

# ANNUAL REPORT ON CORPORATE GOVERNANCE

2024



# Annual Report on Corporate Governance

---

2024

The logo for HANFA, featuring the word "HANFA" in a bold, dark blue, sans-serif font. Above the text is a red, curved line that arches over the letters, resembling a stylized wave or a protective shield.

**HANFA**

# Contents

- Introduction..... 7**
- Overview of selected corporate governance areas relating to share issuers.....14**
  - Introduction.....15
  - Gender structure of management and supervisory boards.....15
  - Target percentage of female board members.....17
  - Independence of supervisory board members.....19
  - Independence of audit committee members.....21
  - Conflicts of interest.....22
  - Internal control system.....24
  - Whistle-blowing.....26
  - Remuneration policy.....28
- Sustainability reporting for 2024..... 30**
  - Regulatory framework for sustainability reporting .....31
  - Sustainability report.....32
  - List of entities subject to sustainability reporting for 2024.....33
  - Overview of issuers’ sustainability reports for 2024.....33
    - Environmental information (E1 – E5) .....36
    - Information focused on social sustainability (S1 – S4) .....36
    - Governance information (ESRS G1 – Business conduct).....37
  - Reporting under the Taxonomy Regulation (disclosures pursuant to Article 8 of the Taxonomy Regulation (EU) 2020/852) ..... 38
  - Compliance of the issuers whose shares are admitted to the ZSE with the section “Corporate social responsibility”.....44
- Share issuers’ compliance with the Corporate Governance Code..... 47**
  - List of issuers according to their compliance with the Corporate Governance Code.....50
    - Issuers’ compliance by sections of the Code..... 54
    - Share issuers’ overall compliance with the Code in 2024..... 64

List of issuers according to the progress in their compliance with the Corporate Governance Code..... 66

Recommendations for improving the quality of corporate governance reporting ..... 69

**Annual report on corporate governance for share issuers..... 72**

Introduction ..... 73

Short overview on share issuers..... 75

    Number of share issuers ..... 75

    Shares not traded at all ..... 76

    Admissions to trading and removals from trading on the regulated market of the ZSE ..... 76

    Classification of issuers by sectors ..... 78

    Market capitalisation ..... 78

Capital and its origin ..... 80

    Initial capital ..... 80

    Ownership structure..... 81

    Origin of share issuers’ capital ..... 90

**Duties and responsibilities of board members..... 92**

    Conflicts of interest..... 92

    Related party transactions..... 93

    Code of conduct for management and supervisory board members and participation in the decision-making process..... 95

    The issuers’ compliance with the Code in the area relating to leadership ..... 96

**Supervisory board and its committees ..... 97**

    Number of members and composition of the supervisory board ..... 98

    Independence of supervisory board members..... 101

    Supervisory board members’ relationship with management board members and other supervisory board members..... 103

    Supervisory board committees..... 104

    Issuers’ compliance with the Code in the area relating to the supervisory board and its committees ..... 107

**Management board..... 108**

    Number of members and composition of the management board ..... 108

- Meetings of the management board ..... 110
- Terms of office and duration of management board membership..... 110
- Resignations of management board members ..... 111
- Management board members’ relationship with members of the management/  
supervisory board within the issuer and with other companies..... 111
- Issuers’ compliance with the Code in the area relating to the supervisory board and  
management board..... 113
- Remuneration of board members** ..... 115
- Remuneration of management board members..... 115
- Management board remuneration policy ..... 118
- Severance allowance for management board members ..... 120
- Remuneration of supervisory board members ..... 120
- Remuneration paid to senior management ..... 122
- Severance allowance for the senior management..... 123
- Issuers’ compliance with the Code in the area relating to the remuneration of  
management and supervisory board members..... 124
- Risks, internal control and audit**..... 124
- Internal control and audit..... 125
- Internal control system..... 125
- Internal audit system..... 126
- External audit..... 128
- Issuers’ compliance with the Code in the area relating to risks, internal control  
and audit..... 130
- General meeting** ..... 130
- Internal rules of procedure of the general meeting ..... 131
- Participation in the general meeting..... 131
- Issuers’ compliance with the Code in the area relating to shareholders and  
the general meeting..... 132
- Transparency and corporate social responsibility**..... 133
- Investor relations..... 133
- Dividend payments..... 135
- Corporate Governance Code..... 136

