

Pursuant to Article 247(a) of the Companies Act (Official Gazette 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), at its 41<sup>st</sup> meeting held on 25 May 2020, the Supervisory Board of the Zagreb Stock Exchange determined the following

**Remuneration Policy  
for Zagreb Stock Exchange, Inc. Management Board Members**

**Scope of the Policy**

**Article 1**

This Remuneration Policy for Zagreb Stock Exchange, Inc. Management Board Members (hereinafter: the Remuneration Policy) defines the following:

1. system of remuneration of Management Board Members;
2. procedure for the Remuneration Committee establishment;
3. tasks of the Remuneration Committee;
4. procedure for the adoption, implementation and amendments of this Policy;
5. terms and conditions of current Management Board Members contracts signed with the Company;
6. method of submitting reports on remuneration of the Company's Management and Supervisory Board for discussion by the Shareholder Assembly at the Annual General Meeting (AGM).

**Definitions**

**Article 2**

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

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

Management Board Members – President and Member of the Management Board jointly;

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

AGM – the Annual General Meeting of the Zagreb Stock Exchange, Inc. Shareholder Assembly;

HANFA – the Croatian Financial Services Supervisory Agency;

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

Committee – the Remuneration Committee;

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



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

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).

## Principles

### Article 3

This Remuneration Policy is based on the following principles:

1. harmonisation of the remuneration of Management Board Members with the Company's business strategy and long-term development;
2. balance between the job value, competences and experience and keeping the best talent when determining fixed and variable remuneration of Management Board Members;
3. correlation of payment of the variable of remuneration to Management Board Members with performance indicators and results achieved;
4. due consideration of the criteria for the remuneration of Company's workers and their working conditions when defining the remuneration of members of the Exchange Management Board.

## Remuneration Committee

### Article 4

The Committee shall be established as a standing committee of the Supervisory Board whose tasks are defined in further detail in Article 6 of this Remuneration Policy.

The Committee shall consist of three (3) members to be appointed by the Supervisory Board from among its ranks at a meeting of the Supervisory Board.

Committee members may have no conflict of interest in respect of Management Board Members.

The Committee shall elect a Committee chairperson from among its ranks.

The Committee shall adopt the Rules of Procedure to define the method of work and decision-making of the Committee.

With regard to the tasks defined by this Remuneration Policy the Committee shall meet at least once a year.

In its work, the Committee may take into account the opinion of independent experts and consultants, especially in analysing and comparing remuneration paid by other exchanges in the region of the same or similar size and organisational structure.



The Committee may be supported by external experts and consultants, as well as by the organisational units of the Company in assessing the level of achievement of annual goals and payment of a variable element of salary to Management Board Members.

## **Mandate of Remuneration Committee members**

### **Article 5**

The mandate of Committee members shall commence on the day of the adoption by the Supervisory Board of a decision appointing them to the Committee and shall last until the end of their mandate as Supervisory Board members or until their Supervisory Board mandate is terminated by dismissal or resignation.

A Committee member may be reappointed, provided that he or she is re-elected or reappointed to the Exchange Supervisory Board.

If a Committee member's mandate as Supervisory Board member ends by dismissal or resignation, the Supervisory Board shall appoint a new Committee member instead.

In the event referred to in the preceding paragraph of this article, newly appointed Committee members shall discharge their duties as Committee members until the end of their mandate as Supervisory Board members or until their Supervisory Board mandate is terminated by dismissal or resignation.

## **Tasks of the Committee**

### **Article 6**

The tasks of the Committee shall be to:

1. issue recommendations to the Supervisory Board with regard to defining fixed and variable elements of salary and other remuneration payable to Management Board Members;
2. consult and provide support to the Supervisory Board in drafting a new and/or amending the existing Remuneration Policy;
3. consult and provide support to the Supervisory Board in monitoring the implementation of the Remuneration Policy;
4. consult and provide support to the Supervisory Board in drafting the annual remuneration report;
5. review the appointment of external remuneration consultants who may be retained by the Supervisory Board, where necessary, for consultation or support;
6. analyse and periodically examine the Remuneration Policy and the very remuneration of Management Board Members;
7. propose amendments to the Policy to the Supervisory Board.



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In performing its tasks, the Committee shall take into account:

1. the Exchange business strategy and long-term development;
2. criteria for workers' remuneration and working conditions of key personnel of the Exchange in particular;
3. shareholders' rights;
4. comparative data of other Exchanges in the region;
5. compliance with the Conflict of interest management policy of the Zagreb Stock Exchange, Inc.

## **Remuneration of Management Board Members**

### **Article 7**

In determining remuneration of Management Board Members, the Supervisory Board shall take into account the Company's business strategy, its short-term and long-term business plans, and as well as the economic policies of the social environment in which the Company operates. In addition, when determining remuneration for each Management Board Member, the Supervisory Board will also take into consideration the distinction in duties and responsibilities between the President of the Management Board and the other Member of the Management Board.

