

THE PORT OF RIJEKA j. s. c.
CODE OF CORPORATE GOVERNANCE

Rijeka, 26th February 2010

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In accordance with the rights and obligations arising from the Company Act, the Articles of Association of the company the Port of Rijeka j. s. c. and the recommendations of the Croatian Financial Services Supervisory Agency and the Croatian Stock Exchange, the Supervisory Board of the Port of Rijeka j. s. c., at the 15th meeting held on 26th February 2010, adopted the following

CODE OF CORPORATE GOVERNANCE

This Code has the strength of a recommendation obliging the bodies of the Company and the Company's employees to adhere to the principles prescribed and elaborated by this Code when adopting all types of decisions.

1. INTRODUCTION – OBJECTIVES AND BASIC PRINCIPLES

The objective of the Code is to establish high standards of corporate governance and business transparency of the Port of Rijeka j. s. c. and the associated companies in which it has a majority share (hereinafter: the Company).

The Code defines the procedure of corporate governance based on recognizable international standards, so as shareholders, employees, elected and appointed holders of responsible functions in the Company, as well as all other stakeholders, would be protected through sound and responsible management and the supervision of business and management functions of the Company.

The basic principles of this Code are:

- business transparency;
- clearly defined procedures for the activities of the Supervisory Board, Management Board and other bodies and structures making important decisions;
- avoidance of the conflict of interest;
- efficient internal control;
- efficient responsibility system.

Any interpretation of the provisions of this Code should be primarily based on the adherence to the stated principles and achievement of the stated objectives.

2. PUBLIC DISCLOSURE

2.1. PRICE SENSITIVE INFORMATION

Notwithstanding the information it has a duty to disclose pursuant to law or other rules, the Company shall, as soon as possible, publicly disclose and thereby make available to any interested party the important information about its work and activities, as well as any information about the facts and circumstances, which may affect the price of shares of the Company (price sensitive information).

The basic media for public disclosure of information is the website of the Company: www.lukarijeka.hr.

The price sensitive information is the information that is as such stated in the Securities Market Act and the rules of the stock exchange on which the securities of the Company are listed (ZSE).

When publicly disclosing price sensitive information, the Company shall take into account the content of the information, whereas the undisclosed price sensitive information is considered insider information and a special safe-keeping regime applies to it.

2.2. FINANCIAL STATEMENTS

The Company shall prepare its financial statements in compliance with the International Financial Reporting Standards, taking into account the latest international tendencies in financial reporting, as well as market requirements, and publish them within the deadlines prescribed by the laws of the Republic of Croatia.

The financial statements drawn-up by the Management Board of the Company and audited by an independent external auditor will be published on the website of the Company.

2.3. ANNUAL, SEMI-ANNUAL AND QUARTERLY REPORTS

Annual, semi-annual and quarterly reports are the most important and most comprehensive source of information on the Company. Annual, semi-annual and quarterly reports must be available to the shareholders through the website of the Company.

2.4. STRUCTURE OF OWNERSHIP

The list of shareholders

The Company shall publish a list of shareholders and update it, according to need. The Share Register is maintained with the Central Depository Agency, whereas the records of the same are maintained in the Book of Shares of the Port of Rijeka j. s. c.

Shares owned by members of the Management Board and the Supervisory Board

The Company shall disclose the information on shares and other securities of the Company owned by each individual member of the Management Board or the Supervisory Board in the annual report.

The Company shall also disclose any acquisition or release of shares and other securities of the Company by each individual member of the Management Board and the Supervisory Board, as well as employees of the Company having access to price sensitive/insider information of the Company and persons associated to them, on its website and through the stock exchange.

2.5. INSIDER INFORMATION

Use of insider information (price sensitive information, which is not disclosed to the public) is prohibited to all persons having access to such information, as it might result in the persons having access to insider information (insiders) gaining an unfair advantage when trading with the securities of the Company, regardless of whether insider information is used by the insider himself or a third party on the basis of information received from insiders.

