



**PODRAVKA prehrambena industrija, d.d.**

## **CONFLICT OF INTEREST MANAGEMENT POLICY**

*Koprivnica, December 2020*

## I. INTRODUCTORY PROVISIONS

### Introduction

#### Članak 1.

PODRAVKA prehrambena industrija, d.d., seated at Koprivnica, Ante Starčevića 32, OIB: 18928523252 (hereinafter: **Company**) hereby adopts the Conflict of Interest Management Policy (hereinafter: **Policy**), with the aim of proper organisation of the corporate management system both of the Company and of the Company's affiliated companies (hereinafter: **Group**).

**Commented [LZ1]:** Ne mogu mjenjati Članak 1. – treba ih sve mjenjati u Article 1 (bez točke nakon broja)

### Application of the Conflict of Interest Management Policy

#### Članak 2.

This Policy applies to all members of the Company Management Board, and all members of the Company Supervisory Board (and all its boards/committees) (hereinafter jointly as: **Management**) and to all Company employees (hereinafter: **Employees**).

The Company shall aim to ensure that the companies of the Group adopt and abide by the conduct that rests upon the same principles as those in this Policy.

### Aim and goals of the Conflict of Interest Management Policy

#### Članak 3.

This Policy represents a collection of principles and rules set by the Company in addressing conflicts of interest and similar activities of persons encompassed by the Policy. Similar activities are considered those activities that violate the rules of prohibition of competition, and transactions with associated parties, as laid down by the appropriate provisions of the Policy.

The Policy sets up mechanisms for the early recognition of possible conflicts of interest, prevents their occurrence, provides measures aimed at removing their consequences and, for the purpose of general prevention, provides measures to be taken in the case a conflict of interest is identified. This Policy sets up such mechanisms for the management of similar activities.

## **Fundamental principles**

### **Članak 4.**

Management will act in the best long-term interests of the Company and the Group, and not in their own personal interests or in the interests of any individual shareholder and/or other party.

Management and Employees performing management functions in the Company will not make decisions based on their own personal interests or the interests of their associated persons.

Management and Employees must perform their tasks conscientiously and independently, taking the due care expected of them with regard to the function they perform, and with regard to the tasks entrusted to them by the Company.

## **II. CONFLICT OF INTEREST**

### **Definition**

### **Članak 5.**

A conflict of interest is any situation in which a person encompassed by the Policy could achieve personal gain based on a decision in whose making they participate in the Company.

A conflict of interest is every situation in which that person could achieve personal gain based on actions or failure to act in the performance of their function or the execution of the tasks entrusted to them in the Company. A conflict of interest is, in particular, every abuse of their position in the Company and/or Group for the purpose of achieving economic or professional gain.

The possibility of achieving personal gains is equivalent to the possibility of achieving gains for closely associated persons of the person encompassed by the Policy.

The possibility of achieving personal gains is equivalent to the possibility of achieving gains for another legal person in which the person encompassed by the Policy is a Member of the Management or Supervisory Board or other appropriate organ, or in which they have a significant financial interest or in which they hold a significant membership share on any grounds.

A conflict of interest in any case exists if the person encompassed by the Policy is required to participate in decision-making to take legal action or conclude legal business with another party, if the other contractual party is a direct blood relative to

any degree, or indirect to the second degree, or if they are the spouse, common-law partner or relative through marriage to the second degree, regardless of whether the marriage has ceased, or is an adopter or adoptee of the other contracting party, their legal guardian, legal representative, procurator or proxy.

A conflict of interest exists in any case if a person encompassed by the Policy is required to participate in decision-making to take legal action or conclude legal business, in cases when such taking of legal action or conclusion of legal business based on the valid regulations is considered conclusion of business with oneself, or taking legal action towards oneself, or is equivalent thereto.

A conflict of interest is also any other situation in which the personal interests of the person encompassed by the Policy and any person closely associate to them, are in any way contrary to the interests of the Company or any company of the Group.

The rules that apply for conflict of interest shall also apply to situations when there is no contrary interest between the persons encompassed by the Policy and the Company or companies of the Group, but based on the rational judgement of a third unbiased party, it could be reasonably concluded that the circumstances in the particular case indicate the existence of a real or possible conflict of interest.

#### **Obligations in the case of the existence of a conflict of interest or suspicion of the existence of a conflict of interest**

##### **Članak 6.**

Management and Employees are required, as soon as they identify that there is a conflict of interest on their side, or that circumstances could indicate the existence of such a conflict, are required without delay to exempt themselves from discussions and decision-making in such matters.

Management and Employees are required, without delay, to refrain from taking any actions which they are otherwise authorised to take within the scope of their functions, if taking such actions would result in a conflict of interest. Exceptionally, a person is authorised to take such action if the action is based on a previous decision by an authorised person or collective organ, where the person to whom the conflict of interest pertains did not participate in the making of such decision. Also, the person is authorised to take such action in the case when a delay of taking such action would lead to the incurrence of damages or missing evident gain for the Company or companies of the Group.

