

 ZAGREBAČKA BURZA <i>Zagreb Stock Exchange</i>	Conflict of interest management policy of the Zagreb Stock Exchange, Inc.	version 1.0
		RBD 142

Conflict of interest policy



ZAGREBAČKA
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Zagreb Stock Exchange

Conflict of interest management policy of the Zagreb Stock Exchange, Inc.

**version
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Pursuant to Article 7 of the Articles of Association of the Zagreb Stock Exchange Inc. and Article 296(1)(9) and (10) of the Capital Market Act (Official Gazette, NN No 65/18), on 29 August 2019, the Management Board of the Zagreb Stock Exchange Inc. adopted the following

Conflicts of interest management policy

Purpose and scope of the Policy

Article 1

The purpose of this Policy is to establish measures for the identification, disclosure, prevention, management and mitigation of existing conflicts of interest, and to undertake any other measures defined by this Policy.

The scope of this Policy is to:

- (i) specify the circumstances which constitute or might constitute conflict of interest between the Exchange and/or its shareholders and/or Exchange members and/or issuers and the public interest in the orderly operation of the regulated market managed by the Exchange;
- (ii) specify the circumstances which constitute or might constitute conflict of interest between the employees and the Exchange;
- (iii) specify the circumstances which constitute or might constitute conflict of interest between benchmark users and the Exchange as the benchmark administrator;
- (iv) establish measures for the identification of the actual conflict of interest;
- (v) establish measures and procedures for the management of conflicts of interest, that is, for the prevention of adverse impact of conflicts of interest on the operation of the regulated market managed by the Exchange or on any persons participating in trading on such regulated market as well as on the use of benchmarks.

Responsibilities

Article 2

This Policy is adopted by the Exchange Management Board.

The responsibility for the implementation of this Policy shall lie with the Management Board with support of Compliance.

The implementation of this Policy shall be supervised by Compliance and the internal audit function. For the purpose of supervising the implementation of this Policy, Compliance must be provided access to all documents of the Exchange. All employees, the Management Board and members of the Supervisory Board and of the Committees established under the auspices of the Supervisory Board are required to submit any required documentation to Compliance at its request.

The updating of this Policy and its harmonisation with legal regulations and internal acts of the Exchange shall be the responsibility of Compliance.

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Definitions

Article 3

For the purposes of this Policy, the following definitions shall apply:

Administrator – the Exchange as a legal person that has control over the provision of a benchmark;

Agency – the Croatian Financial Services Supervisory Agency;

APA or approved publication arrangement – a person authorised under this Directive to provide the service of publishing trade reports on behalf of investment firms pursuant to Articles 20 and 21 of Regulation (EU) No 600/2014;

APA service of the Exchange – an Exchange service intended for the entry of reports on trade in equity financial instruments and/or non-equity financial instruments concluded over-the-counter (OTC) for the purpose of their publication;

Exchange – the Zagreb Stock Exchange Inc., Ivana Lučića 2a/22, Zagreb, ID No (OIB): 84368186611;

Member firm – a person that concludes an agreement with the Exchange for membership of the Exchange;

Management Board – the Management Board of the Zagreb Stock Exchange Inc.;

Issuer – a natural person or a legal entity governed by private or public law, including a State, whose securities are admitted to trading on a regulated market in the Republic of Croatia or another Member State; in the case of depository receipts admitted to trading on a regulated market, the issuer means the issuer of the underlying securities represented, whether or not those securities are admitted to trading on a regulated market;

MTF or multilateral trading facility – a multilateral system managed by the Exchange which, in accordance with non-discretionary rules known in advance, brings together or facilitates the bringing together of third-party buying and selling orders for financial instruments resulting in a contract, in accordance with the provisions of Part Title III Chapter VII of the CMA.

Supervisory Board – the Supervisory Board of the Zagreb Stock Exchange, Inc.