The prohibition of using insider information pertains to all shareholders, members of the Management Board, members of the Supervisory Board, external advisors of the Company, as well as to all persons considered the persons who have access to insider information, due to their position in or outside the Company.

3. BODIES OF THE COMPANY

3.1. THE GENERAL ASSEMBLY

The Articles of Association regulate the scope of duties, the convening process and the quorum, as well as the manner of adopting decisions by the General Assembly.

Equal treatment of shareholders

Confirmation of the “One Share – One Vote” Principle

The voting right must cover all shareholders of the Company, in such manner that the number of votes belonging to them in the General Assembly is equal to the number of shares they hold, regardless of the class of shares.

Limitation to the voting rights

In the case where the Company issues non-voting shares or shares with limitations to the voting rights, it shall publicly disclose in a timely manner all relevant data on the content of all rights resulting from such shares in order to enable the investors to make the right decision related to purchasing these securities.

Election or appointment of the members of the Supervisory Board

The members of the Supervisory Board of the company must meet the appropriate standards in relation to education and professional experience; they must have high moral standards and must be able to dedicate the necessary time to perform the function of a member of the Supervisory Board. All candidacies for members of the Supervisory Board elected at the General Assembly must be published online, on the day of publishing the convocation of the General Assembly where they will be elected, at the latest, and they should be substantiated with sufficient data (e.g. curriculum vitae) in order to make the right decision on the election.

Different types of shareholders

The Company shall treat all shareholders equally and apply equal conditions to all shareholders, notwithstanding the number of shares they hold, country of their origin and their other

characteristics. This relates in particular to the obligation to treat equally individual and institutionalized investors.

Dissemination of information

The Management Board shall ensure quality dissemination of information to the shareholder, so as the shareholder have the possibility to exercise their rights with full and timely knowledge of all facts relevant to adopt the right decisions from the agenda of the General Assembly.

Proxies

The Company shall facilitate voting through proxies for the shareholders. In that sense, the process of issuing the powers of attorney must be fully simplified and without formal requirements.

Convocation

The Management Board shall convene at least one annual regular assembly during each financial year.

An extraordinary assembly must be convened whenever it is in the interest of the Company. The Company shall always convene a General Assembly if requested by the shareholders who jointly hold shares of at least 5% of the share capital of the Company, stating the purpose and the reason to convene the assembly.

Relevant dates

Right to participate in the General Assembly

When convening the General Assembly, the Management Board of the Company shall set a date, according to which the state in the share register applicable to exercising the voting rights at the General Assembly of the Company will be determined.

This date must be prior to the date of holding the General Assembly and must be at least 7 days prior to the date of holding the General Assembly.

Dividend

Each decision on payment of the dividend or payment of the advance on the dividend must include information on the date when the person who is a shareholder acquires the right to payment of the dividend and information on the date or period during which the dividend i.e. the advance on the dividend will be paid.

It is prohibited to favor individual shareholders when making payments of the dividend.

The decision on the payment of the dividend, by which the aforementioned dates are determined, must be published and delivered to the stock exchange 2 days after its adoption at the latest.

Agenda

The agenda, as well as all relevant data and documents with explanations pertaining to the agenda, must be published on the Company's website online, and must be available to the shareholders at the premises of the Company as of the date of the first publication of the agenda, so the shareholders may take a position related to issues on the agenda on time.

Key decisions

The decisions of significant effect to the state of assets, the financial position, the business results, the structure of ownership and the management of the Company must be made exclusively at the General Assembly of the Company by the prescribed majority of votes.

Requirements related to reports to be submitted to the General Assembly

Reports submitted by the Supervisory Board

The Supervisory Board submits to the General Assembly a report in which, in addition to the contents of the report prescribed by law, it must assess the total business performance of the Company and the activities of the Management Board of the Company and it must separately comment on its cooperation with the Management Board.

Report on the condition of the Company

The report on the condition of the Company must be prepared in a clear and comprehensible manner. It must include all aspects of business activities during the whole year in comparison to the previous years, as well as the exact, complete and fair presentation of assets and expenditures, the financial position of the company, and the future business plan.

