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Pursuant to the provisions of Article 21 of the Statute of PODRAVKA d.d. and Article 4 of the Rules of Procedure of the Management Board of PODRAVKA d.d., the Management Board of PODRAVKA d.d., at its 11<sup>th</sup> session held on 23 May 2017, adopted the following

## **CODE OF BUSINESS ETHICS OF THE PODRAVKA GROUP**

### **I. INTRODUCTORY PROVISIONS**

The aim of this Code of Business Ethics (hereinafter: Code) is to promote the values that make the Podravka Group one of the most successful companies in Croatia and in Central and Southeast Europe. These values, particularly in business, are in compliance with the applicable regulations and the highest standards, confidence, customer satisfaction and excellence in all activities. This Code does not prescribe the recommended conduct in all possible situations, but instead establishes the unwavering minimum standards, and framework of acceptable conduct and dedication to the business in line with the fundamental values, all valid laws and regulations, and industry standards.

In its operations, the Podravka Group, made up of PODRAVKA d.d., all its daughter companies and affiliated companies, and all its employees (hereinafter: PODRAVKA), is obliged to abide by the relevant laws, provisions and standards in the countries in which it operates, and all fundamental ethical principles and guidelines of ethical conduct as defined in this Code.

It is the intention that the Code gives guidelines about what is expected from every PODRAVKA employee, and it refers them to other acts and operating guidelines of PODRAVKA. Also, the company is developing its own ethical principles, in line with the principles of modern corporate governance.

The Code contains the traditional good business practice of PODRAVKA and promotes new standards in line with the best business practices.

#### **1. Fundamental guidelines**

For PODRAVKA, an irreplaceable value of the company is its employees, who maintain and nurture the company's fundamental values: innovativeness, a desire for learning and winning, customer satisfaction, excellence and loyalty, thereby creating a recognisable corporate culture that represents the identity as a company that nurtures business morale and ethics in its operations.

As a leading company in the region of Central and Southeast Europe, PODRAVKA wishes to retain its strong reputation in all areas of its operations.

The Code is based on the principles of orderly and conscientious business conduct and the corporate system of values implemented by the Management Board, management, and all PODRAVKA employees.

We also expect all advisors, representatives and all third persons acting on behalf of PODRAVKA to conduct themselves in accordance with the principles of this Code.



The PODRAVKA Management Board and management are obliged to act as promoters of the Code, always aligning their conduct with it, and they are required to ensure all the necessary conditions for its implementation.

The application of the Code is mandatory for all PODRAVKA employees, regardless of their position and the work they perform.

Non-abidance of the Code or any other act of PODRAVKA, valid regulations and standards will be taken very seriously and may result in disciplinary measures, including termination.

Since there can be no set of rules that could encompass all possible situations, special situations will be considered on a case-by-case basis when they could result in significant damages for PODRAVKA, and any derogations from the provisions of the Code and acts of PODRAVKA must be previously approved in writing by the PODRAVKA d.d. Management Board, or the persons responsible for corporate governance.

## **2. Purpose**

The purpose of the Code is to create and maintain the recognisable identity of PODRAVKA in relation to the competition, to create loyalty among consumers and trust among investors, business partners and the general public.

The Code establishes the standards of conduct and rules that must be abided by for employees in their work, so as to promote and contribute to increasing the reputation of PODRAVKA. When in doubt, employees may request guidelines from their supervisor as to the appropriate way to act in a given situation; however, each employee is responsible for their own conduct.

Every employee is required to report cases of violation of the Code and cases in which they suspect that may be violations of the Code, including situations in which someone requests that they violate the Code. Such reports will not ever have detrimental repercussions for the employee and the appropriate measures will always be taken to protect employee confidentiality and dignity.

## **3. Fundamental values**

PODRAVKA is a company that wishes to achieve a differentiation of its products and operations among similar companies on the markets in which it operates.

PODRAVKA wishes to clearly present its corporate culture, built upon its fundamental values: innovativeness, a desire to learn, customer satisfaction, loyalty, confidence, entrepreneurship, a winning spirit, team work, excellence, properness and security, and business transparency and strong professionalism.

## **4. Employees**

Employees with their knowledge, skills and experience are the greatest value of PODRAVKA. Employment, education and the promotion of employees is based exclusively on the assessment criteria of their capabilities and work success, and in accordance with clear written procedures.

PODRAVKA does not employ persons younger than the minimum, legally stipulated age for employment.



It is prohibited to employ children in any work that could endanger their safety, health, morality or personal development. Personal development implies a child's health or physical, mental, spiritual, moral and social development.