Supervisory Board committees – the Nomination Committee, the Audit Committee, the Remuneration Committee, the Strategy Committee and other committees established under the auspices of the Supervisory Board;

Benchmark – any index by reference to which the amount payable under a financial instrument or a financial contract, or the value of a financial instrument, is determined, or an index that is used to measure the performance of an investment fund with the purpose of tracking the return of such index or of defining the asset allocation of a portfolio or of computing the performance fees;

Regulation (EU) No 2016/1011 – Regulation (EU) No 2016/1011 of the European Parliament and of the Council on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investments funds;

Person closely associated – a person who is in one of the following relationships with an employee, member of the Management Board or member of the Supervisory Board or Supervisory Board committees:

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1. a spouse, or a partner considered to be equivalent to a spouse in accordance with Croatian law;
2. a dependent child, in accordance with Croatian law;
3. a relative who has shared the same household for at least one year on the date of the transaction concerned; or
4. a legal person, trust or partnership, the managerial responsibilities of which are discharged by a person discharging managerial responsibilities or by a person referred to in points 1, 2 or 3, which is directly or indirectly controlled by such a person, or which is set up for the benefit of such a person, or the economic interests of which are substantially equivalent to those of such a person;

Employee – a person who engages in work at the Exchange under an employment contract and other persons who engage in work at the Exchange under other contracts or agreements corresponding by their characteristics to an employment contract, where a special regulation provides for such work to be done without employment (including, but not limited to a secondment agreement, service contract of a student, volunteering, professional training, etc.);

CA – the Companies Act (NN Nos 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13, 110/15, and 40/19);

CMA – the Capital Market Act (NN No 65/18);

Obligated parties

Article 4

This Policy shall apply to:

- (i) members of the Management Board;
- (ii) members of the Supervisory Board and members of Supervisory Board committees;
- (iii) employees;
- (iv) in relation to benchmarks: the Employees participating in the provision of benchmarks.

Parties referred to in the preceding Paragraph hereto shall provide to the Exchange any data laid down in this Policy, as well as data relating to persons closely associated and data on legal persons in which the obligated parties and Persons closely associated with them have more than 5 % or more voting rights and/or interest in the share capital or in which they participate in the work of the management, management or supervisory board.

Conflict of interest – definition

Article 5

Conflict of interest is any situation in which personal interests of obligated parties under this Policy are contrary to or conflict with the interests of the Exchange, including situations where there is only the impression that personal interests of obligated parties conflict with the interest of the Exchange.

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Conflict of interest also exist in any situations where benefit or potential benefit from the information obtained on the basis of employment at the Exchange is used for personal interests and/or to the detriment of the Exchange. Conflict of interest may also arise where a person closely associated gains personal advantages thanks to the position of an employee, member of the Management Board or Supervisory Board or member of the Supervisory Board committees at the Exchange, irrespective of whether such advantages are obtained directly from the Exchange or a third party.

Conflict of interest also exists in the situations where impartiality of parties obligated to comply with this Policy in discharging duties entrusted to them, or in doing the work in accordance with their employment contract, may be brought into question because of improper influence of personal, financial or other nature on such obligated parties, or where obligated parties fail to act independently and objectively in relation to the business activity and, using their specific position in providing the services and performing the activities of the Exchange, they have personal, professional and/or economic interests that are contrary to the interests of shareholders, issuers, member firms or the public interest in the orderly operation of the regulated market.

Conflict of interest may be:

- (i) actual;
- (ii) apparent;
- (iii) potential.

Actual conflict of interest exists where the personal interest of parties obligated to comply with the provisions of this Policy conflicts with their work commitments or duties.

Apparent conflict of interest exists in such situations where a person may reasonably conclude that the personal interests of parties obligated to comply with the provisions of this Policy conflict with their work commitments or duties even though there may be no actual conflict of interest.

Potential conflict of interest exists in such situation where the personal interests of any party obligated to comply with the provisions of this Policy do not conflict with their work commitments or duties but they may conflict if, in the future, such obligated party is involved in work commitments or in the discharge of duties which may be influenced by their personal interest.

Each Employee, member of the Management Board, member of the Supervisory Board and/or of Supervisory Board committees shall avoid situations in which their personal, professional and/or economic interest:

- (i) may lead to a conflict of interest with the Exchange and/or its shareholders and/or Exchange members and/or issuers of financial instruments admitted to trading on the regulated market managed by the Exchange;
- (ii) may affect a conflict of interest between the Exchange and/or its shareholders and/or issuers on the one hand and the public interest in the orderly operation of the regulated market on the other hand.

This includes such situations in which there is an apparent conflict of interest of an Employee, member of the Management Board, members of the Supervisory Board and/or member of a committee established by the Supervisory Board or in which there is potential for a conflict of interest.

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Circumstances constituting conflict of interest in relation to the Exchange business activity

Article 6

Each situation in which the Exchange and/or relevant officers of the Exchange fail to act independently and objectively in relation to the Exchange business activity, using their specific position with the Exchange, constitutes a conflict of interest.