Publishing decisions

The Management Board of the Company shall, as soon as possible, publish the decisions of the General Assembly, as well as the data on any legal actions challenging those decisions.

3.2. THE SUPERVISORY BOARD

Election or appointment of the members of the Supervisory Board

The election or the appointment of the members of the Supervisory Board is regulated by the Articles of Association of the company the Port of Rijeka j. s. c.

Tasks and responsibilities

The tasks and responsibilities of the Supervisory Board of the Company are regulated by the Articles of Association of the company the Port of Rijeka j. s. c.

The members of the Supervisory Board shall perform their duties with care and diligence of a prudent businessman and shall not disclose confidential information of the Company.

Composition

The Supervisory Board of the Company shall be composed mostly of independent members having no business, family or other relations with the Company, majority shareholders or a group of majority shareholder or members of the Management Board or the Supervisory Board or the majority shareholder.

Relation to the Management Board

The Supervisory Board and the Management Board shall fully cooperate in the best interest of the company the Port of Rijeka j. s. c. and jointly discuss the strategic determinants of the Company's business operations.

Time required for performing the duties of the board

A member of the Supervisory Board must be able to dedicate himself/herself to the duties in the Supervisory Board in the time necessary to duly and properly perform the duties.

Reporting to the shareholders

Each member of the Supervisory Board shall inform the Company on any changes pertaining to his/her ownership of the Company's shares.

Prohibition of competition

The members of the Management Board shall not, to their own benefit or to the benefit of others, personally or through third parties perform the work pertaining to the activities of the Company or council persons, which could be considered the Company's competitors.

Contracts between the members of the Supervisory Board and the Company

Any contract or agreement between a member of the Supervisory Board and the Company must previously be approved by the Supervisory Board, whereas the important elements of all such contracts or agreements must be contained in the annual report of the Company.

Reporting

If a member of the Supervisory Board considers that he/she or any other member has a conflict of interests related to deciding on a particular matter, he/she shall immediately inform the Supervisory Board of this.

Committees

The committees of the Supervisory Board must have at least three members. The Supervisory Board must set the term of office and the scope of duties of a committee which it establishes.

Rules of procedure for the meeting of the Management Board and the Supervisory Board

The president of the Supervisory Board is in charge of determining the calendar of regular annual meetings and the convening of extraordinary meetings when there is a need to do so. The frequency of the meetings of the Supervisory Board should be in accordance with the needs of the Company.

The meetings must be held as frequently as to ensure the efficiency of work of the Supervisory Board, but should not be held more often than once a month, in order to avoid the unwanted interference with the management of the Company.

So as to ensure the efficiency and the successfulness of the meetings of the Supervisory Board, the relevant documents must be delivered on time to all members of the Supervisory Board.

The minutes from the meetings of the Supervisory Board must be written in simple language, whereas all adopted decisions must be recorded along with the results of voting and the note of how each member voted.

Membership in supervisory boards of other companies

Each member of the Supervisory Board shall inform the Company of the membership in the supervisory boards of other companies.

A member of the Supervisory Board of the Company must not be a member of the supervisory board in another company, which could be considered a competitor of the Company.

Assessment of work

Each year, the Supervisory Board shall make an assessment of its work in the previous period. Such assessment must particularly include the assessment of work of the committees established by the Supervisory Board and the assessment of what was achieved in relation to the set objectives of the Company.

3.3. THE MANAGEMENT BOARD

Tasks and responsibilities

The Management Board of the Company manages the business of the Company independently and to its own responsibility and adopts all decisions exclusively according to its own judgment.

The consent of other bodies of the Company does not exclude the responsibility of the Management Board to manage the business with care of a prudent businessman.

In performing its tasks, the Management Board of the Company is not obliged to follow the instructions of other bodies of the Company, not even the instructions given by the majority of the shareholders or the Supervisory Board.

The Management Board shall always act exclusively to the benefit of the Company and the shareholders, taking into account the interests of the employees and the wider community, with the objective of increasing the value of the Company.

