



**ZAGREBAČKA  
BURZA**

*Zagreb Stock Exchange*

## **BENCHMARK STATEMENT**

**ADRIAprime® index**

**October 2020**

The Zagreb Stock Exchange Inc. with its registered office in Ivana Lučića 2a/22, Zagreb (hereinafter: the Exchange), publishes this Benchmark statement as the administrator of ADRIAprime® index. This Benchmark statement is published due to fulfilled conditions laid down in Articles 20(1) and 24(1) of 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 and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 and related regulatory technical standards.

This Benchmark statement shall be read together with Exchange Resolutions on calculation of ADRIAprime® index and other related policies, as well as documents which govern benchmark providing. Stated documents were written in cursive in cases when this benchmark statement refers to them and are available on the web site of the Zagreb Stock Exchange Inc. (<https://zse.hr/>).

In accordance with Article 27 of 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 and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 and in accordance with Commission Delegated Regulation (EU) No 2018/1643 of 13 July 2018 supplementing Regulation (EU) No 2016/1011 of the European Parliament and of the Council with regard to regulatory technical standards specifying further the contents of, and cases where updates are required to, the Zagreb Stock Exchange Inc., Ivana Lučića 2a/22, represented by Ivana Gažić, President of the Management Board, and Tomislav Gračan, Member of the Management Board, on 20 December 2019 publishes the following

## BENCHMARK STATEMENT

### 1 General Information (DR Art. 1 (1)(a) to (d) and Art.2)

**Date of initial publication** 20 December 2019

**Date of last update** 08 October 2020

**Benchmark and its ISIN symbol** The Zagreb Stock Exchange Inc. is the administrator of ADRIAprime® index:

Index	Xetra Symbol	ISIN
ADRIAprime®	ADRPR	HRZB00IADPR4

**Contribution of input data** The Exchange does not determine benchmark using contribution of input data. We refer to Section 6 of this Statement regarding input data.

**Qualification of the benchmark** ADRIAprime® index is **regulated-data benchmark**.

Input data for the calculation of index are prices obtained on the basis of transactions concluded on the regulated market managed by the Zagreb Stock Exchange and the Ljubljana Stock Exchange, via the XETRA T7 trading platform.

Within the meaning of the provisions of Art. 3(1)(24) of BMR, index is regulated-data benchmark meaning that benchmark is determined by the application of a formula covering input data contributed entirely and directly from the trading venue, as defined in Article 4(1)(24) of Directive 2014/65/EC.

ADRIA prime® index is **non-significant benchmark** according to thresholds determined by the Art. 3(1) (27) of BMR.

## 2 Definition of key terms (BMR Art. 27 (2) (a))

**Administrator** – natural or legal person which has control over providing benchmark.

**BMR** – in this document means 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 and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014.

**The Exchange** – The Zagreb Stock Exchange Inc.

**DR** - Commission Delegated Regulation (EU) No 2018/1643 of 13 July 2018 supplementing Regulation (EU) No 2016/1011 of the European Parliament and of the Council with regard to regulatory technical standards specifying further the contents of, and cases where updates are required to, the benchmark statement to be published by the administrator of a benchmark.

**Index** means every figure:

- (a) that is published or made available to the public;
- (b) that is regularly determined
  - i. entirely or partially by the application of a formula or any other method of calculation, or by an assessment, and;
  - ii. on the basis of the value of one or more underlying assets or prices, including estimated prices, actual or estimated interest rates, quotes and committed quotes, or other values or surveys.

**Indices Committee** – means a committee composed of staff from the Exchange which operationally perform periodic reviews of the indices and other benchmark related activities from its jurisdiction, according to Regulation (EU) No 2016/1011 and whose members, responsibilities and powers are regulated by the *Rules of Procedure of the Indices Committee*.

**Oversight Committee** – means a committee composed of staff from the Exchange which perform the surveillance function of all the aspects of benchmark providing according to Regulation (EU) No 2016/1011 and whose members, responsibilities and powers are regulated by the *Rules of Procedure of the Oversight Committee*.

**Non-significant benchmark** – a benchmark that does not fulfil the conditions laid down in Articles 20 (1) and 24 (1) of Regulation (EU) No 2016/1011.

**Benchmark** - means 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.

### 3 Economic reality measured and its geographic boundaries (BMR Art. 27(1) (a) and DR Art. 2 (a) and (b))

ADRIAprime® index consists of shares listed on the Prime Market<sup>1</sup>, the highest market segment of both the Zagreb Stock Exchange and the Ljubljana Stock Exchange. It is a total return index which takes into account the dividend returns. The weighting of each share is determined in accordance with its free float market capitalisation and is limited to 15%. The base value is 1,000 points and the base date is 30 April 2019. ADRIAprime® index is calculated in Euro (EUR) as of 19 June 2019 and is distributed in real time, continuously in the course of trading.