The Management Board Members incomes are defined in balanced and transparent manner, supporting long-term Company strategy. Any remuneration of Management Board Members shall be associated with Exchange values and strategy and determined with due consideration of the remuneration criteria and working conditions of Company's department directors. Furthermore, the remunerations as they are defined hereto aimed to keeping and fostering talented, qualified and expert Management Board Members which also contributes to achieving long-term strategic goals of the Company.

The annual goals of Management Board Members associated with the payment of the annual bonus shall be aligned with the Company's annual business plan.

The Supervisory Board may also decide to temporarily deviate from this Remuneration Policy only when this is necessary for the long-term benefit of the Exchange or when other reason exists where execution of this Remuneration Policy would result in a gross injustice to the Company. Such deviation relates only to the variable element of the remuneration of the Management Board Members. In such event, a Supervisory Board shall consult on its decision with the Committee.

The Company is entitled to seek repayment of the income paid to the Management Board Member that was made contrary to this Remuneration Policy.

This Remuneration Policy does not prejudice the applicability of other principles governing remuneration of the management board members determined by the applicable legislative rules (e.g. the Companies Act).



## Types of remuneration

### Article 8

The overall remuneration of Management Board Members shall consist of:

1. a fixed element of remuneration,
2. a variable element of remuneration and
3. other remuneration.

## Fixed element of remuneration

### Article 9

The fixed element of remuneration payable to Management Board Members is a fixed element of remuneration defined by the contract that the Company, represented by the Supervisory Board, enters into with the President or the Member of the Management Board. In the overall remuneration of Management Board Members, the fixed element shall be proportionately higher than the variable element in percentage terms.

The fixed element of remuneration of Management Board Members shall be defined in gross terms, on a monthly and annual basis.

The fixed element shall be payable to Management Board Members on a monthly basis, by the 15<sup>th</sup> day of each month for the work done in the preceding month.

The agreed fixed element of remuneration shall reflect the relevant professional experience, competence and organisational and statutory responsibility of Management Board Members for conducting Company affairs. It does not depend on work performance or on achieving the set goals, nor may it be reduced or revoked unilaterally by the Company.

Neither the monthly nor the annual amount of fixed remuneration payable to Management Board Members shall depend on other or additional criteria or on business performance, and shall contain no element of incentive effects with regard to risk assumption.

## The variable element of the remuneration

### Article 10

The variable element of remuneration of Management Board Members depends generally on the assessment of their work performance measured by the overall Company financial and operational result at an annual level, development of new meaningful products and offerings, the promotion of the development of the capital market, education of the issuers, the stock exchange members and the wider public as well as individual goals set to the Management Board Members. The payment of variable remuneration as a whole must not limit the Company's ability to strengthen its capital base and liquidity.

Defining the variable element of the remuneration of Management Board Members shall be aimed at meeting the business strategy goals and adjusted to the risk profile of the Company's business and its ability to take on risks. Variable remuneration provides an incentive for cautious long-term risk assumption and sound risk management.

### Article 11

Taking into consideration the principle described in the previous provision, the variable element of remuneration is guided by the following principles:

- the maximum amount of the variable element of remuneration for each Management Board Member is determined in advance by the Supervisory Board for each business year. Determination of such an amount is based on the planned budget for the following year and is set out in percentage (%) of the Company's annual consolidated net profit;
- the exact amount of the variable element of remuneration to be paid will take into account three distinct categories: 1) consolidated financial performance of the Company 2) operational, strategic and developmental performance of the Company and 3) performance of individual goals of each Management Board Member (altogether "KPI"). Each category shall have a predefined weight in which it participates in the overall amount of remuneration and such weights should have a sound balance between the abovementioned categories;
- exact key performance indicators (KPI's) relating to the financial, operational, and strategic performance and individual goals will be set in advance for every business year by the Supervisory Board. For example, such financial KPI's can be based on revenue, gross profit, net income and /or return on equity. The Supervisory Board will set such indicators considering the proposal of the Committee and the Management.
- the Supervisory Board may decide to decrease the previously set maximum amount of the variable element of remuneration for the current business year only when this is necessary for the long-term benefit of the Company (i.e. completion of material project, acquisition or similar) or increase such amount if extraordinary financial/operational/strategic results of the Company are achieved;
- the Supervisory Board may decide not to pay the variable element of remuneration only if business results are significantly underperforming or when business results are negative;
- the exact amount of the variable element of remuneration to be paid to the Management Board Members is determined after the Supervisory Board received the audited financial statements but before the AGM is held;

### Other remuneration

### Article 12

For the duration of the contract entered into between the Company and Management Board Members, they shall be entitled to full-day use of a car appropriate to the business they conduct for both official and private purposes. All costs of maintenance and fuel, as well as car registration and insurance shall be covered by the Company.