Thus, a conflict of interest exists where:

- (i) the interest of the Exchange and/or its shareholders and/or member firms and/or issuers is placed above public interest in the orderly operation of the regulated market or use of benchmarks provided by the Exchange as their administrator; and
- (ii) private interest of members of the Exchange Management Board and/or Supervisory Board and/or of members of Supervisory Board committees and/or Exchange employees is placed above public interest in the orderly operation of the regulated market or use of benchmarks provided by the Exchange as their administrator,

and such interests have an adverse effect on the operation of the regulated market managed by the Exchange, any persons participating in trading on the regulated market or the provision of benchmarks.

Personal interests of members of the Management or Supervisory Board or members of Supervisory Board committees or of Employees may be deemed to affect or potentially affect their impartiality in the following situations:

- (i) in performing the tasks related to the operation of the regulated market, including, but not limited to those related to the issuers etc.;
- (ii) in relation to persons who participate in trading on the regulated market (Member firms or investors);
- (iii) in due performance of Exchange obligations;
- (iv) in providing the APA services in relation to Exchange clients;
- (v) in providing benchmarks.

Circumstances which may constitute a conflict of interest, whether actual, apparent or potential, need to be managed in an effective, reliable and secure manner.

Conflict of interest between Exchange and/or its shareholders and public interest in the orderly regulated market operation

Article 7

The Exchange as a market operator manages the operation of the regulated market in the Republic of Croatia. Under the CMA, the principal activity of the Exchange is regulated market management. In addition to the principal activity, the Exchange may engage in other activities in accordance with the provisions of the CMA or other applicable regulations. In performing its activities, the Exchange is required to be guided by the principles of public interest protection and capital market stability.

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On the other hand, the Exchange is a company whose goal is to make profit.

Accordingly, conflict of interest may arise between the interests of the Exchange in performing its profit-making activity and Exchange actions which are in the public interest of regulated market operation (for instance, the Exchange may have a conflict of interest when deciding to undertake any market protection measures in relation to issuers and on the type of measures to be imposed, especially as regards delisting, taking into account that the issuer pays a listing fee and a listing maintenance fee which is Exchange income).

Conflict of interest of the Exchange and/or its shareholders and/or issuers and/or member firms

Article 8

A conflict of interest between the Exchange on the one hand and an issuer/member/shareholder on the other hand may arise from the following circumstances:

- (i) Exchange decision making under the influence of or in such a manner as to favour one or several Issuers/Members;
- (ii) such Exchange decision making which is influenced by a particular shareholder or group of shareholders or which benefits a particular shareholder or group of shareholders;
- (iii) preparation of Exchange rules and other acts in a biased manner so as to render more difficult performance of the work of the Issuer/Member firm which is in competition to that performed by the Exchange;
- (iv) using the powers of the Exchange in a biased manner (surveillance and undertaking market protection measure or deciding on termination or suspension of membership or delisting);
- (v) unauthorised use of confidential information of Issuers / Member firms.

Conflict of interest of members of the Management and Supervisory Board and of Supervisory Board Committees

Article 9

The Management Board conducts the affairs of the Exchange on its own responsibility, exercising due professional care and diligence. The Management Board is bound by professional secrecy with respect to the trade secret of the Exchange.

The Management Board shall act in the interest of the Exchange and its shareholders, acting independently and objectively and disregarding its personal interest.

In view of the powers delegated to Supervisory Board committees, members of such committees must be free of conflict of interest in relation to other members of the Supervisory Board, members of the Management Board, senior management of the Exchange and key function holders of the Exchange.

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Members of the Management Board as well as members of the Supervisory Board and of Supervisory Board committees shall avoid situations in which they may have a conflict of interest, whether actual or potential. In that sense members of the Management Board, Supervisory Board and Supervisory Board committees may not accept any third party advantages, given precisely on account of their position and possibility of influencing decision making related to Exchange business operation. That obligation shall be subject *mutatis mutandis* to the provisions of the Exchange Policy of accepting and giving advantages.

A conflict of interest between member of the Management Board, members of the Supervisory Board and members of Supervisory Board committees, on the one hand, and the Exchange, on the other hand, may exist in such situations where, for instance, personal or financial interests of a member of the Management or Supervisory Board and/or of Supervisory Board committees conflicts with the interest of the Exchange.