The selection criteria and share weights are defined by Resolutions on calculation of ADRIAprime® index, available to public via Exchange web site:

[https://zse.hr/en/indeks-366/365?isin=HRZB00IADPR4&tab=stock\\_publisher](https://zse.hr/en/indeks-366/365?isin=HRZB00IADPR4&tab=stock_publisher)

### 4 Discretionary rights (BMR Art. 27 (1) (b) and Art. 27 (2) (d))

ADRIAprime® index is regulated-data benchmark whose calculation arises from the prices obtained on the basis of transactions concluded on the regulated market managed by both the Zagreb Stock Exchange and the Ljubljana Stock Exchange.

ADRIAprime® index comprises exclusively shares listed on the Prime Market of the Zagreb Stock Exchange and the Ljubljana Stock Exchange.

The Exchange selects shares to be included in the composition of ADRIAprime® index and the selection depends on the trading model in which share is traded<sup>2</sup>, turnover within the order book and free float market capitalisation. On final index composition decides the Indices Committee whose members, responsibilities and powers as well as the method of work and decision-making is regulated by the *Rules of Procedure of the Indices Committee*, available via Exchange web site: <https://zse.hr/en/indices-552/551>.

Exceptionally, the Indices Committee can use its discretionary right in following situations:

- In case of corporate actions occurring, the Indices Committee may decide to undertake an index adjustment in a manner different from the methodology for the calculation of the index if it believes another method of adjustment to be more appropriate to the circumstances.
- If any information which may affect the listing of a particular share (e.g. regulated market delisting, takeover of the joint stock company, pending status changes of the issuer, etc.) is

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<sup>1</sup> Prime Market of the Zagreb Stock Exchange and LJSEPRVA of the Ljubljana Stock Exchange are the most demanding market segments on the Regulated Market of the two relevant Exchanges, with regard to the requirements set before the issuer, especially in relation to transparency. The issuers of the shares listed on this market segment stand out with their liquidity, size, transparency and international recognition.

<sup>2</sup> Exclusively shares traded in the continuous trading model can be included in the composition of ADRIAprime® index.

disclosed at the time of review, the Indices Committee may decide not to include the share in the index or to exclude it from the index.

## **5 Review of, changes to and cessation of a benchmark (BMR Art. 27 (1) (c) and Art. 27 (2) (b), DR Art. 1 (5))**

### **5.1 Methodology**

The weight of each share in composition of ADRIAprime® index is determined in accordance with its free float market capitalisation. ADRIAprime® index is total return index which also takes into account dividend returns of the constituent shares.

The main criteria for share selection into composition of ADRIAprime® index is the liquidity of shares listed on the highest market segment of the Zagreb Stock Exchange and the Ljubljana Stock Exchange, Prime Market.

ADRIAprime® index is determined by the application of a mathematical formula described in resolution on calculation of the index which is available via Exchange web site: [https://zse.hr/en/indeks-366/365?isin=HRZB00IADPR4&tab=stock\\_publisher](https://zse.hr/en/indeks-366/365?isin=HRZB00IADPR4&tab=stock_publisher).

### **5.2 Review and changes of benchmarks**

Index calculation methodology is subject to reviewing in case when there are insufficient acceptable shares available for inclusion in index, i.e. when the liquidity on the relevant market is insufficient.

To ensure the representativeness of the ADRIAprime® index, the Oversight Committee for Benchmarks conducts reviewing the methodology once a year.

The Exchange has the right to change the methodology of the index. Given that each such change in the methodology affects stakeholders and index users, the Exchange specifies the procedures to be followed when changing the benchmark methodology, including the need for public consultation, so that users and stakeholders can take the necessary action in light of those changes or notify the Exchange if they have concerns about those changes.

Public consultations are to be held in case of significant changes in the methodology, for example changes to the applied formula used in calculation, change of criteria used for selecting shares included in the composition of index, change in revision frequency etc. The proposal for changes in the methodology and a brief explanation of such changes or clarification of the reasons and purposes to be achieved by changing the methodology will be published on the Exchange website, under Legal regulations/Consultation with the interested public (available in Croatian only), normally for 30 days.

Having given due consideration to stakeholder objections and comments on the proposed changes in the methodology, the Indices Committee will prepare a report on the public consultations held to be made public via the Exchange website.

The final text of the new methodology shall be prepared by the Indices Committee. Changes in the methodology shall be approved by the Management Board.

### 5.3 Cessation of a Benchmark

Given that the termination of provision of a benchmark may result in the termination or impossibility of implementation of the financial instruments or financial contract and thus harm investors, the Exchange has introduced procedures to be undertaken in the event of the termination of calculation of a benchmark in respect of which it is the administrator.

The proposal for the termination of benchmark calculation shall be put forward by the Indices Committee.

