

**CODE OF CORPORATE GOVERNANCE**

**ANNUAL QUESTIONNAIRE**



*All questions contained in this questionnaire relate to the period of one year to which also the annual financial statements relate.*

**Company**

PODRAVKA prehrambena industrija d.d.

**1. Does the company have its www pages on Internet?**

if yes, on which address?

If not, way?

YES/NO Detailed

YES www.podravka.hr

**2. Are the semiannual, annual and quarterly reports made available to the shareholders?**

at the company's headquarters (If not, why?)

on the company's www pages on Internet (If not, why?)

in the English language (If not, why?)

YES

YES

YES

**3. Did the company prepare the calendar of important events? (If not, why?) If yes,**

has the calendar of important events been published on the company's web pages on Internet?  
(If not, why?)

has the calendar of important events been orderly and timely updated? (if not, why?)

NO

The company publishes timely reports to the public on important events and announces them to Zagreb Stock Exchange and HANFA and on company's web site.

**4. Does the company announce the list of shareholders and update it at least twice a month? (If not, why?)**

YES

**5. Is company in relationship of cross-ownership of shares with the other company or companies? If yes,**

which companies are these?

are the data on cross-ownership publicly announced and how? (If not, why?)

NO

**6. Does the company announce in the annual statement data on securities issued by the company which are owned by the Members of the Supervisory Board or the Management Board of the company? (If not, why?)**

YES

**7. Does the company publish on its web pages the records on securities issued by the company which are owned of the Members of the Supervisory Board or the Management Board of the company, and are these records regularly (within 48 hours) updated? (If not, why?)**

YES

**8. Does the company determine and publicly announces the risk factors? (If not, why?)**

YES

**9. Did the company establish the mechanisms to ensure:**

that the persons who dispose with or come into contact with preferred information understand the nature and importance of these information and limits with regard to it? (If not, why?)

YES	
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the supervision over the flow of information and the possible misuse thereof (If not, why?)

YES	
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**10. Does every share of the company give one vote? If not,**

have all relevant disclosures pertaining to non-voting shares been publicly and timely released? (If not, why?)

YES	
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how are these explanations released?

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**11. Have the candidacies of all candidates for membership in the Supervisory Board being elected at the Assembly or being appointed, including their CVs, been announced on Internet? (If not, why?)**

YES	
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**12. Does the company treat all shareholders in the same manner? (If not, why?)**

YES	
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**13. Did the company issue new shares? If yes,**

Has the participation in increase of the share capital of the company been made possible to all shareholders, in proportion to their shares in the up-to-then share capital of the company, and thus in form of transferable shares with the right of preemption, in order to protect the interests of shareholders who at the time of issuance may not register and purchase new shares? (If not, why?)

NO	
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Was the intention of new shares issuance publicly announced at least 10 days prior to the date determined as the date for establishing the status in the register of shares which will be relevant for determination which shareholders are entitled to pre-emption right at purchase of newly issued shares? (If not, why?)

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**14. Did the company acquire or release new shares (treasury notes). If yes, was this acquisition or release performed**

on the open market? (If not, why?)

YES	
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in the manner not giving privileges to single shareholders or investors or groups of shareholders, i.e. investors? (If not, why?)

YES	
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YES	
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**15. Was the issuance of the power of attorney for voting at the General Assembly made most simplified and with not strict formal requests? (If not, why?)**

YES	
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**16. Did the company provide for shareholders, who due to whatever reason are not in a position to vote at the Assembly by themselves, without additional expenses, the proxies who are obliged to vote in compliance to the shareholders' instructions? (If not, why?)**

YES	
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**17. Did the Management Board of the company, at convocation of the Assembly, set the date according to which the status in the register of shares will be established, which will be relevant for determination of realizing voting rights in the Assembly of the Company in the manner that such date will be set prior to holding the Assembly and may be at the most 7 days prior to holding the assembly? (If not, why?)**

YES	
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**18. Does the decision on payment of dividend or dividend advance include the date on which the person being the shareholders becomes entitled to dividend payment and the date or period when the dividend will be paid out? (If not, why?)**

YES	
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**19. Is the date on which the person becomes entitled to payment of dividend or dividend advance at least 10 days after the date of passing the decision? (If not, why?)**

NO	The company did not pay any dividends.
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20. Does the date of payment of dividend or dividend advance fall at least 12, and at most 30 days after the date of passing the decision? (If not, why?)