The following circumstances may affect the capability of members of the Management or Supervisory Board and/or of Supervisory Board committees to discharge their duties independently and objectively and thus expose them to improper influence:

- (i) personal, professional or economic relations with other natural and/or legal persons, including but not limited to Exchange shareholders, issuers, member firms and employees;
- (ii) positions in which a member of the Management or Supervisory Board and/or a member of Supervisory Board committees has worked in financial institutions and companies over the past 5 years (membership of the management or supervisory board, managerial positions);
- (iii) whether a member of the Management or Supervisory Board and/or a member of Supervisory Board committees has shares of the Exchange or shares or interest in an entity with the interests different from those of the Exchange, if such acquisition does not result from a remuneration scheme or acquisition pursuant to applicable regulations;
- (iv) personal, professional or economic relations among members of the Management or Supervisory Board and/or members of Supervisory Board committees, or between member(s) of the Management Board and member(s) of the Supervisory Board, between member(s) of the Management Board and member(s) of Supervisory Board committees, between member(s) of the Supervisory Board and member(s) of Supervisory Board committees;
- (v) other economic interests (for instance, loans or credits obtained from the Exchange, member firm, shareholder of the Exchange, issuer or loans granted by the Exchange to companies in which a member of the Management or Supervisory Board or of Supervisory Board committees has an equity interest or discharges duties of management or supervisory board member or has a managerial position);
- (vi) political influence or relations with politically exposed persons;
- (vii) other interests, including interests of persons closely associated which may give rise to a conflict of interest between a member of the Management or Supervisory Board and/or a member of Supervisory Board committees they are closely associated with and Exchange (for instance, a close relative of a Management Board member is an employee of the legal person undertaking the audit of the Exchange).

Article 10

A conflict of interest between a member of the Management Board and the Exchange may arise in the following situations where a personal interest of the Management Board member prevails over the interest of the Exchange:

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- (i) if a member of the Management Board engages in work encroaching on the business activity of the Exchange for his/her own account or for the account of others;
- (ii) if a member of the Management Board is also management or supervisory board member in another company engaging in work within the scope of the Exchange business activity;
- (iii) if a member of the Management Board engages in work for his/her own account or for the account of others on Exchange premises;
- (iv) if a member of the Management Board or person closely associated receives a loan or other such remuneration from the Exchange;
- (v) if a member of the Management Board on his/her own behalf and account, or on his/her own behalf and for the account of others (e.g. Persons closely associated), or on behalf and for the account of others (e.g. Persons closely associated) enters into an agreement with the Exchange;
- (vi) if a member of the Management Board on his/her own behalf and account enters into an agreement or undertakes any other legal transaction of a nature belonging to the Exchange;
- (vii) if a member of the Management Board gains advantages or privileges from the Exchange;
- (viii) in the event of engaging in ancillary activities outside working hours due to which a member of the Management Board is not left sufficient time to discharge duties of Management Board member;
- (ix) if a member of the Management Board, in exchange for a personal convenience, favours the interests of a particular shareholder / group of shareholders / Issuer / Member firm;
- (x) if enabling a third party to obtain a benefit through disclosure of confidential information about the Exchange or other Issuer.

Actions defined in lines (i), (iv) and (v) of the preceding paragraph of this article are permitted only subject to prior and express written consent of the Supervisory Board.

No conflict of interest under line (ii) of paragraph 1 of this article that is not manageable by this Exchange will be deemed to exist if the Management Board member is also member of the management or supervisory board of its subsidiaries or members of the same group of companies, provided that the member meets the criteria laid down by law and other regulations concerning the number of functions to be held.

Article 11

A conflict of interest between a member of the Supervisory Board and the Exchange may arise in the following situations where a personal interest of the Supervisory Board member prevails over the interest of the Exchange:

- (i) if engaging for his/her own account or for the account of others (e.g. Person closely associated) in work encroaching on the business activity of the Exchange (personally or through a third person);
- (ii) if the member of the Supervisory Board enters into an agreement with the Exchange beyond his/her duties as Supervisory Board member (such legal transaction is subject to prior and express written consent of the Supervisory Board);
- (iii) if enabling a third party to obtain a benefit through disclosure of confidential information about the Exchange or other issuer;
- (iv) if favouring the Management Board member out of personal interest in decision making about a situation which gives rise to a conflict of interest of that Management Board member;

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- (v) if a member of the Supervisory Board engages in work encroaching on the business activity of the Exchange for his/her own account or for the account of others;
- (vi) if a member of the Supervisory Board is also management or supervisory board member in another company engaging in work within the scope of the Exchange business activity.