Issuers’ compliance with the Code in the area relating to disclosure and transparency..... 136

**Annual report on corporate governance for bond issuers..... 139**

Introduction.....140

Capital and its origin.....140

    Initial capital .....140

    Ownership structure of corporate bond issuers..... 141

Supervisory board and its committees .....142

    Supervisory board.....142

    Supervisory board committees .....144

Management board.....144

Duties and responsibilities of board members..... 147

    Conflicts of interest and related party transactions ..... 147

Remuneration of board members.....148

    Remuneration of management board members.....148

    Remuneration of supervisory board members..... 150

    Remuneration of the senior management ..... 151

Risks, internal control and audit..... 151

    Internal control and audit..... 151

    Managing company risks ..... 152

    External audit ..... 152

Transparency and corporate social responsibility ..... 152

    Corporate Governance Code ..... 153

**List of tables ..... 154**

**List of charts..... 156**

# INTRODUCTION

---



## Implementation of the Corporate Governance Code and other regulations in 2024

In December 2024, the Croatian Financial Services Supervisory Agency (hereinafter: Hanfa) and the Zagreb Stock Exchange (hereinafter: ZSE) adopted an amended Corporate Governance Code (hereinafter: the Code), which was prepared in cooperation with the European Bank for Reconstruction and Development in 2019. The new Code applies from 1 January 2025 to companies whose securities are listed on the regulated market.

Amendments to the Code reflect significant changes in the regulatory framework at the level of the European Union and at the international level, as well as the intention of the Republic of Croatia to become a full member of the Organization for Economic Cooperation and Development (OECD). One of the prerequisites for becoming a full member of this international organisation is the harmonisation of the corporate governance framework with the G20/OECD Principles of Corporate Governance, i.e. the adoption of recommendations given during the process of accession to this organisation.

The harmonisation of the corporate governance legal framework with the OECD recommendations and the revised G20/OECD corporate governance principles was implemented via amendments to the Companies Act that entered into force at the end of 2024, and amendments to the principles of the Code.

Furthermore, the amendments to the Companies Act have transposed Directive (EU) 2022/2381 of the European Parliament and of the Council of 23 November 2022 on improving the gender balance among directors of listed companies and related measures into the Croatian legal system, which has also been embedded in the recommendations of the Code.

With these regulatory changes, corporate governance standards in the Republic of Croatia have become fully aligned with the highest internationally recognized corporate governance standards, thus laying the foundations for their application by the companies to which they relate.

Companies applying the Code will align their operations, policies, internal controls and risk management system with the new recommendations of the Code during 2025.

In addition to these regulatory changes, in order to comply with the European Union regulations relating to financial reporting, amendments to the Accounting Act and the Audit Act entered into force in 2024, transposing Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU as regards corporate sustainability reporting (CSRD), which obliges companies to publish standardized and verified sustainability reports.

By completing the questionnaire, the companies applying the Code will inform the public about their compliance and corporate governance practices for the financial year beginning on 1 January 2025. The degree of compliance in chapters and certain areas of corporate governance will be presented in the Annual Report on Corporate Governance for 2025.

# SUMMARY OF KEY INFORMATION IN THE 2024 ANNUAL REPORT ON CORPORATE GOVERNANCE

---



## SUMMARY OF KEY COMPLIANCE INFORMATION IN THE 2024 ANNUAL REPORT ON CORPORATE GOVERNANCE

Hanfa started to publish its Annual Report on Corporate Governance in 2011. The 2020 Annual Report on Corporate Governance started a new ten-year period of presenting data on issuers' corporate governance.

Compared with previous annual reports on corporate governance (2011-2018), the 2019 Annual Report on Corporate Governance presented for the first time, in addition to the aggregate statistical overview of the situation per corporate governance area, a comprehensive statistical overview of issuers' compliance with the recommendations of the Code.

