



PODRAVKA MANAGEMENT

No.: UD-246/1-2005.
Koprivnica, 15 December 2005

On the grounds of Article 22 of the Articles of Association of PODRAVKA d.d. and Articles 4 and 22 of the Rules of Procedure of the Management of PODRAVKA d.d., the Management of PODRAVKA d.d. has at its 36th session held on 15 December 2005 adopted the following

CODE OF ETHICS OF THE CONCERN PODRAVKA

I. PRELIMINARY PROVISIONS

PODRAVKA d.d. has accepted the general ethical principles and guidelines of ethical behaviour of the Code of Ethics in Business – in form and content as established and adopted by the General Assembly of the Croatian Chamber of Commerce at its session held on 23 May 2005.

In accordance with recommendations from the Code of Ethics in Business, the intention is that Podravka d.d. and all the related companies, domestic and international (hereinafter referred to as: PODRAVKA), by this Code develop their own ethical principles following the principles of modern corporate management.

1. General guidelines

An irreplaceable asset for PODRAVKA are its employees who reflect and nurture the company's basic values: innovativeness, the desire to gain knowledge and to win, as well as loyalty which together creates a recognisable corporate culture representing the company's identity and promoting business moral and ethics in its operations.

PODRAVKA, as the leading company in the region of Central and South-Eastern Europe, wants to maintain its high reputation in all segments of activities.

The Code of Ethics of the concern PODRAVKA (hereinafter referred to as: Code) contains PODRAVKA's traditionally good business practice and promotes new standards in compliance with the best business practices.

The Code of Ethics is based on the principles of orderly and diligent business behaviour and corporate system of values applied by the Management, executives and all employees of PODRAVKA.

The Management and executives of PODRAVKA are obliged to work as Code promoters and at all times act in compliance thereof, providing all conditions necessary for its implementation.

The obligation of all the employees of PODRAVKA is to apply the Code, regardless of which position or job they hold.

2. Purpose

The purpose of the Code is to create and maintain a recognisable identity of PODRAVKA, compared to its competition, creating customer loyalty and trust among investors, business partners and the public, in general.

The Code establishes the standard of behaviour and rules that should be followed by all the employees in their work, in order to promote and contribute to the strengthening of PODRAVKA's reputation.

3. Basic values

PODRAVKA is a company that wants to achieve a differentiation of its products, but also to make the company recognisable among similar companies on the markets where it is present.

PODRAVKA wants to clearly present its corporate culture built on basic values: innovativeness, the desire to gain knowledge, loyalty, initiative, ambitiousness, winner spirit, team work, self-confidence and professionalism.

4. Employees

Employees, with their knowledge, skills and experience are an irreplaceable asset of PODRAVKA. Employment, education and advancement of employees proceed entirely according to assessment criteria for their competencies and performance, following clear written procedures.

All the employees are equal and any form of discrimination and harassment of employees is strictly forbidden. Employee privacy is highly protected.

All the employees are obliged to express loyalty towards PODRAVKA and contribute to building its positive identity. Employees have to act in a professional manner, nurturing a culture of mutual trust, respect and team work.

Managers should create a good and motivating work atmosphere in which all the employees feel motivated and not discriminated. Managers should constantly monitor employees' work in order to recognise and develop their capacities and remuneration.

Employees are obliged to take care about their professional performance, behaviour and appearance in all business contacts.

Any form of unprofessional behaviour, especially in contacts with associates, business partners, media and the social environment is unacceptable. In communication with third parties, employees are obliged to protect the interests and promote the business reputation of PODRAVKA.

All the employees, especially managers, are obliged to maintain a high level of competence and knowledge through permanent acquisition of new knowledge and trends in their field of occupation, seeking constantly ways to improve their performance quality.

Employees are expected to develop their own talents and skills according to specific fields of work, and managers are expected to provide the necessary conditions for professional development and advancement of employees for their current and future jobs. A proactive approach to education is especially appreciated where employees participate in creating and organising particular forms of education.