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Furthermore, the Company shall make available to Management Board Members for full-day use:

- a mobile phone and/or a smartphone device and a tablet;
- a laptop with a Home Office package and mobile broadband service provided;
- corporate credit card.

The Company shall cover the costs related to the use of the laptop mobile phone / smartphone, tablet and corporate card.

Management Board Members shall also have the right, in accordance with applicable regulations, to a refund from the Company for any other expenses and/or indemnities related to their job or necessary to fulfil their duties and discharge the powers they have as Management Board Members, for instance, business travel at home and abroad, membership of professional associations, literature in their own or foreign language, participation in professional conferences, visits to fairs and exhibitions. In each calendar year, Management Board Members shall be entitled to professional training of at least 20 days at the expense and in accordance with the business plan of the Company.

Management Board Members shall be entitled to have a health insurance as well as a professional liability insurance policy issued to them as Management Board Members and responsible officers of the Company.

## **Management Board Members contract terms and conditions**

### **Article 13**

A contract with a Management Board Members (hereinafter referred to as: "the Contract") in which all rights and obligations, as well as the remunerations of the Management Board members are defined, is concluded for a fixed term corresponding to the mandate to which they have been appointed by the Company's Supervisory Board upon approval by HANFA (4 years). Members of the Management Board have general employment rights for indefinite period of time in the Company.

The Contract may be terminated in accordance with the law. Termination period is 2-month, unless otherwise agreed by the parties.

If the Contract is unilaterally terminated by the Company, due to reasons which are not on a side of Management Board Members, as well as if the Contract is unilaterally terminated by a Management Board members due to a fault of the Company, Management Board members shall have a right to receive a proportional part of business performance bonus (as it is defined in the Contract), for the calendar year in which the Contract is terminated, calculated according to the worked number of calendar months in that calendar year and under the assumption that goals for that period of time ending with the month in which the last monthly report has been submitted are achieved.

If the Contract is terminated by the Company, the Management Board Members are entitled to a severance pay equal to 6 (six) monthly (basic) gross salaries, except where the Management Board Members are removed by the decision of the Supervisory Board based on the applicable rules concerning revocation of the Supervisory Board decision on the appointment of Management Board Members.





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Management Board Members are entitled to have a health insurance in the maximum yearly amount defined in the Contract.

The voluntary pension insurance is not contracted for a Management Board Member by a Company. Also, the Company does not have an obligation for pensionable service buy-in, if the Management Board Members retire in after the Contract termination.

At the time of this Policy adoption, the Contract signed on October 26, 2017 between the Management Board President and the Company and the one signed on December 27, 2017 between the Management Board Member and the Company, are in force. By subject Contracts mutual rights and obligations between the Company and the Management Board President/Management Board Member with respect to their fixed and variable part of the remuneration, are defined.

In accordance with that, Management Board President has a contracted right to yearly bonus for business results realization (net income/loss) in line with the yearly Company's business plan for the respective business year, accepted by a Supervisory Board up to the amount of 2 (two) monthly gross salaries of the Management Board President. In the case of good Company performance for the current business year, based on the criteria of: financial result, achievement of business goals and management of the Company in complex circumstances, the Supervisory Board may decide to pay an additional bonus higher than the stated one. Within the scope of long-term compensation instruments, the system of remuneration of the Management Board President defined within the Contract also include the right to acquire up to 1% of Company shares under a share option plan at a predefined fixed price in a defined time limit.

The option may be exercised in October 2020 at the earliest, or 3 (three) years after the conclusion of the contract with the Management Board President. The option may be exercised at any time, during the time option may be used. The fixed price at which this is done shall be an average market price of the share at the time of the option grant. The option may but need not be exercised by the Management Board President.

The variable element of remuneration (business performance bonus) agreed in the Contract for a Management Board Member, is a salary element payable to Management Board Members, provided that the Company has been performed good and that it has generated a profit for the year in respect of which the bonus is to be paid. The Contract defines a minimum amount of that bonus.

In addition to the business performance bonus of Management Board Members, based on the criteria of: financial result, achievement of business goals and management of the Company in complex circumstances, the Supervisory Board may decide to pay an additional bonus higher than the minimum to a Management Board Member, but not exceeding 44% of the gross annual salary of the Management Board Member.

Bonuses referred to under Paragraphs 8 and 9 hereto are payable after the Supervisory Board has given its consent to the annual financial statements of the Company, at latest till May 31<sup>st</sup> of the current year.



## Article 14

Article 13 only indicates rights under the Management Board Member contracts and does not provide or create for any new rights regarding the remuneration of the Management Board Members. If the rights indicated under Article 13 are contradictory or are not aligned in their meaning and wording with the specific rights provided under the Management Board Member Contracts, such rights under the Management Board Contracts take precedence and are solely applicable instead of the rights stated under Article 13.

