

Corporate governance code



CORPORATE GOVERNANCE CODE

Preamble

Podravka d.d.

- operates in compliance with regulations in force in countries in which its business activities are carried out,
- provides for the fulfilment of the highest standards throughout the business organisation applying principles that guide all company activities and relations in all fields of activity,
- is aware of the fact that business globalisation requires greater application of international guidelines and implements them in its business practice and procedures,
- in general, strengthens obligations and recommendations on corporate governance issued by organisations competent for the relevant field of activity, especially concerning sustainable development and OECD principles on corporate governance.

Principles

- I. Shareholder rights and responsibilities
- II. The shareholder equality principle
- III. The duties and responsibilities of the Management Board and Supervisory Board of Podravka d.d.
- IV. Disclosure and transparency

All the principles are based on the Croatian Companies Act, Securities Market Act and Zagreb Stock Exchange Rules as headquarters of Podravka d.d. are registered in the Republic of Croatia and the shares of Podravka d.d. are listed on the Official Market of the Zagreb Stock Exchange.

I. Shareholder rights and responsibilities

All shareholder rights arise from relevant Croatian regulations, Podravka d.d. Articles of Association and the Corporate Governance Code, which is in the interest of establishing, open communication with shareholders on business development and company goals.

Podravka d.d. basic shareholders rights and responsibilities of include in particular the right to:

- secure methods of share ownership registration,
- free transfer of shares,
- regular and timely delivery or access to relevant reliable information about Podravka d.d.,
- participate in, and vote at, regular and extraordinary General Assembly of Podravka d.d., in person or by proxy, subject to the Companies Act and Podravka d.d. Articles of Association,

- prompt information about the time, venue and agenda of the General Assembly of Podravka d.d., delivery of minutes and decisions of the General Assembly in reasonable time for which the website may be used,
- approval of annual consolidated financial reports of PODRAVKA Group,
- grant the release to the Management Board and Supervisory Board members of Podravka d.d.,
- deciding about the distribution of Podravka d.d. profit and in particular determine the amount of the dividend,
- recall and appointment of the Supervisory Board members of Podravka d.d.,
- recall and appointment of auditors for the annual financial reports of Podravka d.d. and consolidated financial reports of the PODRAVKA Group,
- adopting and amending the Articles of Association of Podravka d.d.,
- adopting of all decisions that the General Assembly of Podravka d.d. is, by law or by the Articles of Association of Podravka d.d., authorised to deliver
- place the items on the agenda and raise issues at the General Assembly of Podravka d.d. in compliance with the law and Articles of Association of Podravka d.d.

Any Podravka d.d. shareholder has the right to request effective redress of violation of his/her rights in accordance with Croatian law.

Rules for convening the General Assembly of Podravka d.d. should ensure all shareholders to receive a sufficient amount of relevant and prompt information on the subject of decision making as defined in the agenda.

The dividend shall be paid out within a reasonable time in compliance with clear regulations on dividend rights.

Changes in the ownership structure shall be performed in the manner that provides equal treatment of shareholders respecting pre-emptive buying rights in case of new share issue.

Special rights providing equal treatment of shareholders should be respected if a change of company control occurs.

In order to improve the shareholders treatment and their position, Podravka d.d. maintains a special professional service for investor relations.

II. Shareholder equality principle

Shareholders enjoy an equal position in the Company under equal terms.

Voting right

Podravka d.d. applies the principle one share Ð one vote. Treasury shares do not give any voting rights. Each Podravka d.d. shareholder is entitled to receive information on voting rights.

Procedures

Procedures on the organisation and work of Podravka d.d. General Assembly provides equal treatment for all shareholders. Podravka d.d. procedures facilitate shareholder voting.

Share dealings

Any dealings with the Podravka d.d. shares is forbidden to persons that within Podravka d.d. are in a position to have access to privileged information at particular periods when applicable regulations forbid such trading.

III. Duties and Responsibilities of the Management Board and the Supervisory Board of Podravka d.d.

The Companies Act and the Articles of Association of Podravka d.d define the role of the Management Board in managing the business operations.

The Companies Act and the Articles of Association of Podravka d.d. define the role of the Supervisory Board in monitoring of the business operations.

The Management Board in cooperation with the Supervisory Board provides strategic guidelines for Podravka d.d. and PODRAVKA Group as well as efficient supervision of management operations.

The Management Board and the Supervisory Board are responsible to the shareholders and to the Company.

The Management Board has to act in the best interest of the Company and ensure its growth and successful business operations. The Management Board members should have a wide educational background and experience.

The Management and Supervisory Board members should ensure equal treatment of shareholders in equal or similar situations.

In order to fulfil their liabilities and accountability, the Supervisory Board members receive and can demand the delivery of prompt and reliable information concerning the business operations of Podravka d.d. and PODRAVKA Group.

The Management and Supervisory Board members act on the basis of having full information, in good faith, attentively and with the diligence of a an orderly and conscientiously businessman, serving the best interests of Podravka d.d. and PODRAVKA Group companies.