The comparison between data on issuers' compliance with the Code in 2021 and the same data for the preceding year reported in the Annual Report on Corporate Governance for 2020 showed for the first time the progress in compliance achieved by each issuer individually, and their overall progress by segments of the regulated market with respect to each section of the Code.

Issuers report on their implementation of the Code by completing two questionnaires annually: the compliance questionnaire (by means of which they report on their (non) compliance with the recommendations of the Code) and the governance practices questionnaire (by means of which they provide additional and detailed information on their corporate governance practices). On the basis of the authorisation laid down in the Capital Market Act, Hanfa is authorised to process and publish data on corporate governance, the application of the Code and compliance with its recommendations.

The compliance questionnaire requires issuers to explain whether they comply (fully or partially) or fail to comply with each of the recommendations of the Code. If a company fails to comply with a recommendation of the Code, or complies with it only partially, it should explain and specify in the questionnaire which part of the Code it fails to comply with and why, with reference to the company's specific circumstances. It should also describe actions it has taken instead of complying with the recommendation of the Code to make sure it meets the objectives set out in the relevant Code principle. If the issuer intends to comply with the Code provision in the future, it should specify when it will start doing so. The compliance questionnaire is disclosed publicly and submitted to Hanfa for the purpose of monitoring compliance with respect to each individual issuer and jointly with respect to all the issuers on the regulated market and on its individual segments.

The governance practices questionnaire provides additional data on issuers' corporate governance practices.

Therefore, in addition to statistical overviews of the situation per corporate governance area, this Annual Report on Corporate Governance will present, as did the previous one, the compliance of issuers whose shares are admitted to the regulated market with specific sections of the Code and with recommendations of the Code for specific areas of corporate governance, as well as the overall compliance of these issuers with the Code as a whole.

This Report, just like the previous one, shows the progress in compliance made by each individual issuer with respect to each individual section of the Code.

Furthermore, in this year’s Annual Report on Corporate Governance Hanfa presents compliance with the new and important provisions and recommendations of the Code (gender diversity, independence of supervisory board members, independence of audit committee members, conflicts of interest, internal control system, whistle-blowing, remuneration policy, ESG policies, and reporting).

Data on compliance with the Code (via the compliance questionnaire) and data on governance practices (via the governance practices questionnaire) for 2024 were not submitted by all of the companies obliged to submit their data to Hanfa. More specifically, three issuers did not submit corporate governance questionnaires within the prescribed deadline, and one issuer submitted the questionnaire after the deadline and therefore was not included in the analysis of data regarding corporate governance.

Share issuers’ compliance with the Code has been calculated on the basis of data from compliance questionnaires, whose accuracy, completeness and quality fall within the responsibility of issuers’ management and supervisory boards.

As at 31 December 2024, there were 74 issuers whose shares were admitted to trading on the regulated market of the ZSE, of which two were closed-ended investment funds. A total of 72 share issuers were therefore obliged to submit the compliance questionnaire for 2024 (81 share issuers in 2023).

The compliance questionnaire was submitted to Hanfa by 69 share issuers of the 72 subject to the submission obligation. For the purpose of presenting the actual state of play regarding the compliance with the Code and its individual sections, the total number of the share issuers that had submitted their compliance questionnaires did not cover an issuer that submitted the compliance questionnaire after the expiration of the submission deadline. The sample serving as the basis for calculating overall compliance covered therefore 68 share issuers.

The analysis of data on share issuers’ compliance with the Code in 2024 showed that the level of overall compliance of share issuers with the Code was higher than the one reached in 2023: 72% of all the questions in the 2024 compliance questionnaire were answered “YES” and 19% of the questions were answered “NO”, while the remaining 9% were answered “Partially” (in 2023, 70% of all the questions in the compliance questionnaire were answered “YES” and 21% of the questions were answered “NO”, while the remaining 9% were answered “Partially”).

The comparative analysis of data submitted in the 2023 and 2024 compliance questionnaires points to a **slightly growing trend in compliance** with all the sections of the Code.