As long as the Management Board Member holds rights described under Article 13 hereto, as well as the rights defined in the Management Board Member Contracts, the other rights described under this Policy that are deviating from the rights set out under Article 13 and/or the Contracts do not take effect in respect of such Management Board Member (e.g. right to the variable element of remuneration as set out in Article 11 of this Policy).

However, if the Management Board Member accepts to waive in written form, temporarily or permanently -completely or partially, hers/his contractual rights as described under Article 13 of this Policy as well as other contractual rights relating to the remuneration not specifically indicated under Article 13, the other rights from this Policy are applicable (e.g. the right to the variable element of remuneration as set out in Article 11 of this Policy) as long as such waiver is effective.

## Remuneration report

### Article 15

Once a year the Management Board or the Supervisory Board shall prepare a report on remuneration that the Company or another company of the Group has paid or undertaken to pay to each current or former member of the Management or Supervisory Board over the past financial year and submit such report for discussion as a separate item on the agenda of the AGM.

The remuneration report shall contain at least data on the name and surname of each current or former member of the Management or Supervisory Board, in accordance with the preceding paragraph of this article, as well as the following data if available to the Company:

1. any fixed and variable elements of remuneration, their percentage share in the overall remuneration, an explanation of compliance with this Remuneration Policy, including the manner in which they support long-term performance of the Company and the application of criteria to assess such performance;
2. a comparison of annual changes in remuneration, income and profit of the company and average remuneration of full-time employees for the past five financial years, including an explanation of how workers' remuneration has been taken into account in calculating the average remuneration and the scope of workers included in such calculation;



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3. number of shares and share options the Company has granted or undertaken to grant to them and main criteria for the exercise of such rights, including the price and date at which they are to be exercised with any amendments to such criteria;
4. whether and how the Company has requested the refund of variable elements of remuneration;
5. whether the Company has deviated from the Remuneration Policy with an explanation of why this was necessary and which specific parts of the Remuneration Policy it has deviated from;
6. an explanation as to how the AGM decision with regard to the provision of Article 276a(4) of the CA has been taken into account.

The remuneration report for Management Board Members should also include information on remuneration:

1. paid or undertaken to be paid to them in the financial year by a third party in relation to the tasks performed as Management Board President or Member;
2. undertaken to be paid by the Company to Management Board Members in the event of early expiry of their Management Board mandate in the past financial year;
3. undertaken to be paid by the Company to Management Board Members in the event of regular expiry of their Management Board mandate, its cash value and total liability, the amount the Company has set aside or undertaken to set aside for that purpose in the past financial year, as well as any alterations and negotiations concluded in the past financial year;
4. paid or undertaken to be paid by the Company to former Management Board Members whose mandate expired in the past financial year.

The remuneration report shall be reviewed by the auditor undertaking an audit of annual financial statements of the Company who shall also prepare a report on the review of the remuneration report. That report shall be enclosed to the remuneration report.

The Company shall disclose and make available on its website free of charge for a period of 10 years the remuneration report and the report on the review of the remuneration report after an AGM at which the remuneration report has been submitted for discussion at that AGM.

The remuneration report must not contain data concerning the family circumstances of individual members of the Management and Supervisory Board.

The Company shall remove from the remuneration report any personal data made available via the Company's website on expiry of the time limit referred to in the provision of Paragraph 5 of this Article.

The remuneration report need not contain data which, according to reasonable business judgement, may cause significant damage to the Company. If the reasons causing certain data to be omitted from the remuneration reports disclosed later cease to exist, such data will be reintroduced in the remuneration report for the very next financial year.



## **Adoption of the Remuneration Policy**

### **Article 16**

This Remuneration Policy shall be defined by the Supervisory Board and submitted for approval by the Shareholder Assembly at the AGM.

Should this Remuneration Policy not be approved by the Shareholder Assembly, the Supervisory Board shall review it and present it for approval at the next AGM.

The Supervisory Board shall present this Remuneration Policy for approval by the Shareholder Assembly at least once every four years from the date of its first adoption and whenever it is substantially amended.

The AGM decision and the Remuneration Policy approved shall be disclosed and made available free of charge on the Company's website for a period of at least 10 years immediately after the AGM, with an indication of the date by which they are to remain in effect.


## **Validity and entry into force**

### **Article 17**

This Remuneration Policy has been defined for the period between 2020 and 2022.

This Remuneration Policy has been drafted in English and in Croatian language. If at any time there is some discrepancy in wording or in meaning between the English and the Croatian version of the Policy, the English version takes precedence.

This Policy shall enter into force on the date of its approval by the Shareholder Assembly at the AGM.



**ZAGREBAČKA BURZA d.d.**  
Chairman of the Supervisory Board  
Borislav Centner