If PODRAVKA hires a child, it will primarily take into account the best interests of the child. All regulations on work hours and working conditions of children will be strictly adhered to.

Just as employee diversity is one of the strengths of PODRAVKA, for PODRAVKA, all employees are equal, and any form of discrimination or harassment of employees on the basis of bias or prejudice is forbidden, such as discrimination for the reasons of race or ethnic belonging, or skin colour, gender, language, religion, political or other beliefs, national or social origin, financial standing, union membership, education, social position, marital or family status, age, health condition, disability, genetic heritage, birth identity, expression or sexual orientation, or any other characteristics that are protected under the valid laws.

All employees are expected to treat one another with dignity and respect. In the case of conduct contrary to the previous sentence, the employee is required to contact the commissioner for the protection of employee dignity.

PODRAVKA stimulates equality among all its employees, and offers equal opportunities for employment, education, advancement and rewards for all employees.

Employee privacy is particularly protected.

All employees are required to express their loyalty to PODRAVKA and to contribute to building its positive identity. Employees are required to act professionally, and to nurture the culture of mutual trust, respect and team work.

Managers are specifically required to maintain a good and stimulating work atmosphere, in which all employees will feel motivated and undiscriminated. Managers must continuously monitor the work of their employees to be able to recognise and guide them based on their capabilities, and to reward them.

Employees are required to ensure their professional impression, conduct and appearance in all business contacts.

Any form of unprofessional conduct, particularly in contact with associates, business partners, the media and social environment is unacceptable. In communications towards third persons, employees are required to protect the interests and to improve the corporate reputation of PODRAVKA.

All employees, especially managers, are required to maintain a high level of their own competencies and knowledge, through continuous adoption of new knowledge and trends in their field, while constantly striving to improve the quality of their work.

Employees are expected to develop their own talents and capabilities according to their area of work, and managers are expected to secure the necessary conditions for the professional development of employees in the work they perform or will perform. A proactive approach to education is particularly valued when employees participate in forming and organising individual forms of education.

## **II. CORPORATE PRINCIPLES**



## **1. Legality and transparency of operations**

In the performance of their work, employees are required to abide by the valid regulations and acts of PODRAVKA.

PODRAVKA has the right, via its internal acts, procedures and standards, and with the aim of ensuring uniform business processes and the creation of a recognisable identity on the market, to regulate individual issues and business processes even stricter than the valid legal framework, and in such individual issues, shall apply more stringent provisions.

Employees report to their superior manager concerning their work.

Any withholding or non-disclosure of information, concealing or misrepresentation of data, or untimely information on any important aspects of operations is most strictly prohibited.

The entire business and financial documentation of PODRAVKA, which includes not only financial reports, but also the remaining business documentation, such as business plans, budgets, and reports, must be accurate and complete.

Ensuring the accuracy and completeness of all business and financial documentation is the obligation of all employees, as only accurate management and reporting reflects upon the reputation and credibility of PODRAVKA and enables it to fulfil its obligations ensuing from the laws and regulations.

## **2. Professionalism and objectivity**

Employees are required to act in accordance with the highest professional principles and rules of the profession. Professionalism is particularly expected of managers, who are required to promote all professional standards, team work, and to apply the valid regulations and acts of PODRAVKA.

Employees are required to avoid any type of activity that could damage their profession, professionalism, objectivity and independence in their work, and to refrain from activities that are contrary to the interests of Podravka. If such activities cannot be avoided, employees are required, immediately and without delay, to notify human resources and/or legal affairs.

In the performance of their tasks, employees are required to conduct themselves proactively, while conscientiously and diligently protecting the interests of PODRAVKA and their colleagues. This in particular pertains to reporting on work results and operations, and the need to indicate possible risks, problems and shortcomings in their work. Reports on the results of work and operations must be compiled truthfully, completely and in line with the applicable rules of the profession and accounting standards, and must avoid any unfair or fraudulent action.

## **3. Public relations**

Employees continuously build the PODRAVKA identity in all their communications with business partners, stockholders and the community. The conduct of every employee in business contacts directly impacts the public opinion about PODRAVKA, and with that its market position. Accordingly, employees may not harm the reputation of PODRAVKA with their conduct in any way, particularly by disclosing incorrect, incomplete and/or confidential information about PODRAVKA.



Employees who are entrusted with reporting to the public on PODRAVKA operations, and communications with the media, are required to do so in accordance with the valid regulations governing the capital market and the general acts of PODRAVKA, openly and truthfully, while building up good contacts with all forms of public reporting and the media.

