



**ZAGREBAČKA
BURZA**

Zagreb Stock Exchange

BENCHMARK STATEMENT

CROBEX INDEX FAMILY

(CROBEX[®], CROBEXtr[®], CROBEX10[®], CROBEX10tr[®] and CROBEXprime[®])

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 for CROBEX index family of Benchmarks which includes CROBEX[®], CROBEXtr[®], CROBEX10[®], CROBEX10tr[®] and CROBEXprime[®] indices. 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 every individual benchmark 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

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Benchmarks included in the family of benchmarks and their ISIN symbols The Zagreb Stock Exchange Inc. is the administrator for the family of CROBEX benchmarks including following indices:

Index	Xetra Symbol	ISIN
CROBEX®	CBX	HRZB00ICBEX6
CROBEX10®	CBX10	HRZB00ICBE11
CROBEX10tr	C10TR	HRZB00ICB103
CROBEXtr®	CBXTR	HRZB00ICBTR6
CROBEXprime	CBXPR	HRZB00ICBPR4

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

Qualification of the family of benchmarks Indices included into family of CROBEX benchmarks are regulated-data benchmarks.

Input data for the calculation of indices 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 meaning of the provisions of Art. 3(1)(24) of BMR, indices included into family of CROBEX benchmarks are regulated-data benchmarks meaning that benchmarks are 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.

All indices are non-significant benchmarks 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))

CROBEX family of benchmarks is constructed in a way that it measures price movements of Croatian companies listed on the regulated market managed by the Exchange.

All benchmarks consist of shares selected based on pre-defined criteria. The selection criteria and share weights are defined by Resolutions on calculation of each individual index which are available to public via Exchange web site: <https://zse.hr/en/indices/38>.

All indices are calculated in Croatian national currency (HRK).

Each of the indices within the CROBEX family of benchmarks measures share price movements of different segments of the Regulated market:

CROBEX®, equity index, ISIN: HRZB00ICBEX6, is the first equity index that the Exchange began to calculate on 3 September 1997. CROBEX is price index in which the weighting of each share is determined in accordance with its free float market capitalisation. Index constituents are the most liquid shares having the highest market capitalisation, with a maximum weighting of individual share limited to 10%. The base value is 1,000 points and the base date is 1 July 1997. CROBEX® is calculated in the Croatian national currency (HRK) and distributed in real time, continuously in the course of trading.

CROBEX10®, equity index, ISIN: HRZB00ICBE11, includes 10 shares with the highest free float market capitalisation and turnover from among the constituents of the CROBEX® index. The base index value was 1,000 points on 31 July 2009. It is a price index in which the weighting of each share is determined in accordance with its free float market capitalisation and limited to 20 % in order to prevent the dominant influence of share with a high capitalisation. It has been calculated since 7 September 2009. CROBEX10® is calculated in the Croatian national currency (HRK) and distributed in real time, continuously in the course of trading.

CROBEX10tr®, equity index, ISIN: HRZB00ICB103, is a total return index, taking into account in its calculation the payment of dividends on the constituent shares. CROBEX10tr® has the same composition as the CROBEX index, and its calculation began on 15 July 2020. The weighting of each share is determined in accordance with its free float market capitalisation and is limited to 20 %. The base index value of the CROBEX10tr® index was 1,000.00 points on 29 May 2020. CROBEX10tr® is calculated in the Croatian national currency (HRK) and distributed in real time, continuously in the course of trading.

CROBEXtr®, equity index, ISIN: HRZB00ICBTR6, is a total return index, taking into account in its calculation the payment of dividends on the constituent shares. CROBEXtr® has the same composition as the CROBEX index, and its calculation began on 24 February 2014. The weighting of each share is determined in accordance with its free float market capitalisation and is limited to 10 %. The base index value of the CROBEXtr® index was 1,000.00 points on 21 February 2014. CROBEXtr® is calculated in the Croatian national currency (HRK) and distributed in real time, continuously in the course of trading.

CROBEXprime®, equity index, ISIN: HRZB00ICBPR4, is the total return index, taking into account the dividends, in which the weighting of each share is determined in accordance with its free float market capitalisation. Index constituents are all the shares listed on the Prime Market managed by the Exchange, with a maximum weighting of individual shares limited to 30 %. The base index value is 1,000 points and the base index date 28 December 2018. CROBEXprime® has been calculated since 18 February 2019. The calculation currency is the Croatian national currency (HRK), and the index is distributed in real time, continuously in the course of trading.

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

Indices within the family of CROBEX benchmarks are benchmarks based on regulated data whose calculation arises from the prices obtained on the basis of transactions concluded on the regulated market managed by the Exchange.

Selection of the shares included in composition of index is based on quantitative criteria, pre-defined by the Resolution of each individual index. 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 a particular 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 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.
- The Indices Committee may decide to keep a particular share in the index irrespective of the fact that it does not meet quantitative criteria for being an index constituent set out in the methodology for the index calculation if it finds that the application of quantitative criteria alone may affect the interests of capital market participants or index representativeness. The Indices Committee may not exercise this right in respect of one and the same share in two consecutive reviews.

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 indices within the family of CROBEX benchmarks is determined in accordance with its free float market capitalisation. CROBEX® and CROBEX10® indices are price indices which take into account price returns of their constituents. CROBEXtr®, CROBEX10tr® and CROBEXprime® are total return indices which also take into account dividend returns on the constituent shares.

The main criteria for share selection into composition of indices within the family of CROBEX benchmarks is their liquidity in order to reflect, as accurately as possible, the economic reality they measure, in a way described in chapter 3 of this Statement.

Benchmarks are determined by the application of a mathematical formula described in resolutions on calculation of each individual index which are available via Exchange web site: <https://zse.hr/en/indices/38>.

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 benchmark, the Exchange may change the methodology for an individual 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.

If the Oversight Committee has recommended that public consultations be held or when it comes to significant changes in the methodology, 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, and the Oversight Committee shall oversee the procedure of its implementation.

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 Exchange indices are the 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, benchmarks within the family of CROBEX benchmarks are regulated-data benchmarks meaning that benchmarks are determined by the 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 indices included in the CROBEX family of benchmarks 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 indices, 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:

- 1 changes in the type of benchmark
- 2 significant changes in methodology for determining benchmark within the CROBEX family of benchmarks

10 Additional Information

Additional information on benchmarks, including calculation methodology of each benchmark, are available on the web sites of the Exchange: <https://zse.hr/en/indices/38> and <https://zse.hr/en/indices-552/551>. Should you have any questions, please e-mail us on the address: *indices@zse.hr*