|--------|--------|--------|
| Belgrade | 2,376 | 27,326 | 10,993 |
| Bor | 115 | 823 | 597 |
| Kraljevo | 979 | 4,646 | 4,608 |
| Niš | 1,069 | 2,938 | 5,468 |
| Novi Sad | 979 | 4,825 | 4,590 |
| Subotica | 249 | 1,893 | 1,370 |
| Užice | 107 | 1,435 | 626 |
| TOTAL | 5,874 | 43,886 | 28,252 |

TOTAL: 78,012

* Fuel consumption for motor vehicles is taken from the expenditure of money per account specified, in relation to the fuel price.

ENERGY

Rational consumption of non-renewable energy sources is an integral part of Nelt’s strategy, its daily processes and activities. In addition to the transport, considerable energy consumption is a result of the use of natural gas for heating and electricity consumption.

NATURAL GAS CONSUMPTION FOR HEATING BY LOCATION







| | 2014 | 2015 | 2014 | 2015 |
|----------|---------------|---------------|-------------|-----------|
| Location | quantity (m³) | quantity (m³) | GJ | GJ |
| Belgrade | 397,071 | 451,248 | 14,786.62 | 16,804.13 |
| Bor | 6,889 | 12,680 | 256.54 | 472.19 |
| Kraljevo | 17,339.6 | 20,807.52 | 645.71 | 774.86 |
| Niš | 5,000 | 6,000 | 186.20 | 223.44 |
| Novi Sad | 1,000 | 1,140 | 37.24 | 42.45 |
| Subotica | 0 | 0 | 0 | 0 |
| Užice | 0 | 0 | 0 | 0 |
| TOTAL | 427,299.6 | 491,875.52 | 15,912.3091 | 18,317.07 |

ELECTRICITY CONSUMPTION

| | 2014 | 2015 | 2014 | 2015 |
|----------|----------------|----------------|--------|--------|
| Location | quantity (kwh) | quantity (kwh) | GJ | GJ |
| Belgrade | 5,243,260 | 5,591,648 | 18,876 | 20,130 |
| Bor | 17,579 | 21,310 | 63 | 77 |
| Kraljevo | 125,840 | 135,640 | 453 | 488 |
| Niš | 271,816 | 261,604 | 979 | 942 |
| Novi Sad | 125,281 | 127,266 | 451 | 458 |
| Subotica | 18,081 | 34,254 | 65 | 123 |
| Užice | 14,104 | 11,949 | 51 | 43 |
| Total | 5,815,961 | 6,183,671 | 20,937 | 22,261 |

As a part of its office and residential space rental, the lessees are responsible for a part of energy consumption, and these amounts are subtracted from the total consumption of the company. Gas consumption is drawn from the gas bill, except for Distribution Centers in Novi Sad and Subotica, where the company rents premises, and therefore an estimation was used.

TOTAL ENERGY CONSUMPTION

| 2014 (GJ) | | 2015 (GJ) |
|-----------|---|-----------|
| 24,831 |  PETROLEUM PRODUCTS - GAS | 28,252 |
| 4,373 |  PETROLEUM PRODUCTS - PETROL | 5,874 |
| 48,344 |  PETROLEUM PRODUCTS - DIESEL | 43,886 |
| 15,912 |  NATURAL GAS FOR HEATING | 18,317 |
| -7,716 | NATURAL GAS FOR HEATING SOLD | -8,879 |
| 20,937 |  ELECTRICITY | 22,261 |
| -12,367 | ELECTRICITY SOLD | -13,235 |
| 94,314 |  TOTAL | 96,476 |

*Electricity consumption for cooling is taken as the difference between the consumption of electricity during the summer and winter season. The company does not use fuel from renewable sources, apart from the 0.64% of purchased electricity generated from renewable sources.

*Fuel consumption for motor vehicles is taken from the expenditure of money per account specified, in relation to the fuel price. A detailed overview of the fuel consumption by localities given on the page Electricity consumption is drawn from the electricity bill, except for Distribution Centers in Novi Sad, Subotica, Užice and Bor, where the company rents premises, and where we took approximate value.