No conflict of interest under line (vi) of the preceding paragraph of this article that is not manageable by this Exchange will be deemed to exist if the Supervisory Board member is also member of the management or supervisory board of its subsidiaries or members of the same group of companies, provided that the member meets the criteria laid down by law and other regulations concerning the number of functions to be held.

Conflict of interest of the Employees

Article 12

An Employee conflict of interest may arise in the cases where employees place their own personal interest or the interest of Persons closely associated with them before the interests of the Exchange.

Situations in which an Employee may have a conflict of interest with the Exchange are the following:

- (i) if engaging for his/her own account or for the account of others (e.g. Person closely associated) in work encroaching on the business activity of the Exchange (personally or through a third person);
- (ii) if enabling a third party to obtain a benefit through disclosure of confidential information about the Exchange, other issuer or Member firm;

Conflict of interest of the employees and Management Board members as members of the Indices Committee and members of the Oversight Committee

Article 13

The Exchange has identified situations, at the organisational level and the level of benchmark provision, in which conflict of interest exists, in which there is potential for conflict of interest to arise and those in which there may appear to be conflict of interest.

The inclusion or exclusion of shares as index constituents is undertaken in accordance with the criteria described in detail in the documents on index methodology, therefore they can be managed separately from all commercial relationships the Exchange may have with users and service providers.

All persons involved in the design, calculation or maintenance of benchmarks are expected to act as individuals with integrity in the performance of benchmark-related tasks so as to ensure independence and objectivity and the absence of conflict of interest when managing benchmarks.

Given that the Indices Committee and the Oversight Committee are composed only of the employees and members of the Management Board but no external members, the employees and Management Board members who are members of either of these Committees may be involved in the following situations which may constitute a conflict of interest:

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- (i) between the Exchange as the benchmark administrator, on the one hand, and their personal interest in gaining a material benefit from disposal, directly or indirectly, from the shares which are index constituents, on the other hand;
- (ii) between their duty with regard to the interests of benchmark users as a whole, on the one hand, and the Exchange as their employer, on the other hand, for instance:
 - by trying to minimise standards laid down for a particular benchmark developed through discussions of the Indices Committee, thus attempting to reduce the burden of compliance for their employer, or
 - In the event of certain irregularities or illegalities, by trying to reduce the likelihood of sanctions or filing of reports or complaints to a competent authority;
- (iii) between the employees of the Exchange which is the benchmark administrator and the Exchange as the regulated market operator providing share trading services;
- (iv) between the employees of the Exchange which is the benchmark administrator and the Exchange as the issuer whose securities are admitted to trading on the regulated market.

Among other, the employees and members of the Management Board involved in the design, calculation or maintenance of benchmarks managed by the Exchange as the benchmark administrator, including the corporate communications function:

- (i) are prohibited from contributing to the benchmark determination through participation in auctions, orders or trading for their own purposes or on behalf and for the account of other participants in the market;
- (ii) are prohibited from trading, in accordance with Article 21 of this Policy;
- (iii) while the Exchange income includes fees based on the assets in investment products linked to Exchange indices to licensed clients, remuneration to the employees responsible for index design, calculation or maintenance shall not be related to the performance of Exchange indices.

Users, investors and service providers

Article 14

While the shares of users, investors or service providers, as well as of the Exchange itself, may or may not be or become index constituents, their inclusion in any index is defined by the Exchange methodology based on objective criteria. The methodology for the calculation of Exchange indices is made available to the public on the Exchange website. Entities do not and cannot pay to be included in any Exchange index nor do they obtain prior information about their inclusion in, exclusion from or position in an index.

Services providers are not involved in decisions concerning indices nor do they have knowledge of such decisions prior to their disclosure.

Article 15

The existence of any circumstance set out in Articles 7 through 14 of this Policy does not automatically mean that an employee, member of the Management Board, member of the Supervisory Board and/or member of Supervisory Board committees has a conflict of interest.

Conflict of interest will exist in the event that the persons in respect of whom such circumstances have occurred are not able to discharge their duties independently and objectively due to the influence on such persons' decision making of any of the circumstances referred to in the preceding Paragraphs.

