



ZAGREBAČKA
BURZA
Zagreb Stock Exchange

**Rules of Procedure
of the Oversight Committee**

ver1.2

DNR 144

**Rules of Procedure
of the Oversight Committee**

 <p>ZAGREBAČKA BURZA <i>Zagreb Stock Exchange</i></p>	<p>Rules of Procedure of the Oversight Committee</p>	<p>ver1.2</p> <hr/> <p>DNR 144</p>
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Pursuant to Article 7 of the Articles of Association of the Zagreb Stock Exchange Inc. with its registered office in Ivana Lučića 2a/22, Zagreb (hereinafter: the Exchange) and Article 5(1) of Regulation (EU) No 2016/1011 of the European Parliament and of the Council of 8 June 2016 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, on 5 May 2022, the Exchange Management Board adopted the following

R U L E S O F P R O C E D U R E O F T H E O V E R S I G H T C O M M I T T E E

Introductory provisions

Article 1

(1) These Rules of Procedure regulate the purpose, composition, responsibilities and powers as well as the method of work and decision-making of the Oversight Committee, and other matters related to the activities of that Committee whose powers are defined by Regulation (EU) No 2016/1011 of the European Parliament and of the Council of 8 June 2016 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 (hereinafter: Regulation (EU) No 2016/1011).

(2) The meaning of individual terms used in these Rules of Procedure shall be those set out in Regulation (EU) No 2016/1011.

Purpose of the Oversight Committee

Article 2

The purpose of the Oversight Committee shall be the oversight of all aspects of the provision of benchmarks set out in Annex 1 to these Rules of Procedure to protect the confidence of the public in the integrity of the benchmarks provided by the Exchange as the benchmark administrator.

Competence of the Oversight Committee

Article 3

(1) The Oversight Committee (hereinafter: the Committee) shall have the following responsibilities and powers:

1. reviewing the benchmark definition and methodology at least once a year:
 - a. reviewing significant activities and procedures in relation to the benchmark with organisational units of the Exchange at least once a year;
2. overseeing any changes to the benchmark methodology and being able to request the Exchange to consult on such changes;
 - a. specify the cases in which due to the change of benchmark methodology there is a need for consultation;
 - b. overseeing the consultation procedure;
 - c. overseeing the implementation procedure.
3. overseeing the control framework of the Exchange as the benchmark administrator, the management and operation of the benchmark:
 - a. evaluating the relevance of the Exchange's control network for the provision of the benchmark;
 - i. periodically examining the control framework together with the organisational units of the Exchange involved in the provision of the benchmark and providing recommendations for improvements in the management of the benchmark;
 - ii. providing support to the internal audit function;
 - iii. monitoring the relevance and reliability of business continuity plans (BCP) and measures;
 - iv. examining risks and issuing recommendations for improvements in risk management;
 - v. analysing user complaints in respect of the benchmark at least once a year;
 - vi. examining the Management assessment of the quality of suppliers of outsourced business process in relation to the provision of the benchmark, if any, at least once a year.
4. Assessing the decisions of the Exchange Management Board with regard to the provision of the benchmark:
 - a. assessing such decisions;
 - b. challenging the decisions with regards to the fulfilment of the requirements of Regulation (EU) No 2016/1011, where appropriate;

- c. providing recommendations in writing to the Exchange Management Board.
5. Reviewing and approving procedures for cessation of the benchmark, including any consultation about a cessation;
6. overseeing any third party involved in the provision of the benchmark, including calculation of dissemination agents;
7. assessing internal and external audits or reviews, and monitoring the implementation of identified remedial actions;
8. reporting to HANFA any misconduct by the Exchange as the benchmark administrator of which it becomes aware during oversight.

(2) Members of the Committee shall have the right of access to any documentation necessary, and the right to request detailed information on any relevant issues from any employee of the Exchange in relation to any aspect of benchmark management.

Composition of the Oversight Committee

Article 4

(1) The Committee shall consist of 3 (three) members appointed by the Exchange Management Board among the Exchange staff. The members of the Committee together should have the skills and expertise appropriate to the oversight of the provision of a particular benchmark and to the responsibilities the Committee is required to fulfil.