The Management Board shall not transfer its authorities related to managing the business of the Company to any other body of the Company; giving the procuration is not considered the transfer of authorities related to managing the business of the Company.

The activities of the Management Board must be prescribed by the rules of procedure for the Management Board, so as to clarify the authorities and the duties.

The members of the Management Board may, when there is a need, seek expert advices (legal advisers, auditors, tax and human resources experts), so as to receive certain advice on important matters.

Composition

The Management Board of the Company must consist of several members, one of whom is appointed as the president of the Management Board. The manner of cooperation between the members must be prescribed by the Articles of Association or the Rules of Procedure for the Management Board, approved by the Supervisory Board.

The members of the Management Board must be focused on managing the business of the Company and must, in addition to the requirements prescribed by law, also fulfill other requirements in accordance with the position of a member of the Management Board in a company, which may be prescribed by the Articles of Association of the Company or by a decision of the Supervisory Board.

When electing the Management Board, it must be aimed that the members of the Management Board have various experience, education and character, including:

- experience in managing business operations,
- experience in crisis resolution,
- experience in recognizing and supervising risks,
- knowledge of finance,
- knowledge of accounting,
- knowledge of the field of activities of the company,
- knowledge of national and international markets,
- connecting all interests within the company.

Members of the Management Board must:

- be capable to read and understand the reports on managing the company and the financial statements,
- not have a conflict of interests,
- harmonize their objectives with the objectives of the company,
- must be acquainted with the good practice of corporate governance,
- have personal integrity,
- must have enough available time,
- be motivated,
- be capable of working in a team and
- have strategic vision.

In addition to fulfilling the stated requirements, the president of the Management Board must have the developed organizational skills and experience in managing business operations and the reputation of a recognized and prudent businessman in wider business surroundings.

Each member of the Management Board must constantly, precisely and without delay report to the president of the Management Board in relation to all important events from his/her scope of duties, relevant to assess the current situation and development and to manage the company.

The members of the Management Board must aim at the highest possible independence in relation to individual shareholders, groups of shareholders or other stakeholders, and must be aware that, once appointed, they report to all shareholders of the Company.

If a member of the Management Board is subject to pressure or limitations from the shareholders or stakeholders, affecting the performance of his/her duties, he/she shall, in spite of this, take an independent position when voting or resign, depending on the circumstances.

Liability

The Management Board is responsible for the implementation and the efficiency of the decisions it makes.

The members of the Management Board have joint and several liability for damage arising as a consequence of breach of their duties, unless they prove that they have honestly and prudently performed their duties.

Reporting to the shareholders

Each member of the Management Board shall inform the Supervisory Board of the Company of all changes in relation to his/her ownership of shares of the Company the next working day after such change has arisen, at the latest. The Company shall publicly disclose such change as soon as possible.

Conflicts of interest

A member of the Management Board has a conflict when he/she is not neutral in relation to the subject of the decision and can influence the making of the decision based on the interests different than the interests of the company.

The members of the Management Board shall not make decisions based on personal interests or based on interests of persons with whom they have close relations.

Business between the Company and the members of the Management Board

All business in which the members of the Management Board or persons related to them and Company participate must be on a market basis, particularly in relation to deadline, interests, guarantees etc. and must be clearly stated in the reports of the Company. Such business should be certified by an independent evaluation of expert persons who are independent of the participants in the business at hand.

Prohibition of competition

The members of the Management Board shall not, to their own benefit or to the benefit of others, personally or through third parties, compete with the Company in any manner.

Furthermore, the members of the Management Board shall not have a significant share in the companies, which may be considered competitors of the Company.

Additional responsibilities when the Company is part of a Group of companies

The Management Board of the leading company in the group of companies is responsible for strategic governance and long-term success of the entire group and it supervises the business operations and the investments of the group into the subsidiaries through the membership in the supervisory boards of the subsidiaries.

As a consequence of that, the Management Board of the leading company should ensure the appropriate cooperation within the group, taking into account of the timely and quality exchange of information between the companies in the group.