The Exchange shall monitor and manage any identified or potential conflict of interest and, where necessary,

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undertake measures for its mitigation or elimination so as to ensure the independence and objectivity of the parties obligated to comply with the provisions of this Policy.

Measures for conflict of interest identification

Article 16

Obligated parties under this Policy shall avoid the situations that may constitute or give rise to conflict of interest.

In the cases where conflict of interest cannot be avoided, in their actions obligated parties shall rely on the following three principles:

- obligation to disclose to a superior any conflict of interest,
- obligation to document any conflict of interest and
- obligation to exercise due professional care, in accordance with applicable regulations of the Republic of Croatia and other acts of the Exchange.

Obligated parties under this Policy shall inform the Exchange without delay of any event or new circumstance that affects or might affect the existence of conflict of interest in relation to the Exchange as the regulated market and MTF operator, as the APA service provider and as the benchmark administrator.

Reporting circumstances related to conflict of interest

Article 17

Immediately upon occurrence of the circumstances that may constitute conflict of interest (including suspicion in relation to a certain circumstance or knowledge of a certain activity that may give rise to conflict of interest) or as soon as they become aware of the circumstances that may be considered conflict of interest, obligated parties under this Policy shall report it to their superior and inform Compliance at the e-mail address sukob.interesa@zse.hr.

Measures for conflict of interest management

Article 18

The following types of procedures and measures may be appropriate in managing conflict of interest:

- information control (so-called “Chinese wall”) – preventing/controlling information exchange between opposing parties in a conflict of interest;
- organisational separation of duties – preventing/controlling simultaneous involvement of individuals in separate tasks and services;
- exemption of obligated parties under this Policy from participation in decision making on issues in respect of which a particular person has a conflict of interest (including potential or apparent conflict of interest);

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- prohibition of trading;
- maintaining a list of insiders and a conflict of interest register;
- reporting securities transactions;
- obligation to obtain prior approval for engaging in external business activities;
- development and distribution of recommendations and
- delivering training.

Chinese walls

Article 19

The implementation of information barriers (“Chinese wall”) is among the measures of conflict of interest management which, using a separation of organisational units of the Exchange and Employees of such organisational units, prevent simultaneous flow of information between opposing sides. Thus, for instance, the Employees involved in the design, calculation or maintenance of Exchange indices are subject to organisational barriers by being in principle separated from the persons not involved in such activities. The information barrier restricts access to potentially confidential information relating to Exchange indices and changes of indices to the persons who need to know such information to discharge their duties and who are “within the wall” so as to protect all such data. The Employees “within the wall”, including the corporate communications functions are subject to a more stringent policy that restricts trading in shares and certain financial products. Other employees are not involved in decisions concerning indices nor do they have knowledge of such decisions prior to their disclosure.

Similarly, any Employees who due to the nature of work performed have access to confidential information on the Exchange and/or issuers, must not share such information with other Employees prior to its disclosure (Market and Surveillance, Investor Relations and Legal Affairs staff); therefore, these Employees are organisationally separated from other Employees who are not involved in such tasks.

Exemption from participation in decision making

Article 20

Each Employee, particularly members of the Management Board, Supervisory Board or Supervisory Board committees, shall be exempted from participation in decision making on the issue in respect of which the persons concerned may have a conflict of interest. Thus, for instance, under the Policy for the selection and assessment of the suitability of members of the Supervisory Board of the Zagreb Stock Exchange, Inc., a member of the Nomination Committee who is also a member of the Supervisory Board shall be exempt in deciding on a suitability assessment of compliance with criteria for members of the Supervisory Board when the decision concern the assessment of that member’s own suitability.

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Prohibition of trading

Article 21

Employees and members of the Management Board involved in the design, calculation or maintenance of benchmarks managed by the Exchange as the benchmark administrator, including the corporate communications function, are prohibited from buying shares, except subject to prior approval, and are also subject to a lock-up period and prohibition of trading in all types of equity instruments, including investments in investment funds and ETFs, as well as any derivative or other investment linked to an index managed by the Exchange, during the index rebalancing in the event of:

- (i) periodic index review – from the last day of a six-month period preceding the review until the publication date of the new index composition;
- (ii) extraordinary index review – the prohibition applies from the time of finding out about the reason for extraordinary review until the publication date of the new index composition.

Acquisition/disposal of financial instruments

Article 22

Employees, members of the Management Board, Supervisory Board or Supervisory Board committees are required once a month to report to the Exchange, on their own behalf and for Persons closely associated, any acquisition or disposal of financial instruments according to defined in Conflict of interest management procedure of the Zagreb Stock Exchange, Inc.