NO	The company did not pay any dividends.
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21. Did the period of payment of dividend or advance dividend last for more than 10 days? (If yes, why?)

NO	The company did not pay any dividends.
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22. Were at the payment of dividend or advance dividend some shareholders favored? (If yes, why?)

NO	
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23. Was the decision on payment of dividend or advance dividend which determines the aforementioned dates announced and submitted to the stock exchange at least 2 days upon its making?

YES	
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24. Were the agenda of the Assembly, as also all relevant records and papers with the explanations referring to the agenda, announced on the web pages of the company on Internet, and put at disposal to the shareholders in the company's premises from the date of the first public announcement of the agenda? (If not, why?)

YES	
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25. Were the agenda of the Assembly and all relevant records and papers announced on the web pages of the company on Internet also in the English language? (If not, why?)

YES	
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26. Have the conditions been set for participation at the General Assembly and usage of the voting right (with no regard to whether permitted in compliance to the law and statute) such as for example registering participation in advance, certification of powers of attorney and similar? (If yes, why?)

YES	Registration of participants in advance as a condition of participating at the General Assembly is stipulated due to a large number of small shareholders, with the intention of maintaining order and regularity of the session being held.
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27. Does the report to be submitted by the Supervisory Board to the General Assembly include, apart from the Content of the report defined by the law, the evaluation of the overall business efficiency of the company, activities of the Management Board of the company and the special review of its cooperation with the Management Board? (If not, why?)

YES	
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28. Did the management board of the company publicly announce the decision of the General Assembly of the company, as also the records of the possible action for annulment of these decisions? (If not, why?)

NO	There are no preconditions for such participation of shareholders at the General Assembly.
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30. Did the Supervisory Board take its decision on the master plan of its activities including the list of regular meetings and records to be regularly and timely put at disposal to the Members of the Supervisory Board? (If not, why?)

YES	
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31. Did the Supervisory Board make the internal rules of conduct? (If not, why?)

YES	
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32. State the names of the Supervisory Board's members.

Karmen Antolić (from 22. 07. 2008), Milan Artuković (till 22. 07. 2008), Marko Ećimović (till 22. 07. 2008), Damir Felak (till 23. 12. 2008), Goran Gazivoda (till 22. 07. 2008), Nikola Gregur (from 22. 07. 2008), Boris Hmelina, Ksenija Horvat, Damir Kovačić (from 22. 07. 2008), Franjo Maletić, Darko Marinac (from 22. 07. 2008), Josip Pavlović (till 28. 05. 2008), Dražen Sačer, Dubravko Štimac, Mladen Vedriš (till 28. 05. 2008), Branko Vuljak (from 22. 07. 2008)

33. State for each member of the Supervisory Board in which other companies he/she is the member of the Supervisory Board of the Management Board. If some of these companies are considered to be competitive with the company, state it.

There is no obligation of submitting these information

34. Is the Supervisory Board of the company mostly composed of independent members? (If not, why?)

YES	
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35. Which members of the Supervisory Board are independent?

All of them.

36. Are there in the company a long term succession plan? (If not, why?)

NO	In modern business it is hard to predict and to relate employees with long term succession plans.
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37. Has the reward or the remuneration received by the Members of the Supervisory Board in entirety or partly been determined according to their contribution to the efficiency of the company? (If not, why?)