ENERGY INTENSITY

| 2014 | | 2015 |
|---------|---|---------|
| 94,314 | TOTAL ENERGY CONSUMPTION (GJ) | 96,476 |
| 47,274 | TOTAL WEIGHT OF PRODUCTS DISTRIBUTED (T) | 44,290 |
| 142,446 | TOTAL VOLUME OF PRODUCTS DISTRIBUTED (M3) | 133,951 |
| 1.99 | ENERGY INTENSITY (GJ/T) | 2.17 |
| 0.66 | ENERGY INTENSITY (GJ/M3) | 0.72 |

Energy intensity is obtained by dividing the total amount of energy consumed with a unit of product, where the unit of product is represented in cubic meters and tons. Energy intensity is a measure of corporate energy efficiency obtained by the quantity of energy required per unit of product (m³, t).

DIRECT EMMISIONS

Greenhouse gas (GHG) emissions by vehicle category

M1 - A PASSENGER VEHICLE, <9 SEATS PLUS THE DRIVER

| | CO | THC | NMHC | NOx | HC+NOx | PM |
|-----------------|----------|--------|-------|--------|--------|-------|
| 2014 (Total kg) | 2,265.48 | 138.96 | 76.8 | 404.04 | 403.08 | 14.4 |
| 2015 (Total kg) | 2,183.04 | 137.40 | 83.76 | 381.96 | 380.28 | 17.76 |
| Variance % | -3.64 | -1.12 | 9.06 | -5.46 | -5.66 | 23.33 |
| Variance (kg) | -82.44 | -1.56 | 6.96 | -22.08 | -22.80 | 3.36 |

In comparison with 2014, in 2015 we decreases the number of vehicles by 7, i.e. 6.5% and we decreased the mileage by 12,150 km a month, i.e. 4.3%.

N1 - LIGHT COMMERCIAL VEHICLE, MAXIMUM WEIGHT <3,5T

| | CO | THC | NMHC | NOx | HC+NOx | PM |
|---------------------|-----------|----------|--------|----------|--------|-------|
| 2014 (Total kg) | 12,277.92 | 1,082.28 | 680.16 | 1,208.76 | 681.60 | 61.56 |
| 2015 (Total kg) | 14,205.60 | 1,226.40 | 831.72 | 1,460.76 | 909.24 | 76.56 |
| Variance (kg) month | 15.70 | 13.32 | 22.28 | 20.86 | 33.40 | 24.37 |
| Variance % | 1,927.67 | 144.15 | 151.56 | 252.10 | 227.67 | 15.00 |

The increase of emissions in this category was influenced by the increased number of vehicles by 80 vehicles, i.e. 21.9%, and we increased the mileage by 202,000 km, i.e. 16.5%.

N2 – MEDIUM COMMERCIAL VEHICLE, MAXIMUM WEIGHT >3,5T <12T

| | CO | THC | NMHC | NOx | HC+NOx | PM |
|---------------------|----------|-----|------|----------|----------|--------|
| 2014 (Total kg) | 3,108.72 | - | - | 1,193.88 | 1,535.88 | 49.80 |
| 2015 (Total kg) | 2,703.72 | - | - | 1,054.20 | 1,309.92 | 33.84 |
| Variance (kg) mesec | -13.03 | - | - | -11.70 | -14.71 | -32.05 |
| Variance % | -404.98 | - | - | -139.66 | -225.88 | -15.97 |

In this category, we decreased the total number of vehicles in 2015 from 129 to 95 vehicles, i.e. 26.4%, and we decreased the mileage by 126,510, i.e. 29.4%.

Sustainable construction and the 20,000 seedlings project

In order to reduce the ecological footprint a distribution company inevitably leaves, Nelt planted 20,000 seedlings within its business complex in Dobanovci - grape vines, apples, pears, cherries, apricots, plums, peaches, aronia berries. This is the way our company contributed not only to the neutralization of harmful gases, but also to the creation of a more beautiful working environment.

All of Nelt’s facilities are designed and constructed in a manner that provides energy conservation and environmental protection. The choice of materials, equipment and the manner in which installations were set up (in line with the technology used in the facility), provide greater energy efficiency, ergonomics and quality of the workspace.