(2) A member of the Committee may be a person who meets the following criteria:

1. possessing expertise on the provision of the benchmark and on the respective market or economy reality measured by that benchmark and, to the extent possible, of the different types of users of the benchmark;
2. being of good repute;
3. having sufficient time to commit to discharging duties resulting from membership of the Committee;
4. being free from conflict of interest resulting from or in relation to the provision of the benchmark.

(3) Members of the Indices Committee and other persons directly involved in the provision of the benchmark may be non-voting Committee members (observers).

(4) In addition to the persons set out in paragraph 3 of this article, any person possessing the skills and expertise necessary to be useful for the discussions and topics of the Committee may be an observer at Committee meetings.

 <p>ZAGREBAČKA BURZA <i>Zagreb Stock Exchange</i></p>	Rules of Procedure of the Oversight Committee	ver1.2
		DNR 144

(4) Members of the Management Board may not be Committee members or observers but may, at the invitation of the Committee chair, participate in Committee meetings without having voting rights.

(5) The Committee shall be autonomous and independent in its work.

Expertise

Article 5

A Committee member or members shall be deemed to possess adequate expertise if:

(a) they have completed at least graduate studies, in accordance with the regulations governing scientific activity and higher education, or if they have an equivalent degree of foreign qualifications in one of the following fields:

1. economics and similar fields;
2. law and similar fields;
3. mathematics, physics, information science, electrical engineering or similar fields;

(b) they possess expertise of the benchmarks used as a reference for financial instruments and financial contracts or for measuring the performance of investment funds or else in the issuance and manufacturing of financial instruments and contracts and, to the extent possible, also of the different types of users of the benchmark;

(c) they participate or have participated in the work of the internal committees of the Exchange or other exchange or in the work of external committees, groups or associations dealing with benchmark issues;

(d) they have relevant experience acquired through work at the Exchange or other trading venue, investment or pension funds, investment firm, credit institution or other legal entity engaging in work related to benchmarks within the scope of its activity.

Good reputation

Article 6

A Committee member or members who have been subject to administrative sanctions or criminal sanctions relating to financial services, in particular manipulation or attempted manipulation under Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC, shall not be deemed to be of good reputation.

Commitment to the mandate

Article 7

In assessing whether Committee members may commit sufficient time to discharging their duties, the following shall be taken into account:

1. type, size, scale and complexity of the activities performed by the Committee members;
2. number of the Committee meetings held on average throughout the year;
3. Committee meetings to be held, where necessary, with HANFA and stakeholders.

Conflict of interest

Article 8

- (1) Committee members may not be directly involved in the provision of the benchmark.
- (2) Committee members must be free from any conflict of interest resulting from or in relation to the provision of the benchmark and direct or indirect personal and economic interests in it.
- (3) Any conflict of interest issues and measures for its prevention and elimination are subject mutatis mutandis to applicable Exchange acts regulating conflict of interest.
- (4) The list of Committee members, specifying their names and surnames and functions carried out on the Committee, as well as their declarations of conflict of interest, if any, shall be disclosed by the Exchange on its website.

Appointment and dismissal of Committee members

Article 9

- (1) The mandate of Committee members begins on the day a resolution appointing them to membership of the Committee is adopted, unless otherwise provided in the respective Management Board resolution.
- (2) The mandate of Committee members ends:
 1. upon occurrence of circumstances preventing the Committee member from discharging their duties (e.g. becoming directly involved in the provision of the respective benchmark, loss of good repute, conflict of interest which cannot be eliminated by applying measures to eliminate possible conflicts of interest, etc.);
 2. circumstances incompatible with the discharge of duties as members of the oversight function (e.g. failure of the members to perform their Committee member obligations, including attendance of meetings, damage to the Exchange reputation, exclusion from a professional association, inappropriate public appearances, etc.);

 ZAGREBAČKA BURZA <i>Zagreb Stock Exchange</i>	Rules of Procedure of the Oversight Committee	ver1.2
		DNR 144

3. termination of employment or material change in the place of employment of the Committee members at the Exchange;
4. dismissal.

Chair of the Committee

Article 10

- (1) Committee members shall elect one among their ranks to be its chair and one to be deputy chair of the Committee.
- (2) The Committee chair shall preside over the Committee meetings, sign minutes of the meetings and execute other tasks provided under these Rules of Procedure.
- (3) In the event that the Committee chair is prevented or where no Committee chair has been elected or his or her membership of the Committee has ceased, the tasks of the Committee chair shall be executed by the deputy chair.
- (4) The Committee chair shall act as the contact point for the Exchange Management Board and HANFA.