NO	The remuneration is of a fixed character and in no part does it depend on efficiency of company's business.
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38. Is the remuneration to the Members of the Supervisory Board:

determined by the decision of the General Assembly:

YES
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determined in the Articles of Association of the Company

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determined in some other manner (if yes, in which?)

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39. Have the detailed records on all remunerations and other earnings from the company or from the with the company related persons of each individual member of the Supervisory Board of the company, including the structure of such remuneration, been publicly announced? (If not, why?) (If yes, where?)

NO	Total amounts paid to all Supervisory Board members are publicly announced.
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40. Does every member of the Supervisory Board inform the company on all changes with regard to marital partnership or shares of the company, and thus latest on the next business day, upon occurrence of such change? (If not, why?)

YES	
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41. State all activities in which the Members of the Supervisory Board or with them related persons participated on one side and the company or with it related persons on the other side.

There were no such activities.
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42. Were all activities in which the Members of the Supervisory Board or with them related persons participated and the company or with it related persons:

concluded on the market basis (especially with regard to terms, interests, guarantees and similar)? (If not, why and which?)

NO	There were no such activities.
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clearly stated in the reports of the Company (If not, why and which?)

NO	There were no such activities.
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confirmed by the independent assessment by expert persons being independent in relation to the participants of the subject transaction? (If not, why and which?)

NO	There were no such activities.
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43. Are there contracts and agreements between the Member of the Supervisory Board and the company? If yes,

NO
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were they priory approved by the Supervisory Board? (If not, why?)

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were the important events of all such contracts and agreements included in the annual report? (If not, why?)

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44. Did the Supervisory Board establish the Appointment Committee? (If not, why?) If yes,

YES	
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did the committee estimate the composition, size, membership and quality of work of the Supervisory Board and the Management Board, and draft the corresponding recommendations for the Supervisory Board? (If not, why?)

NO	The estimate was initiated by appointing the Board in late September 2008.
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did the committee make the evaluation of the knowledge, skills and experience of the individual members of the Supervisory Board and inform the Supervisory Board thereof? (If not, why?)

NO	The estimate was initiated by appointing the Board in late September 2008.
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did the committee analyze the problems related to planning of the Supervisory Board's and the Management Board's continuity? (If not, why?)

YES	
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did the committee analyze the policy of the Management Board with regard to employment of high management? (If not, why?)

NO	The estimate was initiated by appointing the Board in late September 2008.
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**45. Did the Supervisory Board establish the Remuneration Committee? If yes,**

Is the majority of members of the committee from the independent members of the Supervisory Board? (If not, why?)

Did the committee propose to the Supervisory Board the policy of remuneration of the Management Board which has to relate to all types of remuneration, and in particular to the fixed part of the remuneration, the variable part of the remuneration is related to business efficiency, retirement plan and severance pay? (If not, why?)

With regard to the variable part of the remuneration related to business efficiency, did the committee's proposal include the recommendations for determination of objective criteria of efficiency assessment? (If not, why?)

Did the committee propose to the Supervisory Board the remuneration for single members of the Management Board in compliance with the company's remuneration policy and evaluation of activities of a single director? (If not, why?)

Did the committee propose to the Supervisory Board the appropriate form and content of the contract with the members of the Management Board? (If not, why?)

Did the committee follow the amount and the structure of remuneration to the high management and give general recommendations to the Management Board with regard to that? (If not, why?)

Did the committee with regard to the incentive part of the remuneration to the Management Board, in case it is composed of options on shares or other arrangements based on acquisition of shares, analyzed the general policy of such type of remuneration and suggested to the Supervisory Board appropriate solutions, as also analyzed records being published about it in the annual report, prior to announcement?

**46. Did the Supervisory Board establish the Audit Committee? (If not, why?) If yes,**

Is the majority of the committee members from the independent members of the Supervisory Board? (If not, why?)

Did the committee follow the integrity of the financial information of the company, and in particular, the correctness and consistency of the accounting methods used by the company and the group to which it belongs, including the criteria for consolidation of financial reports of the companies which belong to the group? (If not, why?)