II. BUSINESS PRINCIPLES

1. Business legality and transparency

Employees are obliged to work in compliance with current regulations, acts, procedures and standards of PODRAVKA, in order to standardise business processes and create a recognisable identity for PODRAVKA.

Employees are obliged to report to superior managers about their work. Members of the managements of related companies within the PODRAVKA concern are obliged to promptly inform the Management of PODRAVKA d.d. about all important information concerning operations of the company they are in charge of.

Any information withholding or suppression, covering up or distortion of facts or late informing of vital business aspects is strictly forbidden.

2. Professionalism and objectivity in work

The employees are required to act in compliance with the highest professional principles and codes of practice. Professionalism is especially expected from managers who are obliged to promote professional standards, team work and apply current regulations and acts of PODRAVKA.

Employees should avoid any activities that could harm their occupation, professionalism, objectivity and work independence, and restrain from any activity that would interfere with the interests of PODRAVKA. If any such activities cannot be avoided, employees should immediately inform their superior manager, accordingly.

Employees are obliged to act proactively, conscientiously and diligently in performing their work, protecting the interests of PODRAVKA and associates. This especially refers to reporting performance and business results and the need to point out contingent risks, problems and defects in work.

3. Public relations

Employees build the identity of PODRAVKA in communications with business partners and the community in general. The behaviour of each employee in business contacts has direct impact on the public opinion of PODRAVKA and therefore, on its market position. Hence, employees should not behave in any manner whatsoever that could harm the reputation of PODRAVKA, especially disclosing inaccurate and partial or/and confidential information about PODRAVKA.

Employees that are responsible for informing the public about PODRAVKA's business operations and providing information to the media, are obliged to do so in a correct and purposeful manner, in compliance with the Rules of Procedure of the Zagreb Stock Exchange and the general acts of PODRAVKA, building good contacts with all forms of public reporting and media.

4. Relation towards the environment

PODRAVKA as a significant food company in the region pays special attention to its own development and the sustainable development of the community in general, constantly investing in environment protection.

Therefore, all employees are obliged to respect ecological standards and current regulations, handle in a correct and responsible manner all types of waste and use raw material rationally.

5. Relation towards the community

PODRAVKA traditionally grew in harmonising its interests with the local community, always respecting its interests and providing significant support in the development of numerous humanitarian associations, sport clubs, scientific institutions and similar organisations.

PODRAVKA always participates and supports community projects directed towards promoting education, environment, health and social standard in the environment in which it operates.

The membership of PODRAVKA and its employees in charity organisations, sports clubs and similar organisations is especially encouraged.

III. PRINCIPLES OF BEHAVIOUR

1. Secrecy and information confidentiality

The principle of keeping data secrecy is one of the basic principles of PODRAVKA's business. All information that the employee acquires during the performance of work is the ownership of PODRAVKA and cannot be used for any other, non-business related purpose.

It is strictly forbidden to reveal or make available any information about PODRAVKA, its employees, business partners, contracts, products, processes, intellectual property and especially information clearly labelled as "strict secret ", "secret" or "confidential". Employees are obliged to treat this information in compliance with the Data Secrecy Regulations.

Without previous consent from the Management or superior manager, and in compliance with the acts of PODRAVKA, no information about PODRAVKA and/or its business operations can be revealed in public, nor any interviews given to media representatives.

2. Communication

Employees of PODRAVKA when performing their work are always obliged to communicate with mutual respect and in compliance with team work corporate culture, where joint labour brings greater value to PODRAVKA. Encouraging and/or spreading rumours and gossiping should be avoided in communications.

Managers are obliged to provide and make available for employees all information and assets necessary for high quality performance. Managers are obliged to inform employees about vital elements in the functioning of PODRAVKA, and familiarise them with all internal acts, standards and procedures necessary for high quality performance.

Any hiding or withholding of information which would lead to individual benefit and/or harm the interests of associates and/or PODRAVKA, is strictly forbidden.

3. PODRAVKA's assets

Employees are obliged to use the assets of PODRAVKA following the principles of good and diligent management, observing all current regulations and acts of PODRAVKA.