If a conflict of interest arises due to the failure to take an action, the Management is required to notify other members of organs in which they are a member without delay of the circumstances that such failure to act could result in a conflict of interest, and

the Employee is required to notify their immediate superior and appropriate member of the Management Board thereof without delay.

#### **Requirement to disclose a conflict of interest**

##### **Članak 7.**

In accordance with the provisions of this Policy, Management and Employees are required, without delay upon the occurrence of an event or circumstance that could be considered a conflict of interest (including suspicions concerning a certain situation or findings of a certain activity that could lead to a conflict of interest), or immediately upon becoming aware of such circumstances that could be considered a conflict of interest, to disclose this to the Company.

Management are required to notify the Supervisory Board, Management Board and Office of the Company Management Board thereof without delay.

Employees must report every conflict of interest or suspicion of the existence of a conflict of interest to their immediate superior, the Office of the Company Management Board and appropriate member of the Management Board without delay.

If a Management member has reason to believe that another Management member has not disclosed a conflict of interest, they are required to notify the Chairperson of the Supervisory Board thereof. In the event the Chairperson of the Supervisory Board is the person to whom the conflict of interest pertains, then the Vice-Chairperson of the Supervisory Board shall be notified thereof.

Management and Employees must provide all necessary information in the case of the existence of a conflict of interest, including all necessary information on closely associated persons (marital or common-law spouse or life partner, children, all blood relations or relations by marriage to the second degree, and persons sharing a household) if the conflict of interest pertains to a closely associated person.

### **III. PROHIBITION OF COMPETITION**

#### **Prohibition of competition of a Management Board member**

##### **Članak 8.**

A Management Board member may not, without the prior consent of the Supervisory Board:

- 1) perform tasks that are in market competition with the Company or company of the Group for their own account or the account of another;
- 2) be a member of a Management or Supervisory Board of another company that is in market competition with the Company or company of the Group;
- 3) perform tasks for their own account or the account of another in the premises of the Company or company of the Group;
- 4) be a member of a company that is in market competition with the Company or company of the Group.

The violation of the rules of competition represent gross violations of the duties of the member of the Management Board.

The member of the Management Board violating the rules of prohibition of competition shall be held accountable for any damages incurred therefrom to the Company and/or company of the Group, and is required to hand over all gains achieved through the prohibited competition activities to the Company.

Membership in a supervisory board, supervisory board committee, management board or other appropriate organ of a company of the Group is not considered a violation of the prohibition of competition.

At the request of the Supervisory Board, the member of the Management Board shall transfer membership to a third party, where such membership in a company that is in market competition with the Company or company of the Group represents a reputational risk for the Company or company of the Group, or could negatively impact the public perception of the Company or company of the Group. The requirement for transferral of membership shall not be met if the membership is transferred to a representative or closely associated person of the member of the Management Board.

#### **Prohibition of competition for members of the Company Supervisory board**

##### **Članak 9.**

A member of the Company Supervisory Board may not, without the prior consent of the Company Supervisory Board:

- 1) begin to perform tasks that are in market competition with the Company or company of the Group for their own account or the account of another;
- 2) be a member of the Management or Supervisory Board in another company that is in market competition with the Company or company of the Group;

- 3) be a member of the company that is in market competition with the Company or company of the Group.

During selection and appointment procedures, a person proposed as a member of the Supervisory Board is required to disclose to the Company whether any of the circumstances from the previous paragraph exist at that time.

If the Supervisory Board grants its member the authorisation from any of the cases from paragraph 1 of this Article, it will give notification thereof to the Company General Assembly as part of the annual report on the work of the Supervisory Committee.

Membership in a supervisory committee, on supervisory board committee, in the management board or other appropriate organ of a company of the Group shall not be considered a violation of the prohibition of competition, if all the legal assumptions for such an appointment are met.

The provisions of this Article shall apply appropriately to external members of boards of the Supervisory Board.

#### **Prohibition of competition for Company Employees**

##### **Članak 10.**

A Company Employee performing any management function in the Company, or during their regular execution of tasks who comes into contact with Company business secrets or confidential information may not, without the prior authorisation of the Company:

- 1) perform tasks that are in market competition with the Company or company of the Group, for their account or for the account of another;
- 2) be a member of a Management or Supervisory Board in another company that is in market competition with the Company or company of the Group;
- 3) perform other tasks in a company that is in market competition with the Company or company of the Group;
- 4) perform tasks for their own account or the account of another in the premises of the Company or company of the Group;
- 5) be a member of the company that is in market competition with the Company or company of the Group.

Membership in a supervisory board, a supervisory board committee, management board or other appropriate organ of a company of the Group shall not be considered a violation of prohibition of competition if all the legal assumptions for such an appointment are met.