Did the committee evaluate the quality of the internal audit system and risk management, with the objective to identify and make public the major risks to which the company has been exposed (including the risks related to compliance with the provisions) in the appropriate manner, and to manage them in the appropriate way? (If not, why?)

Did the committee work on ensuring efficacy of the internal audit system, especially through preparing recommendations at selection, appointment, repeated appointment and dismissal of the head of internal audit department and with regard to resources at his/her disposal, and assessment of the head's actions at the occasion of findings and recommendations of the internal audit? (If not why?).

If there is no internal audit function within the company, did the committee make the evaluation of the need for establishment of such function? (If not, why?)

Did the committee give to the Supervisory Board its recommendations with regard to election, appointment, repeated appointment and change of the external auditor, and on terms and conditions of his/her engagement? (If not, why?)

If there is no internal audit function within the company, did the committee make the evaluation of the need for establishment of such function? (If not, why?)

Did the committee supervise the independency and objectiveness of the external auditor, in particular with regard to rotations of the authorized auditors within the audit company and remunerations the company is paying for the external auditors' services? (If not, why?)

Did the committee follow the nature and the quality of services which are not part of the audit, but the company does receives them rendered from the audit company and the persons related to it? (If not, why?)

YES

YES

NO

The committee participated in making the remuneration decisions, but till this point it did not make any remuneration policies, along with any retirement or severance payments plan and did not make any proposals to the Supervisory Board.

NO

There was no variable share.

YES

NO

The committee accepted the existing form and content of the Contract with Board Members and made no changes or amendments to it.

NO

The company has the structure of remunerating high management through key performance indicators.

NO

YES

YES

YES

YES

YES

NO

Internal audit function existed.

YES

YES

YES

YES

Did the committee prepare the rules on the services which the external audit company and the persons related to it may not render to the company, the services which may be rendered only with the prior consent of the committee, and the services which may be rendered without the prior consent? (If not, why?)

YES	
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Did the committee analyze the efficacy of external audit and actions of the high management with regard to recommendations made by the external auditor? (If not, why?)

YES	
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Did the committee examine the circumstances related to dismissal of the external auditor and give the appropriate recommendations to the Supervisory Board? (if it came to such dismissal)? (If not, why?)

NO	There was no such dismissal.
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Has the committee open and unlimited communication with the Management Board and the Supervisory Board? (If not, why?)

YES	
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To whom is the committee accountable for its work?

To the Supervisory Board.
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Has the committee open and unlimited communication with the internal and external auditor? (If not, why?)

YES	
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Did the Management Board submit, so far, to the Audit Committee:

timely and periodical presentation of financial statements and related documents prior to public announcement of these data (If not, why?);

YES	
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records on changes in accounting principles and criteria (If not, why?);

YES	
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accounting procedures accepted for the majority of actions (If not, why?);

YES	
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each significant deviation between the book and real value per single items (If not, why?);

YES	
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all correspondence with the internal audit department and independent auditors (If not, why?)

NO	Only the correspondence relevant to the company business was submitted.
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Did the Management Board inform the Audit Committee on methods used for booking significant and unusual transactions and business events when the bookkeeping presentation of such events may be approached in different manners? (If not, why?)

YES	
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Did the Audit Committee discuss with the independent auditor the issues related to:

change or retaining of the accounting policies and criteria, (If not, why?)

YES	
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change of regulations (If not, why?)

YES	
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important estimates and conclusions in preparing financial reports (If not, why?)

YES	
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methods of risk assessment and results (If not, why?)

YES	
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highly risky areas of activities (If not, why?)

YES	
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noticed larger deficiencies and significant deficiencies in internal audit (If not, why?)

NO	No larger deficiencies were noted.
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impact of external factors (economic, legal and industrial) to financial statements and audit procedures (If not, why?).

YES	
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Did the Audit Committee provide supply of high quality information from the dependent and associated companies, as also third persons (such as expert advisors)? (If not, why?)