According to data provided in the compliance questionnaire for the year 2024, share issuers comply most with the following sections of the Code:

Code section	Level of compliance in 2024	Level of compliance in 2023
<i>Leadership</i>	<b>84%</b>	<b>81%</b>
<i>Risks, internal control and audit</i>	<b>77%</b>	<b>72%</b>

According to data provided in the compliance questionnaire for the year 2024, share issuers comply least with the following sections of the Code:

Code section	Level of compliance in 2024	Level of compliance in 2023
<i>Appointment of board members</i>	53%	51%
<i>Stakeholders and corporate social responsibility</i>	66%	61%

A significant rise in the level of share issuers' compliance in 2024 relative to 2023 was recorded with respect to the Code sections "Risks, internal control and audit" and "Stakeholders and corporate social responsibility" (in 2024, 5% more "YES" answers compared to 2023).

Furthermore, this year's Annual Report on Corporate Governance assesses the progress in share issuers' compliance with each individual section of the Code. Out of the total number of issuers included in the sample for the calculation of overall compliance for 2024 (69 issuers) for the assessment of compliance progress, one share issuer was excluded since they failed to submit the compliance questionnaire for 2024 within the set deadline. The total number of issuers comprising the sample therefore reached 68.

The model for assessing progress in share issuers' compliance involved two criteria against which individual issuers were observed, namely:

- progress in comparison with the market
- progress made by individual issuers in 2024 compared with 2023 by individual sections of the Code.

These scores were added together, representing the final score showing progress in compliance with the Code assigned to individual issuer per section.

The following table provides an overview of compliance progress by sections of the Code in share issuers that received a positive score in 2024 (a score of 1 or 2):

Code section	Level of compliance in 2023	Number of issuers in 2023	Level of compliance in 2024	Number of issuers in 2024
<i>Leadership</i>	4%	3	4%	3
<i>Duties of board members</i>	4%	3	1%	1
<i>Appointment of board members</i>	8%	6	6%	4
<i>Supervisory board and its committees</i>	6%	5	10%	7
<i>Management board</i>	4%	3	4%	3
<i>Remuneration of board members</i>	8%	6	12%	8
<i>Risks, internal control and audit</i>	8%	6	4%	3
<i>Disclosure and transparency</i>	5%	4	3%	2
<i>Shareholders and the general meeting</i>	9%	7	3%	2
<i>Stakeholders and corporate social responsibility</i>	4%	3	7%	5

The comparison of the level of compliance progress in share issuers that made a progress in compliance (and received a score of 1 or 2) with individual sections of the Code in 2024 with the level of compliance progress reached in 2023 showed a **declining trend in compliance progress** as regards most of the sections of the Code. A rising level of compliance progress made in 2024 compared to 2023 was recorded with respect to sections “Supervisory board and its committees”, “Remuneration of board members” and “Stakeholders and corporate social responsibility”.