#### **4. Product quality**

Customer satisfaction is a constant stimulus for PODRAVKA to consistently deliver products and services of the highest quality. Ensuring premium quality products is key to our success. Therefore, every employee must know that standards and rules of conduct that protect product quality, and must abide by them. Further, we expect our suppliers to ensure the quality and safety of the products and services they provide to us. For that reason, we select suppliers that nurture the same values as us, and deliver products and services of premium quality.

#### **5. Work in a safe environment**

PODRAVKA consistently promotes safe operating practices and avoids unnecessary risk for its employees and the community. All employees are expected to continuously implement safe work practices and to report every observed unsafe working conditions.

PODRAVKA is dedicated to providing a safe and healthy work environment for all its employees. In line with this, all work areas are regularly subject to inspection pursuant to the valid regulations.

Employees are expected to do their work in a safe manner, abiding by all regulations pertaining to occupational safety.

#### **6. Attitude towards the environment**

PODRAVKA, as a significant food company in the region, pays particular attention to both its own development, and the sustainable development of the community, and continuously invests in environmental protection.

Accordingly, all employees are required in their work to abide by ecological standards, sustainable development and the valid regulations in that area, to properly and responsibly handle all types of waste, and to rationally use raw materials.

#### **7. Attitude towards the community**

PODRAVKA has traditionally grown in harmonised interest with the local, regional, national and international community, always taking its interests into account, and significantly supporting the development of many charity associations, sports clubs, scientific institutions and similar organisations.

PODRAVKA continuously participates and supports community projects that are directed at improving education, the environment, health, development of children and the social standards in the community in which it operates.

The membership of PODRAVKA and its employees in all charity organisations, sports clubs



and similar organisation is particularly encouraged.

### **III. PRINCIPLES OF CONDUCT**

#### **1. Secrecy and confidentiality of information**

The principle of protecting the confidentiality of data is one of the fundamental principles in PODRAVKA operations. All data that the employee learns during the performance of their work are the ownership of PODRAVKA, and may not be used for any other purposes other than performing the scope of tasks within their work position.

PODRAVKA prohibits the acquisition or release of stocks or securities of Podravka d.d. on the basis of price sensitive information that is yet to be disclosed. Such conduct may have not only disciplinary consequences, but may also result in criminal sanctions.

In the case of any uncertainty in the interpretation of the Rules on handling privileged information, employees must consult with legal affairs.

It is strictly prohibited to disclose or make available any data on PODRAVKA, its employees, business partners, contracts, products, processes, intellectual property, and especially any data that bear a visible mark of "top secret", "secret" or "confidential". Employees are required to properly handle such data, pursuant to the Rule on the protection of data confidentiality.

Without prior approval of the Management Board or supervisor, pursuant to the acts of PODRAVKA, it is not permitted to disclose to the public any information about PODRAVKA and/or its operations, or to give interviews to media representatives.

Just as PODRAVKA guards and protects its own undisclosed and confidential data, PODRAVKA also respects the undisclosed and confidential data of other companies. It is not permitted to accept, seek or disclose the confidential data of other companies, including consumers.

All data and documents are kept or deleted in accordance with the valid regulations and the Rules on handling documentation.

#### **2. Communications**

Employees are required in the performance of their work to continuously communicate with mutual respect and in line with the corporate culture of teamwork in which community work brings greater value. PODRAVKA does not tolerate the stimulation and/or spreading of rumours.

Managers are required to ensure employees have access to all the information and means needed to properly perform their work. Managers are required to inform employees about all important elements of the functioning of PODRAVKA, and to acquaint them with all internal acts, standards and procedures necessary to properly perform their work.

It is explicitly prohibited to conceal or withhold information by which individuals would achieve personal gain for themselves and/or harm the interests of associates and/or PODRAVKA.



### **3. PODRAVKA assets**

Employees are required to protect PODRAVKA assets and to use them only for their intended purpose, and in line with the principle of good and conscientious stewardship, and to abide by all valid regulations and acts of PODRAVKA.

Any abuse of PODRAVKA assets, their irrational use or use for illegal purposes, their destruction or the use of assets for private purposes, disposal, and all actions that are not in the interests of PODRAVKA or are contrary to the purpose of performing operations is explicitly forbidden.

Theft of assets belonging to another employee in the workplace shall be considered theft of PODRAVKA assets.

The right of PODRAVKA to its intellectual property and the right to licence are its most valuable assets, and it is of key importance that these rights be protected. Everything we create during our work at PODRAVKA, at the expense of PODRAVKA or within the fulfilment of our tasks and obligations in the workplace becomes the intellectual property of PODRAVKA.