Violation of the rules of prohibition of competition are a breach of the obligations from the labour relations, and shall be sanctioned in compliance with the rules, regulations and acts of the Company governing labour relations.

#### **IV. TRANSACTIONS WITH ASSOCIATED PARTIES**

##### **Transactions with associated parties**

##### **Članak 11.**

All transactions between Management (or closely associated persons) on the one side and the Company or company of the Group on the other must be previously approved by the Company Supervisory Board by a simple majority vote. A member of the Supervisory Board having a personal interest in a transaction, or whose closely associated person has such an interest, shall not participate in the discussion and decision on granting such approval.

All transactions between the Company and a significant shareholder or person holding at least 5% of Podravka d.d. shares, and which transactions are significant for the Company or for that person, must previously be approved by the Supervisory Board and Company Management Board by a simple majority vote. A member of the Supervisory Board or Management Board having a personal interest in such a transaction, or whose closely associated person has such an interest, shall not participate in the discussion and decision on granting such approval.

The transactions from the previous paragraphs must be concluded in accordance with market conditions. The fair value of every significant transaction from the previous paragraphs of this Article must be confirmed by an independent expert. The expert report must be submitted to the Supervisory Board prior to making the decision to grant approval. The Supervisory Board may give its approval prior to receiving the expert report, though such approval is conditional to a positive report by the independent expert. Following the conclusion of the transaction, the report of the independent expert must be publicly available on the Company website.

The approval and independent expert report from this Article must be disclosed in the Annual Report together with the statements of the Management that during the conclusion of such transactions, all regulations and internal acts of the Company were abided by in such business.



In addition to the said transactions, approval of the Supervisory Board is also required for:

- granting loans to members of the Management Board of the Company or company of the Group, procurator of those companies, or a member of their immediate family, if the total indebtedness of the person towards the company exceeds the amount of one monthly salary of the member of the Management Board or procurator;
- a member of the Management or Supervisory Board to use the assets and resources of the Company and/or company of the Group for their own interest or the interest of a closely associated person;
- Every contract concluded by a member of the Supervisory Board of the Company or company of the Group with the Company outside the performance of tasks performed by that member of the board;
- granting a loan to a member of the Supervisory Board of the Company or company of the Group, or a member of their immediate family;
- granting a loan to a member of the Supervisory Board of the Company or member of their immediately family by another company of the Group.

The approval of the Management Board is required in order for an Employee to use the assets and resources of the Company and/or company of the Group for their own interests or the interests of a closely associated person.

## **V. MECHANISMS FOR MONITORING AND PREVENTING CONFLICTS OF INTEREST AND SIMILAR ACTIVITIES**

### **Educational measures**

#### **Članak 12.**

For the purpose of prevention of conflicts of interest and similar activities, the Company will hold educational sessions periodically, at least once every two years, for Management and Employees performing management tasks regarding the Company business policy concerning conflicts of interest, prohibition of competition, transactions with associated parties and other similar activities. Education will also particularly focus on the mechanisms set up within the Company to manage this system in accordance with the best corporate management practices.

### **Collection of relevant data for monitoring potential conflicts of interest and similar activities**

#### **Članak 13.**

At least once a year, the Company shall collect data to record and confirm potential conflicts of interest and similar activities by Management and Employees in a timely manner.

#### **Register of conflicts of interest and similar activities**

##### **Članak 14.**

The Company keeps a register of conflicts of interest and similar activities for the purpose of record keeping and preventing the occurrence of possible conflicts.

In the register, data and information are entered which the Management and Employees are required to submit to the Company, and which are or could be significant for determining the existence of a possible conflict of interest, and data that document the manner in which the Company managed the identified conflict of interest.

The register is kept in the form of an electronic record, and the entered data are kept permanently. Data must be kept as a separate entry into the register, or in the form of an electronically saved document in which the data to be recorded in the register are clearly visible.

The Office of the Management Board is responsible for keeping the register.

#### **Supervision over implementation**

##### **Članak 15.**

Supervision over the implementation of this Policy is carried out by the Company Internal Audit and once annually, it is required to assess the management system for conflicts of interest and similar activities, and the procedures set up as part of this system in the Company.

A report is drafted at least once annually to the Audit Board, Supervisory Board and Management Board of the Company concerning the efficacy, reliability and security of the system and procedures prescribed under this Policy.

The Audit Board assesses the effectiveness of procedures for approving transactions with associated parties at least once per year and reports accordingly to the Supervisory Board and Management Board of the Company, and gives its recommendations to the Supervisory Board as necessary.

## **Final provisions**

### **Članak 16.**

The Supervisory Board of Podravka d.d. granted its approval for this Policy on 15 December 2020.

This Policy is published and is available free of charge on the Company website.

*In Koprivnica, 23 December 2020*

Chairman of the Management Board

Marin Pucar, signed