N3 – HEAVY COMMERCIAL VEHICLE, MAXIMUM WEIGHT >12T

| | CO | THC | NMHC | NOx | HC+NOx | PM |
|-----------------|-----------|-----|------|-----------|----------|--------|
| 2014 (Total kg) | 11,506.08 | - | - | 16,773.72 | 3,152.04 | 137.04 |
| 2015 (Total kg) | 9,442.44 | - | - | 13,623.36 | 2,624.04 | 114.12 |
| Variance (kg) | -2,063.64 | - | - | -3,150.36 | -528.00 | -22.92 |
| Variance % | -17.94 | - | - | -18.78 | -16.75 | -16.75 |

The decrease in emissions of about 17%, was influenced by the decrease in the number of vehicles by 2 vehicles, i.e. 6.3%, and we decreased the mileage by 19,080 km, i.e. 15.3%.

M3, CLASS II – HEAVY BUS, >9 SEATS PLUS THE DRIVER, MAXIMUM WEIGHT >5T, SUBURBAN

| | CO | THC | NMHC | NOx | HC+NOx | PM |
|-----------------|----------|-----|------|----------|--------|-------|
| 2014 (Total kg) | 1,657.20 | - | - | 2,450.64 | 444.84 | 19.32 |
| 2015 (Total kg) | 1,777.56 | - | - | 2,587.44 | 488.04 | 21.24 |
| Variance (kg) | 120.36 | - | - | 136.80 | 43.20 | 1.92 |
| Variance % | 7.27 | - | - | 5.58 | 9.70 | 9.70 |

We kept the same number of vehicles in this category, but we increased the share of vehicles with better standard EURO5. The increase of emissions was influenced by the increased mileage by 1,950 km, i.e. 20.1%.

TOTAL EMISSIONS – ALL VEHICLES (G/KM)

| | CO | THC | NMHC | NOx | HC+NOx | PM |
|-----------------|-----------|----------|--------|-----------|----------|--------|
| 2014 (Total kg) | 30,815.39 | 1,221.16 | 756.91 | 22,030.86 | 6,217.36 | 282.17 |
| 2015 (Total kg) | 30,312.34 | 1,363.80 | 915.51 | 19,107.88 | 5,711.49 | 263.47 |
| Variance (kg) | -503.05 | 142.64 | 158.60 | -2,922.98 | -505.87 | -18.70 |
| Variance % | -1.63 | 11.68 | 20.95 | -13.27 | -8.14 | -6.63 |

The total fleet increased by 35 vehicles, i.e. 5.3%, and the mileage increased by 160,800 km, i.e. 7.7%, in comparison to 2014.

GWP - GLOBAL WARMING POTENTIAL

Even though the total fleet was increased by 35 vehicles, i.e. per 5.4%, and the mileage increased by 160,800 km, i.e. 7.7% in comparison to 2014, we decreased the GWP (Global Warming Potential) in 2015 by 12.86%. We accomplished that by the means of delivery fleet reduction through route optimization, and by replacing a part of the passenger vehicles fleet by vehicles with higher EURO engine standard and lower emission of harmful substances.

GLOBAL WARMING POTENTIAL GWP - ALL VEHICLES

| | CO | THC | NMHC | NOx | HC+NOx | PM |
|-----------------|-----------|-----------|-----------|--------------|----------|----------------|
| 2014 (Total kg) | | | | | | |
| 2015 (Total kg) | 30,815.39 | 1,221.16 | 756.91 | 22,030.86 | 6,217.36 | 282.17 |
| GWP value | 30,312.34 | 1,363.80 | 915.51 | 19,107.88 | 5,711.49 | 263.47 |
| GWP 2014 | 1.00 | 13.40 | 13.40 | 13.40 | 121.00 | - TOTAL |
| GWP 2015 | 30,815.39 | 16,363.58 | 10,142.57 | 2,665,733.80 | - | - 2,723,055.34 |
| | 30,312.34 | 18,274.98 | 12,267.82 | 2,312,053.82 | - | - 2,372,908.96 |

Apart from the transport, a large part of greenhouse gas emissions in Nelt’s activities comes from the consumption of natural gas for heating. The consumption of natural gas is directly linked to external temperatures, so the colder winter in 2015 in comparison to the milder winter in 2014 contributed to a slightly greater consumption. However, it is estimated that without the implemented improvement of the heating technology management, emissions would have been higher by 16%.