PODRAVKA has all rights to everything created during work relations in the full scope of the law, regardless of whether these are assets that can be protected by a patent, trademark, business secret or copyright.

Computer systems and company equipment are intended for use in operations at PODRAVKA in accordance with the Rules on assignment of computer and telecommunications equipment. Employee neglect can result in a penetration of information security that can affect PODRAVKA as a whole.

To the extent permitted by the relevant law, PODRAVKA reserves the right to supervise and oversee how its assets are used by employees, including the right to review e-mails, data and files stored on the servers and computers of PODRAVKA employees.

### **4. Management style**

Managers are required to include employees in the business processes in line with their duties and responsibilities, taking account to not violate the principle of keeping business secrets. It is also the duty of managers to regularly give employees the information that is necessary for them to properly perform their work.

Managers ensure all the necessary conditions for the unhindered performance of business processes within their scope of responsibility. The manager is responsible for the quality of the work atmosphere, and is required to eliminate and prevent any potential conflicts among employees.

All forms of nepotism and favouring individual employees is prohibited. Promotions of and rewards for employees are based exclusively on the criteria of capability, work quality and results, and objective assessments of potential for further development.

The manager encourages teamwork, proactivity and self-education of employees, and serves as a role model to present the promotion of the fundamental values of PODRAVKA and business ethics.



## **5. Conflict of interest**

Complete loyalty to PODRAVKA is expected of all employees, especially members of the Management Board and managers, and therefore it is necessary to define the principles for avoiding conflicts of interest in PODRAVKA operations. A conflict of interest arises when the personal activities and interests of an employee or third person hinder or appear to hinder the capability of the employee to act in the best interests of PODRAVKA.

Employees are not permitted to participate in any activities, particularly those of a commercial and financial nature, that could cause a conflict between the personal interest of the employee with the interests of PODRAVKA or influence the work done at PODRAVKA. In the case of uncertainty regarding such a situation, the employee is required to contact the organisational unit responsible for human resources and/or legal affairs.

The use of PODRAVKA assets is permitted exclusively for its benefit.

It is not permitted to use the position at PODRAVKA to achieve personal gain or gain for a family member. It is necessary to avoid private financial transactions with customers/suppliers, and which could impact one's capability to perform their work at PODRAVKA.

Family members or the partner of an employee may take employment at PODRAVKA or be its other contracting party in corporate relations only if the foundation for such relations is qualifications, experience, skills or prior work. These criteria shall not apply only for employment or business relations, but also for advancements, rewards, and education of employees.

Between family members or partners employed at PODRAVKA, there may not be a corporate hierarchy relationship, i.e., as direct or indirect inferiors or superiors.

It is not permitted to perform dual duties within PODRAVKA, and therefore it is necessary to avoid that employees in managerial positions at Podravka are members of the Supervisory Board of PODRAVKA d.d.

If there is a case of a potential conflict of interest of an employee, they must immediately inform their superior and/or the Management Board thereof in writing.

Employees who, in addition to performing work at PODRAVKA, also perform activities in another organisation, civil society or similar institution, may not use their position to extort or demand donations or sponsorships, and all external activities, duties and positions shall be performed at their own responsibility and expense, and only outside of normal work hours.

## **6. Business gifts, meals and representation**

The exchange of gifts and hosting customers and suppliers is a common occurrence, though in such relations it is key to retain a certain distance. Excessively expensive or luxurious gifts, meals or other forms of representation that could give the impression of inappropriate influence are prohibited. Generally, it is considered that gifts such as PODRAVKA promotional materials (pens, notebooks, etc.), product samples and publications are permitted. In the case of uncertainty as to the appropriateness of a gift, the employee is required to consult their superior.

Gifts and representation for customers, potential customers and suppliers must support the legitimate business interests of PODRAVKA and must be reasonable and appropriate to the circumstances. Cash and equivalents may not ever be given as gifts. All costs for gifts and



representation are recorded in the business books kept by the accounting department.

## **7. Corruption, bribes, extortion**

Corruption, bribes, extortion and all similar conduct is most strictly prohibited. Special caution is required when dealing with state officials to avoid the presence of even the slightest indication of inappropriate conduct, considering that these relations are subject to special rules.

Even an apparent violation of the legal regulations against bribes and corruption can impose irreparable damage to the PODRAVKA reputation.

For the purposes of this Code, a bribe is every direct or indirect giving or offering of any values or the possibility of attaining such gain so as to lead the recipient or any other person in a situation where they perform an inappropriate action or activity. Such conduct also pertains to any giving towards any PODRAVKA employee to lead them to perform any inappropriate action or activity.