The reasons for the cessation of a benchmark may be the following:

- insufficient number of eligible shares available for inclusion;
- benchmark no longer serves its purpose or is not representative;
- insufficient demand for a benchmark to justify its continued calculation;
- changes of legal regulations.

Actions and activities the Exchange undertakes when deciding on the cessation of a benchmark are described in the document *Indices Manual* available via Exchange web site: <https://zse.hr/en/indices-552/551>.

The Exchange informs users of the index on the cessation of a Benchmark via Internet site (at least three months before the proposed date of the cessation, if possible).

Proposal for the cessation of a Benchmark approves the Oversight Committee, and the Management Board of the Exchange decides on the cessation of a Benchmark.

## 6 Input Data (BMR Art. 27(2) (c))

Input data for the calculation of ADRIAprime® index are prices obtained on the basis of transactions concluded on the regulated market managed by the Exchange, via the XETRA T7 trading platform. Within the terms of provisions of Article 3(1) (24) of Regulation (EU) No 2016/1011, ADRIAprime® index is regulated-data benchmark meaning that benchmark is determined by the application of a formula covering input data contributed entirely and directly from the trading venue, as defined in Article 4(1) (24) of Directive 2014/65/EC.

The body responsible for undertaking the index review is the Indices Committee which decides on the number of shares included in index, on inclusion or exclusion of individual stock and on the weight change of an individual stock within the index composition.

The index review may be regular or extraordinary. Regular reviews of the ADRIAprime® index are conducted twice a year. All changes relating index composition are published on the web sites of the Exchange.

In case of extraordinary events which may affect the representativeness of the index, the Indices Committee may undertake an extraordinary index review between two regular reviews.

## **7 Determining Benchmark in case of extraordinary events (BMR Art. 27 (2) (e) and (g) and DR Art. 1 (3) (c))**

Extraordinary events are events in which, due to market distortions, technical difficulties in the system of a provider of an index calculation service or force majeure, current index calculation is not accurate or cannot be executed accurately.

The examples of events which may be deemed by the Exchange to constitute market disturbance include termination or temporary suspension of trading in most shares that are index constituents (volatility interruption or other circuit breaker due to exceedance of the limit of price change, e.g. fall in the CROBEX® index value by 10 % or more compared to its last value on the previous trading day); termination of cooperation with the counterparty (e.g. an event which hampers or compromises the ability of market participants to settle transactions), amendments to legal regulations, etc.

Force majeure is an external emergency which could not have been foreseen, prevented, eliminated or avoided. It could be a natural phenomenon, such as earthquake, thunderbolt, fire, landslide, etc. or a social phenomenon, such as wars, sabotage, strikes, export bans, etc. Force majeure shall be also deemed to include any other event, in addition to those mentioned above, which render the calculation of indices incorrect or impossible on technical grounds or otherwise.

In the event of extraordinary events, there is the possibility of interrupting the index calculation, restarting or suspending the index calculation on a particular trading day. In accordance with the guidance contained in the internal incident management acts, the Exchange shall publish (through client messages, press releases, web site information) the latest official index value and composition based on which the index user may settle an index product.

## **8 Dealing with errors in the input data (BMR Art. 27 (2) (f))**

In case of wrong input data in the index calculation, the Exchange will inform market participants of difficulties in index calculation via web sites of the Exchange.

Possible errors include but are not be limited to:

- omitted or erroneous dividend information in the case of total return indices;
- omitted or incorrectly implemented corporate action;
- index calculation error due to error in the computer programme or wrong interpretation of the methodology for index calculation;
- incorrect index composition published in the index review announcement;
- error occurring during index review (erroneous calculation of parameters).

Guidelines for the data correction are described in the document *Indices Manual* which is available on the web site of the Exchange: <https://zse.hr/en/indices-552/551>.



All index corrections shall be discussed and decided by the Indices Committee which can also decide to interrupt the index calculation in order to correct any error identified in the course of the trading day. Index values will be recalculated at the end of business if this is found by the Indices Committee to be necessary.

Notification on the method of eliminating index calculation errors shall be public via the Exchange website.

## **9 Reviewing the Statement on a Benchmark (BMR Art. 27 (1))**

The Exchange will review this Statement at least every two years or upon every significant change of data here stated and especially in case of:

- (a) changes in the type of benchmark;
- (b) significant changes in methodology for determining ADRIAprime® index.

## **10 Additional Information**

Additional information on ADRIAprime® index, including calculation methodology, are available on the web sites of the Exchange:

[https://zse.hr/en/indeks-366/365?isin=HRZB00IADPR4&tab=stock\\_publisher](https://zse.hr/en/indeks-366/365?isin=HRZB00IADPR4&tab=stock_publisher)

<https://zse.hr/en/indices-552/551>

Should you have any questions, please e-mail us on the address: *indices@zse.hr*