GLOBAL WARMING POTENTIAL GWP - NATURAL GAS FOR HEATING

| | CO | CO2 | METHANE | N2O | NH3 | NOX | PART | PM10 | PM2.5 | SO2 | VOM |
|-----------|-------|------------|---------|-------|-----|------|------|------|-------|-----|------------|
| 2014 | 17.9 | 25638 | 0.5 | 0.5 | 0.7 | 59.8 | 1.6 | 1.6 | 1.6 | 0.1 | 1.2 |
| 2015 | 20.7 | 29512.6 | 0.6 | 0.5 | 0.8 | 68.9 | 1.9 | 1.9 | 1.9 | 0.1 | 1.4 |
| GWP value | 1 | 1 | 13.4 | 121 | | | | | | | TOTAL |
| GWP 2014 | 17.90 | 343,549.20 | 6.70 | 60.50 | - | - | - | - | - | - | 343,634.30 |
| GWP 2015 | 20.70 | 395,468.84 | 8.04 | 60.50 | - | - | - | - | - | - | 395,558.08 |

Due to implemented initiatives to reduce total energy consumption and thus reduce emissions, we decreased the global warming potential (GWP) by 9.72% in 2015.

TOTAL GLOBAL WARMING POTENTIAL

| TOTAL GLOBAL WARMING POTENTIAL | 2014 | 2015 |
|--------------------------------|--------------|--------------|
| GWP – Petroleum products* | 2,723,055.34 | 2,372,908.96 |
| GWP – Natural gas | 343,634.30 | 395,558.08 |
| TOTAL | 3,066,689.64 | 2,768,467.04 |

*A detailed overview of emissions by vehicle type is given on pages 126-130.

GREENHOUSE GAS EMISSIONS INTENSITY

| 2014 | GREENHOUSE GAS EMISSIONS PER UNIT OF PRODUCT DISTRIBUTED | 2015 |
|--------------|--|--------------|
| 3,066,689.64 | TOTAL EMISSIONS (GWP) | 2,768,467.04 |
| 47,274 | TOTAL WEIGHT OF PRODUCTS DISTRIBUTED (T) | 44,290 |
| 142,446 | TOTAL VOLUME OF PRODUCTS DISTRIBUTED (m³) | 133,251 |
| 64.87 | GREENHOUSE GAS EMISSIONS INTENSITY (GWP/T) | 62.51 |
| 21.53 | GREENHOUSE GAS EMISSIONS INTENSITY (GWP/m³) | 20.67 |

Greenhouse gas emissions intensity is obtained by dividing the total amount of emissions with a unit of product, where the unit of product is presented in cubic meters and tons. The obtained data represent a measure of corporate emissions intensity per unit of product (m³, t).



The Way of Distribution

INDIRECT EMISSIONS

When it comes to generated indirect greenhouse gas emissions, they originate from the electricity purchased from power plants. In 2014 and 2015, 69.80% of the electricity was purchased from power plants, and 29.56% originated from hydro power plants, while 0.64% originated from renewable energy sources of privileged producers.

| ELECTRICITY CONSUMPTION | | | |
|-------------------------|---------|--------|--|
| | kWh | GJ | GJ – Electricity from thermal power plants |
| 2014 | 5815961 | 20,937 | 14,614 |
| 2015 | 6183671 | 22,261 | 15,538 |

TOTAL EMISSIONS - ALL VEHICLES (G/KM)

| ELECTRICITY GWP* | | | | | |
|------------------------|---|------------|---------------|-----------|-----------|
| | | CO | POLLUTANT | | |
| | | | CO2 | NOx | |
| 2014 | GJ – electricity from thermal power plants ¹ | | 14,614(GJ) | | |
| | Pollutant amount per GJ ³ | 89.1(g/GJ) | 101,000(g/GJ) | 183(g/GJ) | |
| 2015 | GJ – electricity from thermal power plants ² | | 15,538(GJ) | | |
| | Pollutant amount per GJ ⁴ | 89.1(g/GJ) | 101,000(g/GJ) | 183(g/GJ) | |
| GWP index ⁵ | | 1 | 1 | 121 | TOTAL |
| GWP 2014 | | 1 : 2 x 5 | 164.018 | 0.144693 | 9,662.809 |
| GWP 2015 | | 3 : 4 x 5 | 174.3883 | 0.153842 | 10,273.76 |

*We used the emission factors of European Environmental Agency – EEA in calculations. Given the fact that thermal power plants burn brown coal, the calculation was made based on the values for that energy source. For example, we used for CO2 101000 x 1 x 14.614, and so on.