Approval for engaging in external business activities

Article 23

All Employees are required to obtain prior approval of the Management Board, and members of the Management and Supervisory Board are required to obtain prior approval of the Supervisory Board for engaging in external activities and work on the boards of third parties, associations and other bodies, in which they participate as representatives of the Exchange.

Conflict of interest register

Article 24

For the purpose of recording and preventing potential conflict of interest, the Exchange maintains a Conflict of interest register, in which data required to be submitted by the obligated parties and which may be of relevance for identifying the existence of any conflict of interest.

The conflict of interest register in the form of an electronic record is kept by Compliance.

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Conflict of interest decision making

Article 25

Decision making concerning the existence of conflicts of interest is the responsibility of the Conflict of Interest Committee.

The time limit for identifying the existence of a conflict of interest in a particular case is 30 (thirty) days from the day of receiving a report.

Where a conflict of interest is found to exist, the Conflict of Interest Committee is required to issue a recommendation identifying measures to eliminate or manage the conflict of interest (for instance, notification of the relevant manager of new circumstances, exemption from any further decision making and action in the activities to which the conflict of interest relates, controlling and recording distribution of and access to information concerning the conflict of interest, informing the internal audit function, etc.).

In the cases where a conflict of interest is found to exist, the Exchange will publish any opinion, recommendation and/or guidance of the Conflict of Interest Committee on its website.

Any cases of identified conflict of interest of Management and/or Supervisory Board members shall be notified by the Exchange to the Agency without delay.

The instigation of a procedure to identify a conflict of interest of a Management and/or Supervisory Board member shall be notified by the member of the Supervisory Board whose circumstances bring into question his or her independence and objectivity, or by other member of the Supervisory Board who has knowledge of such circumstances, to the Nomination Committee without delay. In case of learning of such circumstances, a member of the Exchange Management Board shall notify the Supervisory Board in writing (by post or e-mail to the address specified by the Chairman of the Exchange Supervisory Board), and the Supervisory Board shall notify the Nomination Committee.

Internal audit

Article 26

The internal audit function is required to audit the conflict of interest management system and conflict of interest procedures once a year. Support in undertaking the audit shall be provided by Compliance.

Once a year, the internal audit function will issue an independent expert opinion on the efficiency, reliability and security of the systems and procedures laid down in this Policy which the Management Board is required to taken into account when adopting its business decisions.

Breach of obligations

Article 27

Failure to comply with the provisions of this Policy constitutes a serious infringement of employment terms under the Employment Rules and a legal basis for termination of other agreement entered into, including the possibility of asserting a claim for damages.

Non-compliance with the provisions of this Policy by members of the Supervisory Board shall be subject to

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procedure in accordance with the provisions of an internal act of the Exchange on the selection and suitability assessment of members of the Exchange Supervisory Board.

Personal data protection

Article 28

Compliance and Surveillance are the units authorised to process personal data of obligated parties provided under this Policy exclusively and for the sole purpose of implementing and documenting the procedures undertaken to identify the existence of conflicts of interest,

Compliance and Surveillance staff is not authorised to disclose personal data concerned to any third legal or natural person or use them for any other purposes except those defined in this provision.

As part of the form for the submission of data to the Conflict of interest register, obligated parties shall also enter personal details of third parties, members of their household, and shall inform all such persons thereof. Such data is collected exclusively for the purpose of detecting and preventing conflicts of interest and/or market abuse, in accordance with the obligations of the Exchange defined in the Capital Market Act (NN No 65/18) and Market Abuse Regulation.

Form and method of document keeping

Article 29

The Exchange is required to document each identified or potential conflict of interest.

Documents provided in written form by obligated parties for the purpose of undertaking procedures laid down in this Policy shall be kept for at least 5 years.

Personal data collected under this Policy shall be maintained in the original, copy and in the form of electronic record for a maximum of 5 years from the date of collection, on expiry of which period it will be destroyed, that is, deleted

Access to documents kept in written form shall be granted to the Legal and General Affairs staff.

Final provisions

Article 30

This Policy shall be updated regularly, once a year or more frequently where necessary.

This Policy shall enter into force on the day of its adoption, and shall be applicable from 01 October, 2019.

On the entry into force of this Policy, the Conflict of Interest Procedure of 11/01/2019 shall cease to have effect.