PODRAVKA greatly appreciates its partnership with customers, suppliers and consumers, and treats each in an equal manner, justly, fairly and with respect. On the market, it acts in the spirit of good business customs and fair corporate competition, without gaining an advantage over its competitors through the use of illegal or immoral business practices.

PODRAVKA respects all regulations on the protection of market competition in all parts of the world where they are in effect. Considering that these laws are often complex, and differ from country to country, and the penalties for violating such laws can be drastic, PODRAVKA has adopted the Guide for market competition that each employee is required to follow. PODRAVKA employees may collect, share and use data on PODRAVKA competitors, but exclusively in a legal and ethical manner from publicly available sources and through ethical requests.

## **IV. VIOLATIONS OF THE CODE**

### **1. Filing a report**

Any PODRAVKA employee may file a written report to human resources and/or legal affairs concerning a possible or committed violation or non-abidance of this Code. All reports of a possible violation of the Code shall be considered with the utmost seriousness.

The employee filing a report on the violation of the Code for which internal investigative actions confirm to be founded may not be subject to sanctions or be discriminated in their future work for this reason. Any revenge against the employee who fairly poses the question or indicates unpermitted conduct shall be a violation of the Code and may not serve as the basis for any negative personnel measures, including separation, degradation, suspension, termination of privileges, threats, abuse or discrimination.

### **2. Procedure following a report and sanctions**

The committee appointed by the Commission is required to consider the written report on the violation of the Code or law, and to examine all circumstances of the case within no more than eight (8) days, and to give a written report on the procedure performed concerning the said report to the Commission.



The committee appointed by the Commission after a report is received is multidisciplinary in nature and consists of three (3) members. None of the members may be from the organisational unit of the person filing the report, nor of the person against whom the report was filed.

If the report is founded, depending on the severity and nature of the violation, and any extenuating circumstances, the committee may impose against the person who violated the Code or law, the following measures independently or in combination, though the committee is not limited exclusively to these measures: advice, warning, request to correct the committed violation, monetary fine, termination with the offer of an amended labour contract, suspension without pay, degradation, revocation or diminishing the bonus or other reward, or termination of the labour contract.

The committee may, after examining all circumstances and obtaining all the facts concerning the non-abidance or violation of the provisions of the Code or law, impose the following measures, independently or in combination, though the committee is not limited exclusively to these measures: advice, warning, or request to correct the committed violation.

The committee/Commission is required to report every case of violation to Internal revision. Such information must be fully documented together with the details on measures taken to correct the violations.

If the committee, in acting on the report, deems it necessary to impose the measure of a monetary fine, termination with the offer of an amended labour contract, or termination of the labour contract, the said procedure will be continued in line with the provisions of the Rules on accountability for the violation of obligations from the labour contract and compensation of damages.

If the report on the violation of the Code is deemed to be unfounded, and if it is proven that the person filing the report knew it was unfounded, this shall be deemed a grave violation of the obligations from the labour relations and that person may be subject to termination of the labour contract, in a manner and in the procedure as established by the Rules on accountability for the violation of obligations from the labour contract and compensation of damages. Making intentional false allegations, lying to authorised persons/investigators, obstructing an investigation or refusing to cooperate in the investigation of a possible violation of the Code or law is, in and of itself, a violation of the Code.

In addition to the above measures, PODRAVKA reserves the right to seek compensation of damages or losses in civil lawsuits or to forward the case for criminal prosecution to the local authorities.

### **3. Supervision**

For the purpose of monitoring the application of principles of the Code and conducting the procedure to resolve employee reports in the second instance, or for particularly severe cases of non-abidance or violation of the Code, the Commission for implementation of the Code (hereinafter: Commission) is established.

The Commission consists of five (5) members, appointed by the PODRAVKA d.d. Management Board for a term of two (2) years, and answers to the Management Board for its work.



## V. TRANSITIONAL AND FINAL PROVISIONS

The provisions of all general acts and labour contracts that are in effect at PODRAVKA need to be aligned with this Code.

This Code enters into effect as of the date of its adoption, and will be published on the PODRAVKA bulletin boards and intranet. PODRAVKA retains the right to amend this Code at any time and for any reason.

With the entry of this Code into effect, the Code of Ethics of the group Podravka of 15 December 2005 and the Code of Business Ethics of 21 November 2005 cease to be valid in their entirety.

Chairman of the Management Board  
Marin Pucar  
/signature/