INITIATIVES TO REDUCE ENERGY CONSUMPTION

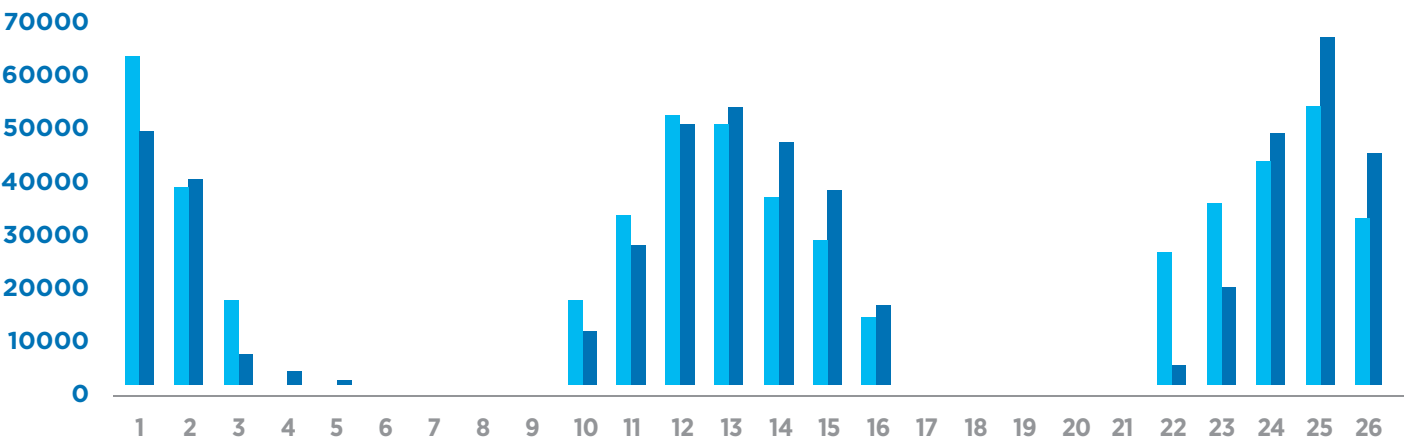
Given the complexity of the system and equipment used on the premises of the Distribution Center, Nelt has recognized the need for centralizing the control and management of individual systems for company's basic processes support, as well as the collection and processing of data on actual amounts of important parameters that affect the basic processes.

Therefore, in 2015 we implemented the energy monitoring and management system, SCADA, with the purpose of reducing the use of gas for heating and the consumption of electricity for cooling.

The basic idea of this approach supports the savings of energy, water and gas, as well as the generation of reports on achieved parameters or the status and condition of equipment at the time.

The savings are based on:

- analysis of equipment, and implementation of options for automated management in accordance with the obtained parameters;
- faster response through parameter monitoring via the SCADA system and real-time informing of key users;
- prompt control actions in order to achieve the required effect.



Taking into account the ratio of gas consumption in the two boiler rooms in the Central Distribution Center in Dobanovci (CDC) - since 2014, working in uniform operating regimes, the boiler room in the new part of the CDC consumed the amount of gas in the value of 100-120% compared to the boiler room in the old part of the CDC, before using the management system. By installing the controllers, the amount of gas consumed in the new part of the CDC is lower compared to the old part of the CDC in average by 17.56% for the first three months in 2015, and in average by 19.70% during the last 2015/2016 heating season.

It is estimated that SCADA, implemented in the new part of the Central Distribution Center in Dobanovci generated savings in the 2015 winter season amounting ca. 16,000 m³ of natural gas per month. Energy savings for the entire season for a period of four and a half months amounts 72,000 m³ or 2,681.00 GJ. For energy savings assessment purposes, we compared energy consumption in the part of the complex the system is not implemented in, working in uniform operating regimes, with the period before we implemented the SCADA system.