The Management Board has the following non-transferable rights and responsibilities:

1. discuss and approve the strategy and business plan of Podravka d.d. and companies within PODRAVKA Group,
2. regularly report to the Supervisory Board in compliance with the law and the Articles of Association of Podravka d.d.,
3. provide the basis for managing the business operations of Podravka d.d. and companies within the PODRAVKA Group and for that purpose bring relevant by-laws and standard business procedures,

4. organise consistent accounting and financial control in compliance with current regulations and financial planning,
5. organise the function of business controls,
6. establish the business organisation, appoint and recall management and establish principles of management remuneration,
7. provide management supervision; bring grant signatory and representation powers of Podravka d.d.,
8. monitor whether the management operations are in compliance with current regulations, the Articles of Association of Podravka d.d., Management Board decisions, by-laws and the Business plan,
9. assess the first line management staff and provide management succession and development plans,
10. prepare business reports in compliance with the applicable regulations,
11. prepare General Assembly of Podravka d.d. and carry out its decisions, accordingly,
12. notify competent authorities in cases anticipated by law.

The role of the president of the Management Board is to supervise the governance structure of Podravka d.d. and to take particular care on shareholders' treatment and their interests. The Management Board members' competency and scope of activity is established by the Management Board Rules of Procedure.

It is essential that Management Board members understand their individual and collective accountability for loyalty both to the company and all its shareholders. They should not represent any particular shareholder regardless by whom they are nominated, appointed or who has facilitated their appointment. The Management Board members are obliged to represent the interests of all shareholders collectively and act with due diligence and attentively in the best interest of the company and all shareholders, accordingly. The members of the Management Board, Supervisory Board and management have to declare their personal interest at all times in any transaction of significance for Podravka d.d. and PODRAVKA Group operations, respectively. Hence, Management and Supervisory Board members are obliged to inform the Supervisory Board when using information or company's assets for personal benefit. The Supervisory Board should explicitly approve this and the members involved should not participate in decision-making. Shareholders should be informed of such decision, accordingly.

Violation of the transaction approval procedure in which there is personal interest of Management and/or Supervisory Board members is regarded as grounds for recall and indemnity.

Earnings of the Management and Supervisory Board members shall be connected to corporate results of company operations and the incentive part of the salary of the Management Board shall be based on clear criteria related to goal fulfilment in accordance with the Business plan.

The Supervisory Board consists of two permanent sub-committees:

- the auditing sub-committee that consists only of Supervisory members who are not positioned within the management,
- the remuneration sub-committee that consists of the president, vice-president and one member of the Supervisory Board.

The Supervisory Board is responsible for reporting to shareholders and providing full compliance with laws and has to be fully informed on the work of company's auditors appointed by the General Assembly. The Supervisory Board is appointed by the shareholders and is responsible to the shareholders and the Company.

In order to fulfil its reporting liability, the Supervisory Board should ensure a consistent and efficient accounting and financial reporting system. This requires supervision of the internal control functioning and supervision of the data disclosure system and communications. Such function of risk management and supervision is of great importance and requires financial knowledge and personal integrity of Supervisory Board members.

For the fulfilment of its duties and responsibilities the Supervisory Board may seek adequate external expert opinion.

The Supervisory Board should discuss the strategy of Podravka d.d. and supervise and assess the Management Board of Podravka d.d.

IV. Disclosure and Transparency

Podravka d.d. strive to provide shareholders with access to reliable, up-to-date and consistent information in a regular, timely and uniform manner. Such information should enable shareholders and potential investors to make reasonable value judgement about Podravka d.d. shares.

Podravka d.d. continuously follows the disclosure and transparency policy, except when this is in contradiction with protection of the company's competitive position or legal regulations.

Employees, investors, business partners (hereinafter: stakeholders) contribute to the company's success.

The protection of stakeholder rights and developing good mutual relations is a factor for company success and therefore, in compliance with shareholder interests.

Regardless of the employees rights explicitly regulated by the applicable law, Podravka d.d. and companies within the PODRAVKA Group tend to regularly inform employees about all significant business events.

Apart from mandatory disclosure that Podravka d.d. is obliged to in accordance with applicable regulations, Podravka d.d. occasionally informs the public about a) overall company goals, b) appointments in the Management Board and Supervisory Board, the competency of particular members of the Management Board for specific fields of work and reasons for resignation of Management Board members, as the case may be, c) the remuneration policy for the Management Board and management, d) the appointment of auditors, e) business operations of particular sectors, f) main risk factors, g) the corporate governance policy, h) significant employee or stakeholder related issues, and i) transactions with related parties.

Podravka d.d. operates in compliance with all applicable regulations and the requirements of competent bodies.

Podravka d.d. observes all amendments of regulations and participates in discussions concerning changes in the legislation of the Republic of Croatia, whenever possible.

Podravka d.d. fulfils its liability of public disclosure of market sensitive information in accordance with the Rules of the Zagreb Stock Exchange.

Independent auditors appointed by the General Assembly of Podravka d.d. perform the annual audit to provide an objective assessment of how the financial reports are prepared and presented.

Podravka d.d. maintains partner relations with the media for the purpose of providing correct information about the operations of the PODRAVKA Group and the promotion of business policy transparency.