Any misuse of PODRAVKA's assets, its irrational use, destruction, and use for private purposes, disposal and any other action that is not in the interest of business is strictly forbidden.

It is the duty of each employee to protect PODRAVKA's assets and avoid actions and procedures that may jeopardise the security of entrusted assets.

4. Style of management

Managers are obliged to involve employees in the business process according to their tasks and responsibilities, taking into account not to violate the principle of keeping business secrecy. The duty of the manager is also to regularly give necessary information to employees, essential for high quality job performance.

Managers should provide all necessary conditions for a smooth running of business processes within the field of their responsibility. Managers are responsible for the quality of working atmosphere and obliged to eliminate and prevent any potential conflict between employees.

Any form of nepotism and to favour particular employees is prohibited. Promotion and remuneration of employees is based only on the criteria of competency, quality and performance, as well as an objective assessment of further development potential.

Managers should encourage team work, proactive behaviour and self-education of employees, and should set an example in promoting the fundamental values of PODRAVKA and business ethics.

5. Conflict of interests

All employees, especially managers, are expected to show complete devotion to PODRAVKA, and therefore, it is necessary to define the principles for avoiding conflict of interest in the functioning of PODRAVKA.

Employees are not allowed to participate in any activities, especially of commercial and financial nature, that would cause conflict of personal interest and the interest of PODRAVKA.

The employee is not allowed to be engaged in activities that compete with the operations of PODRAVKA. PODRAVKA's assets may be used only for the benefit of PODRAVKA.

Double functions are not allowed within PODRAVKA, and therefore, all employees holding managerial positions should avoid membership in the Supervisory Board of PODRAVKA d.d.

If there is any case of incidental conflict of interest, the employee should immediately inform in writing the direct superior manager and/or the Management.

Employees that besides their job in PODRAVKA perform duties in other organisations, associations of citizens or similar institutions, should not take advantage of their position by extorting or demanding donations or sponsorships.

IV. CODE VIOLATION

1. Report submission

Each employee of PODRAVKA has the right to inform in writing the superior sector director (hereinafter referred to as: authorised person) about any contingent or committed violation of this Code.

The employee who has filed a founded report against Code violation should not suffer any sanctions or be discriminated in future work in any way whatsoever.

2. Procedure upon report and sanctions

The authorized person is obliged to consider the written report against Code violation, within 8 (eight) days, the most, examine all the circumstances of the case and after the conducted procedure make a written statement about the report.

If the report is founded, the following measures can be pronounced for Code violation depending on the severity of the violation and after all circumstances have been examined: guidance, reprimand, request for correcting the violation, fine, notice of changing contract of employment and cancellation of contract of employment.

The authorized person may upon examining all circumstances and establishing, without any doubt, that a violation of Code provision has occurred, pronounce the following measures: guidance, reprimand and request for correcting the violation.

If the authorized person acting upon report considers that it is necessary to pronounce a fine, notice of changing contract of employment or cancellation of contract of employment, the stated procedure shall be continued according to the provisions of the Regulations on responsibilities for violating liabilities arising from labour relations and damage indemnification.

If the report against Code violation has been established as unfounded and if proven this was known to the person who had filed the report, this shall be considered as a material violation of liabilities from labour relations for which cancellation of contract of employment may be pronounced, in a manner and in a procedure defined by the Regulations on responsibilities for violating liabilities arising from labour relations and damage indemnification.

3. Supervision

For the purpose of monitoring the application of Code principles and implementing the procedure for settling reports from employees of the second degree or especially severe cases of Code violation, a Committee for Code implementation shall be established (hereinafter referred to as: Committee).

The Committee shall consist of 3 (three) members appointed by the Management of PODRAVKA d.d. for a term of 4 (four) years.

V. TRANSITIONAL AND FINAL PROVISIONS

The provisions of general acts and contracts of employment in force in PODRAVKA shall be coordinated with this Code.

This Code shall be put in force on the day it has been adopted and displayed on notice boards and intranet pages of PODRAVKA.

President of the Management:

Darko Marinac