YES	
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47. Has the documentation relevant for work of the Supervisory Board been submitted on time to all members? (If not, why?)

YES	
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48. Have all decisions made on the Supervisory Board's meetings been recorded in the minutes together with the voting results, stating how each member voted? (If not, why?)

YES	
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49. Did the Supervisory Board prepare the evaluation of its work in the past period including the validation of contributions and competency of each member, as also of the joint work of the committee, evaluation of the work of committees established by the Supervisory Board, and the evaluation of the reached in relation to the target objectives of the company?

NO
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50. State the names of the members of the Management Board.

Zdravko Šestak, Miroslav Vitković, Josip Pavlović, Marin Pucar, Saša Romac
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51. Are there rules for work of the Management Board defining the issues with regard to:

area of activities and objectives,

YES	
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rules of procedure,

YES	
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rules of solving conflict of interest,

NO	Conflict of interest was defined by management contracts.
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secretary of the Management Board,

YES	
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holding meetings, passing decisions, agenda, preparing and content of the minutes and submission of documents,

YES	
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cooperation with the Supervisory Board

YES	
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(If not, why?)

52. Did the company announce the statement of the policy of remuneration of the Management Board and the Supervisory Board as part of the annual statement? (If not, why?)

NO	Annual statement announces only the total amounts of remuneration to the Supervisory Board and the Management Board, but not the remuneration policy
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53. If there is one, does the Remuneration policy statement include the following parts:

significant changes in relation to the remuneration policy in comparison with the prior year (If not, why?)

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explanation of the relative portion and significance of the fixed and variable parts of remuneration (If not, why?)

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sufficient information on efficiency criteria on the fulfillment of which the entitlement to acquisition of options on shares, shares or other form of variable portion of remuneration has been based (If not, why?)

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sufficient information on relation between the amount of remuneration and efficiency (If not, why?)

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basic ratios and reasons for distribution of annual bonuses or privileges which are not cash (If not, why?)

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summary review of contracts with the members of the Management Board which has to include the records on contract duration, notice periods and in particular on severance pays. Each form of remuneration for members of the Management Board and the Supervisory Board which includes options on shares and other rights to acquisition of shares or in case the remuneration based on the price of shares of the company must prior to becoming effective be approved by the General Assembly of the company. This approval relates to remuneration principles, and not to approving remuneration to single members of the Management Board or the Supervisory Board (If not, why?)

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NO	There is no formal document to determine remuneration policy
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55. Are detailed records on all earnings and remunerations which each member of the Management Board receives from the company publicly announced in the Annual report of the company? (If not, why?)

NO	Company law makes no obligation for the companies to make such announcement
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56. Are all forms of remunerations to the members of the Management Board and the Supervisory Board, including options and other benefits of the Management Board publicly announced by detailed single items and persons in the annual report of the company? (If not, why?)

NO	Company law makes no obligation for the companies to make such announcement
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57. Does the Statement of remunerations to the members of the Management Board include the following elements with regard to each member of the Management Board who filled this post in the year to which the statement relates:

. total amount of the salary, with no regard to whether he/she has actually been paid out or not (If not, why?)

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remunerations or benefits received from associated companies (If not, why?)

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. remunerations in from of participation in profit or bonus and the reasons due to which they were paid out (If not, why?)

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any other additional remunerations paid out to the members of the Management Board for the activities they performed for the company out of the usual scope of activities of the member of the Management Board (If not, why?)

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the compensation paid out or which has to be paid out to the former member of the Management Board with regard to cease of filling the post during the year to which the statement relates (If not, why?)

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the total estimated value of the non-cash benefits which are considered the remuneration, but are not listed in the prior items (If not, why?)

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with regard to remuneration in shares or options on shares or other forms of remuneration based on acquisition of shares:

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number of options or shares approved by the company in the year to which the statement and the conditions for the usage thereof relates (If not, why?)