Meetings

Article 11

- (1) Committee meetings shall be held at least once semi-annually or as necessary.
- (2) Committee meetings shall normally be held at the Exchange's registered office, unless most Committee members agree for a meeting to be held elsewhere.
- (3) The Committee may also hold e-meetings by exchanging e-mails. Where a meeting is held via e-mail, the meeting will be deemed to have been held at the Exchange's registered office.
- (4) The Committee chair shall prepare an agenda for each Committee meeting and e-mail it to all members, together with the invitation stating the time and place of the meeting and material for the meeting, to the e-address predefined by each member not later than 3 (three) working days before the schedule date of the meeting. In exceptional cases, and if agreed by Committee members, that time limit may be shorter.
- (5) Each Committee member has the right to propose an addition to the agenda before the meeting is held. Committee members shall decide on the proposed addition to the agenda by voting at the beginning of the meeting.
- (6) Persons who are not members of the Committee may attend meetings only at the invitation of the Committee chair.

Proceedings and decision-making

Article 12

- (1) Meetings shall be presided over by the Committee chair according to the agenda, which is put to the vote.
- (2) Once the agenda is adopted and before discussion of an item on it during the meeting, Committee members shall disclose any (potential) conflict of interest; a record of this fact must be made in the minutes of the meeting.
- (3) The Committee chair may interrupt the meeting for justified reasons or postpone it while providing an explanation.
- (4) The Committee may decide to refrain from decision-making on a particular matter if it finds that materials need to be supplemented, additional data collected, an expert opinion or analysis, etc. provided beforehand.
- (5) The decision to resume the Committee meeting shall be made by the chair.
- (6) The Committee shall deliberate orally at its meetings, and in exceptional cases also electronically or in writing (by letter, fax, telegram or by using other suitable technical means) if no member of the Committee opposes such decision-making. If a Committee member is prevented from attending a meeting but wishes to take part in the voting or has expressed an opinion in writing or electronically, then the Committee chair has to show or read a decision written or sent electronically by the absent member.
- (7) If facts other than those to be found in prepared material which has been submitted are expressed at the meeting, a written or electronic decision of the absent member may not be used in the voting, and this shall be entered in the voting record.
- (8) The Committee may take decisions at its meetings with at least 2 (two) Committee members in attendance. Any member participating in the work of the Committee meeting in a manner defined in paragraph 6 of this article shall be deemed to have been in attendance.
- (9) Decisions shall be taken by a majority of the votes cast. In the event of a tie on a Committee decision being put to the vote, the Committee chair shall have the casting vote.
- (10) Voting shall be oral, except in the case referred to in paragraph 6 of this article, and the results shall be entered in the voting record.

 ZAGREBAČKA BURZA <i>Zagreb Stock Exchange</i>	Rules of Procedure of the Oversight Committee	ver1.2
		DNR 144

Minutes of the meeting

Article 13

(1) The Committee shall send minutes with information on the members in attendance and decisions adopted at the meeting, including voting figures, to all members of the Committee via e-mail not later than 7 (seven) working days from the day on which the meeting ended.

(2) If any members attending the meeting should object to the content of the minutes by the end of the next working day from that on which the minutes are sent, the Committee chair shall consider the objection in question and resubmit it, together with the response and explanation or else with amended or supplemented minutes, to all Committee members by the end of the next working day.

(3) On performance of the obligation referred to in paragraph 2 of this article, or if there are no objections to the minutes, the Committee chair shall submit the final text of the minutes via e-mail to all Committee members and to the Exchange Management Board and shall sign it at the following Committee meeting.

(4) The signed minutes of the Committee meetings, together with any adopted acts and entire written correspondence among its members, shall be stored in accordance with the provisions of Article 16 of these Rules of Procedure.

Committee resolutions

Article 14

(1) The Committee shall issue resolutions and recommendations.

(2) If disclosed to the public, recommendations will be drafted as separate documents, while in other cases they will just be recorded in the minutes of the meeting.

(3) The Committee chair shall address all recommendations to the Exchange Management Board.

(4) The Exchange Management Board shall submit to the Committee a report on any recommendations accepted and implemented.