Also, at the end of 2015, we introduced the LED lighting, with the aim of reducing the electricity consumption by using lighting technology, as well as by introducing motion sensors, daylight sensors and shutdown/dimming control of LED lights. It is expected to have the estimated savings during the exploitation period from 2016 at around 163.02 MWh per year, for the solution implemented in the hall, i.e. around 586.87 GJ. In addition to contributing to the saving of consumed energy, LED lighting has positive effects on human health and environment. This type of lighting is made according to the RoHS (Restriction of Hazardous Substance Directive) system, and does not contain lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyl that have adverse effects both on human health, and on the environment.

■ CDC - NEW PART
■ CDC - OLD PART

x - months starting from January 2014
y - energy consumption



SCADA - energy consumption parameters management and monitoring system



WASTE

Nelt’s responsible approach to waste management is reflected in the strict observance of relevant laws and regulations, promotion and improvement of recycling; as well as in the implementation of initiatives aimed at reducing the amount of waste and hazardous substances generated as a result of our activities.

Out of the total amount of waste in 2014, we recycled 94.15%, and in 2015 we recycled 91.3% of the generated waste. One of the most important initiatives in this field for the company and for the local environment, was the installation of the separator for wastewater treatment. Namely, in the territory of the company’s headquarters in Dobanovci we installed 7 separators – for atmospheric water, for process water from motor vehicles service,

for carwash oil process water, for grease in company’s restaurant, and for oily atmospheric water from the parking lot.

Those oil, grease and petroleum products separators purify the waste water from all types of sewage systems with an increased amount of sludge, such as sewages for roads, squares, parks, gas stations, car services, garages, industrial plants. This way we have significantly reduced the amount of harmful substances discharged into the environment.

In addition to these seven separators, Central Distribution Center also owns a wastewater treatment plant.

Generated waste by disposal method

| Total weight of waste (t) by disposal method* | 2014 | | 2015 | |
|---|---------------|-----------|---------------|-----------|
| | Non-hazardous | Hazardous | Non-hazardous | Hazardous |
| Total | 327.54 | 16.28 | 387.48 | 18.18 |
| Recycling | 318.10 | 5.62 | 368.37 | 2.14 |
| Composting | 4.06 | 0 | 15.03 | 0 |
| Incineration (or reuse as fuel) | 0 | 10.60 | 0 | 16.04 |
| Landfill | 5.38 | 0.06 | 4.08 | 0 |

* Waste disposal is carried out directly by the company or by the waste disposal contractor.

Cooperation with Sekopak

Nelt and Sekopak have signed a cooperation agreement, which has made Sekopak Nelt's official operator for packaging waste management since June 2016. The aim of the cooperation is increasing efficiency in sorting and preparing packaging waste for further recycling, thus meeting the high criteria of environmental protection. Nelt's systematic packaging waste management raised the bar both in the distribution sector and in its overall business.

Within Nelt's complex in Dobanovci, two eco-islands and an eco-yard have been set up, and employees are now able to sort the packaging waste in their offices. Eco-islands enable the separation of cardboard, paper, PET packaging, metal and glass, while the eco-yard within Nelt's Central Distribution Center is used only for pressing and organizing of packaging waste. The cooperation envisages the education of employees on the need to protect the environment through packaging waste management.

Nelt and Sekopak will also work on familiarizing the public with the Green Dot, the international symbol that indicates systematic recycling of products and packaging materials. The products in Nelt's distribution portfolio carry the Green Dot, and that conveys a message to accounts and consumers that we apply appropriate recycling processes.



Nelt joins the Environmental Committee within the AmCham

Recognizing the challenges in the field of environmental protection, Nelt joined the Environmental Committee formed by the American Chamber of Commerce in Serbia in early 2016. Through active participation in the work of the Committee, Nelt and other members jointly work on raising awareness on the key issues in the field of environmental protection, such as the removal of regulatory barriers related to waste management, circular economy and other issues of environmental policy, with the goal of harmonizing domestic legislation with the EU *acquis communautaire* and enabling their smooth implementation in practice.

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✓ Fully reported
→ Partially reported



„Wall Street by Nelt“, art installation of 10 murals in the company's headquarters in Belgrade

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SPECIAL THANKS TO

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