3.4. COOPERATION AND RELATIONS BETWEEN THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

The Management Board shall report to the Supervisory Board in a timely and comprehensive manner of all facts and circumstances, which might affect business, financial position and state of assets of the company or its subsidiaries.

The Management Board and the Supervisory Board shall always reach an agreement in relation to the strategic determinants of the company and implementation of that strategy.

The Management Board shall enable all its members and the members of the Supervisory Board to have a simple and timely access to all facilities and premises of the company, data, files and all other necessary documents to perform their duties.

4. AUDIT AND INTERNAL CONTROL MECHANISMS

4.1. INDEPENDENT EXTERNAL AUDITOR

The company shall have independent external auditors as an important instrument of corporate governance. Therefore, their basic function is to ensure that financial statements adequately reflect the actual condition of the company as a whole. The auditor who is not connected with the company regarding ownership or interests and who does not provide, by itself or through associated persons, any other services to the company will be considered an independent external auditor.

Independent external auditors must express their opinion as clearly and as unambiguously as possible in relation to whether the financial statements prepared by the Management Board reflect the actual state of capital and the financial condition of the company and the results for a certain period of time.

The audit committee shall determine the plan of work with the independent external auditors and propose a fee for the work of the auditor.

The independent auditors shall report directly to the Management Board in relation to the following issues:

- discussion of the principal accounting policies,
- important deficiencies and significant lacks in the internal control and procedures,
- alternative accounting procedures,
- disaccords with the Management Board, risk assessment, and
- possible analyses of fraud and/or abuse.

The procedures conducted by the audit company must reflect its independence and objectivity, in particular if the employees provide other professional, primarily, advisory services within the same audit company. In the case there are circumstances indicating to the possibility of jeopardizing the independence of the auditors, the Supervisory Board shall recommend to the assembly that new business advisors or auditors are engaged.

4.2. INTERNAL AUDITORS

The task of the internal auditors is to conduct the internal control and checks related to adherence to the regulations, guidelines and instructions. The internal auditors shall report directly to the Management Board or the Supervisory Board of the Company in relation to the results.

The Supervisory Board shall approve an annual plan of work of internal auditors, analyze their results and supervise the implementation of their recommendations.

The president of the Management Board is in charge of creating an internal control system which establishes and supervises the flow of correct, concrete and comprehensive data on the organization of the company, such as data on the adherence to the financial, business and legal obligations, which might present a significant risk for the Company. The internal auditor must consider and check the efficiency of such system at least once a year.

5. RELATIONS WITH INVESTORS

5.1. STRATEGY

The Management Board of the Company shall make available the balanced data pertaining to both positive and negative sides of the Company's business operations to the investors, so as to enable the investors to correctly understand and judge the condition of the Company and to make a decision on their investments based on the data collected in such manner.

The investors should always have the possibility to request in writing and obtain in a timely manner the relevant data from the Management Board of the Company or the person in charge of the relations with investors within the Company.

5.2. INTERNET USAGE

The Company shall, through its own publicly available www website, ensure the efficient and practical exchange of information through the internet.

The Company shall publish all information that it otherwise must publicly disclose in accordance with the law or the Articles of Association, on its own www website.

In order to treat all shareholders equally, regardless of their country of origin, the Company must publish all data on its www website in the Croatian and in the English language.

6. PUBLICATION OF INFORMATION ON ADHERING TO THE PROVISIONS OF THE CODE

In its annual report and on its www website, the Company shall state in a prescribed form (annual questionnaire) whether it has adhered to the recommendation stated in this Code.

This Code and its recommendations are based on the principle "act or explain", i.e. if the company deviates or does not apply a recommendation of this Code, it must provide an explanation in the annual questionnaire as to the reason for the deviation or non-application.

The annual questionnaire is a constituent part of this Code.

Vice-president of
the Supervisory Board
Duško Mustačić

THE SUPERVISORY BOARD OF THE PORT OF RIJEKA J. S. C.