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number of options exercised in the year to which the statement relates, and for each of them, the number of shares and the price at which it was exercised, or the value of shares included in distribution to the members of the Management Board at the year end (If not, why?)

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number of options not exercised at the end of the year, the price at which they can be exercised, the exercise date and the main conditions pertaining to the exercise (If not, why?)

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each change related to the change of conditions for exercise of the existing options which occurred in the company in the year to which the statement relates (If not, why?)

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each loan (including the balance of debt and the interest rate), advance payment or guarantee in favor of the members of the Management Board from the with the company associated companies which are included into the consolidated financial report (If not, why?)

58. Did every member of the Management Board informe the Supervisory Board of the company on all changes with regard to his/her ownership of the shares latest the next business day upon occurrence of such change with the obligation of the company to publicly announce such change in the shortest possible term? (If not, why?)

NO	There is no such obligation
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59. State all activities in which the members of the Management Board or with them related persons participated on one side and the company or with it related persons on the other side.

There were no such activities.

60. Were all activities in which the members of the Management Board or with them related persons participated:



closed on the market basis (especially with regard to terms, interests, guarantees and similar)? (If not, why and which?)

clearly stated in the reports of the company? (If not, why and which?)

confirmed by the independent assessment of the expert persons being independent in relation to participants in the subject business? (If not, why and which?)

61. Do the members of the Management Board have the significant portion in the companies which might be considered competitive with the company? (If yes, which, where and how many?)

62. Are the members of the Management Board the members of the Supervisory Boards of other companies? (If yes, state the names of these members of the Management Board, the firms of the companies in which they are the members of the Supervisory Boards, and the functions they fill in these Supervisory Boards).

63. Does the company have the external auditor (If not, why?)

64. Is the external auditor of the company:

in proprietary terms or in terms of interests related with the company (If yes, state in which manner)

65. Did the independent auditors directly inform the company on the following issues:

discussion on the main accounting policy

important deficiencies and significant inadequacies in the internal audit,

alternative accounting procedures,

noncompliance with the Management Board, risk assessment, and

possible analyzes of fraud and/or misuse.

If they did not, why?

66. Did the company publicly announce the amounts of the remuneration paid to the independent external auditors for the performed audit and other services rendered? (If not, why?)

67. Does the company have the internal auditors and the established internal audit system? (If not, why?)

68. Do the investors have to possibility to request in written form and to timely get the relevant records from the Management Board of the company or from the person in the company entrusted with investors relations (If not, why?)

69. How many meetings did the Management Board of the company hold with the investors?

NO	There were no such activities.
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NO	There were no such activities.
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NO	There were no such activities.
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NO	
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YES	Zdravko Šestak - DANICA d.o.o. Supervisory Board president, BELUPO d.d. SB deputy president, SLOGA d.d. SB deputy president , Miroslav Vitković - DANICA d.o.o. SB member, PODRAVKA-LAGRIS a.s., PODRAVKA INTERNATIONAL USA Inc, Josip Pavlović - DANICA d.o.o. SB member, Marin Pucar - DANICA d.o.o. SB member, PODRAVKA LAGRIS a.s., PODRAVKA INTERNATIONAL USA, Saša Romac - DANICA d.o.o., ROTOPLAST SB member
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YES	
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NO	
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YES	Provides smaller financial services to the company, which are of no significance financial wise.
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YES	
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NO	There were no such deficiencies.
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YES	
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NO	There were no non-compliances.
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NO	There were no such cases.
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NO	There is no such obligation of the company.
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YES	
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YES	
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70. Has someone suffered negative consequences due to indicating to the supervisory bodies or authorities in the company or outside the company on deficiencies in application of regulations or ethical norms within the company? (If yes, why?)

NO	
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71. Do all members of the Management Board and Supervisory Board agree that the statements stated in the answers to this questionnaire are at their best knowledge truthful in its entirety? (If not, state which members of the Management Board and the Supervisory Board do not agree, with which answers they do not agree and why).

YES	
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