(5) Where the Committee becomes aware that the Management Board has acted or intends to act contrary to any Committee recommendations, it will document this fact clearly and consider relevant consequences.

(6) All recommendations shall be recorded.

 ZAGREBAČKA BURZA <i>Zagreb Stock Exchange</i>	Rules of Procedure of the Oversight Committee	ver1.2
		DNR 144

Confidentiality of information

Article 15

(1) Any data and/or documents obtained by performing an activity within the competence of the Committee shall be deemed confidential information.

Committee members and other persons aware of the information referred to in paragraph 1 of this article may use confidential information only and exclusively for the purpose of decision-making within the scope of the Committee competence.

Protection of personal data

Clause 16

(1) Personal data of Committee members referred to in Article 8(4) of these Rules of Procedure shall be published on the Exchange Intranet for the purpose of providing information to the interested public on the Committee members and on any existing or potential conflict of interest of the Committee members.

(2) The Exchange shall delete personal data of Committee members from its Intranet without delay at the end of their term as members of the Committee. The Exchange shall keep the Management Board resolution appointing Committee members in accordance with the Special list of archives and current records of the Zagreb Stock Exchange, Inc.

(3) The Exchange may provide personal data of Committee members to HANFA at their request.

(4) With regard to the Exchange treatment of personal data of Committee members, the Exchange undertakes:

1. to use and treat personal data referred to in Article 8(4) of these Rules of Procedure solely in accordance with the provisions of these Rules of Procedure and for the purpose defined in paragraph 1 of this article as well as performance of the obligations arising from the membership of the Committee under applicable regulations;
2. that Exchange officers in charge of treatment of Committee members' personal data have undertaken to observe the confidentiality of personal data;
3. that it takes appropriate organisational and technical measures to ensure the appropriate level of data security;
4. to make available to Committee members all the information necessary to prove compliance with the obligations referred to in current applicable regulations.

 ZAGREBAČKA BURZA <i>Zagreb Stock Exchange</i>	Rules of Procedure of the Oversight Committee	ver1.2
		DNR 144

(5) Committee members shall have the following rights with regard to the processing of their personal data in accordance with these Rules of Procedure:

1. the right to request from the Exchange access to and rectification or erasure of personal data or restriction of the processing concerning the Committee member, at the following contact address: *zastita_podatka@zse.hr*;
2. the right to object to the Exchange at the following contact address: *zastita_podataka@zse.hr* and the right to data portability;
3. the right to lodge a complaint with a competent authority, the Personal Data Protection Agency.

(6) The Committee member shall notify the Exchange in writing of any change of personal data published on the Exchange Intranet.

(7) Information about the collection and processing of personal data by the Exchange are also available in the Zagreb Stock Exchange, Inc. Privacy Policy available on the Exchange website www.zse.hr.

Records

Article 17

(1) Any documentation related to the Committee work shall be recorded and preserved as permanent archives in accordance with the Special list of archives and current records of the Zagreb Stock Exchange, Inc.

(2) The responsibility for record-keeping lies with the Committee chair, while Compliance shall be responsible for document storing.

Final provisions

Article 18

(1) These Rules of Procedures shall enter into force on the May 05, 2022.

(2) On the entry into force of this Rules of Procedures, the Rules of Procedures of the Oversight Committee of August 29, 2019 shall cease to have effect.

Ivana Gažić

President of the Management Board

Tomislav Gračan

Member of the Management Board

 ZAGREBAČKA BURZA <i>Zagreb Stock Exchange</i>	Rules of Procedure of the Oversight Committee	ver1.2
		DNR 144

Annex 1

The Zagreb Stock Exchange Inc. indices representing benchmarks in accordance with Regulation (EU) 2016/1011:

1. CROBEX, The Zagreb Stock Exchange equity index, ISIN: HRZB00ICBEX6
2. CROBEXtr, The Zagreb Stock Exchange equity index, ISIN: HRZB00ICBTR6
3. CROBEX10, The Zagreb Stock Exchange equity index, ISIN: HRZB00ICBE11
4. CROBEX10tr, The Zagreb Stock Exchange equity index, ISIN: HRZB00ICB103
5. CROBEXprime, The Zagreb Stock Exchange equity index, ISIN: HRZB00ICBPR4
6. ADRIAprime, The Zagreb Stock Exchange and Ljubljana Stock Exchange equity index, ISIN: HRZB00IADPR4