# OVERVIEW OF SELECTED CORPORATE GOVERNANCE AREAS RELATING TO SHARE ISSUERS

---



# INTRODUCTION

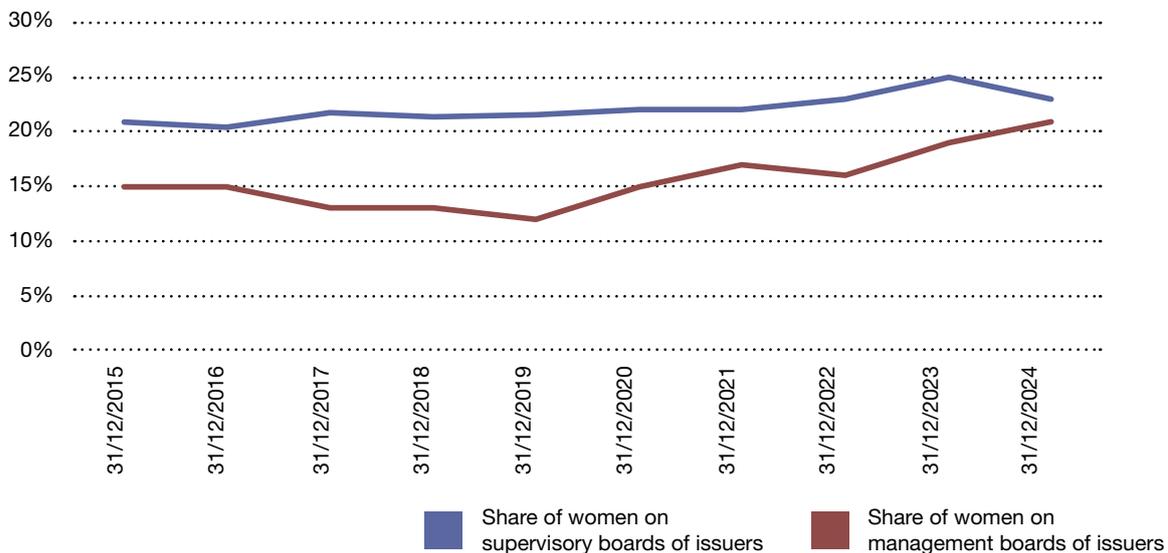
The 2024 Annual Report on Corporate Governance shows the compliance with recommendations of the Code for individual selected corporate governance areas. This chapter shows the compliance in the following corporate governance areas: gender diversity, independence of supervisory board members, independence of audit committee members, conflicts of interest, internal control system, whistle-blowing, remuneration policy, and sustainability reporting.

## GENDER STRUCTURE OF MANAGEMENT AND SUPERVISORY BOARDS

The Code prescribes that every five years, the supervisory board should set the target relating to the percentage of female members on the supervisory and management board to be achieved within the next five years. Each goal must be published in the annual report and include an explanation as to why it has been set. Progress under the plan must be disclosed every year.

The following chart shows changes in the share of women on management and supervisory boards of issuers in the Republic of Croatia from 2015 to 2024.

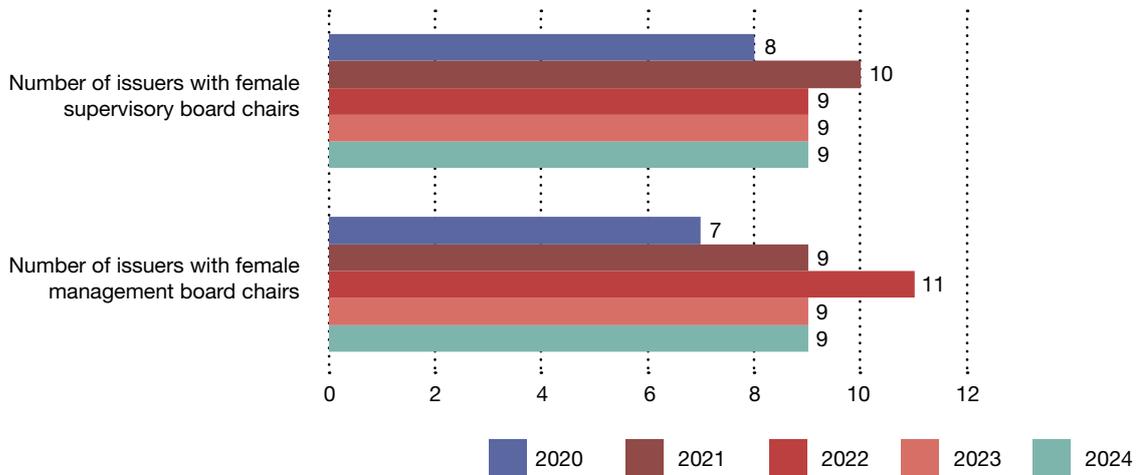
*Chart 1 Overview of women’s participation in management and supervisory boards of issuers in the Republic of Croatia, 2015 – 2024*



Source: Governance practices questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, Annual Report on Corporate Governance for 2015, 2016, 2017 and 2018

In the period from 2015 to 2024, the share of women on management boards and supervisory boards grew slightly (from 15% to 21% and from 21% to 23% respectively). The average share of women on issuers’ management and supervisory boards amounted to 16% and 22% respectively.

Chart 2 Comparison of the number of issuers with female board chairs in 2020, 2021, 2022, 2023 and 2024

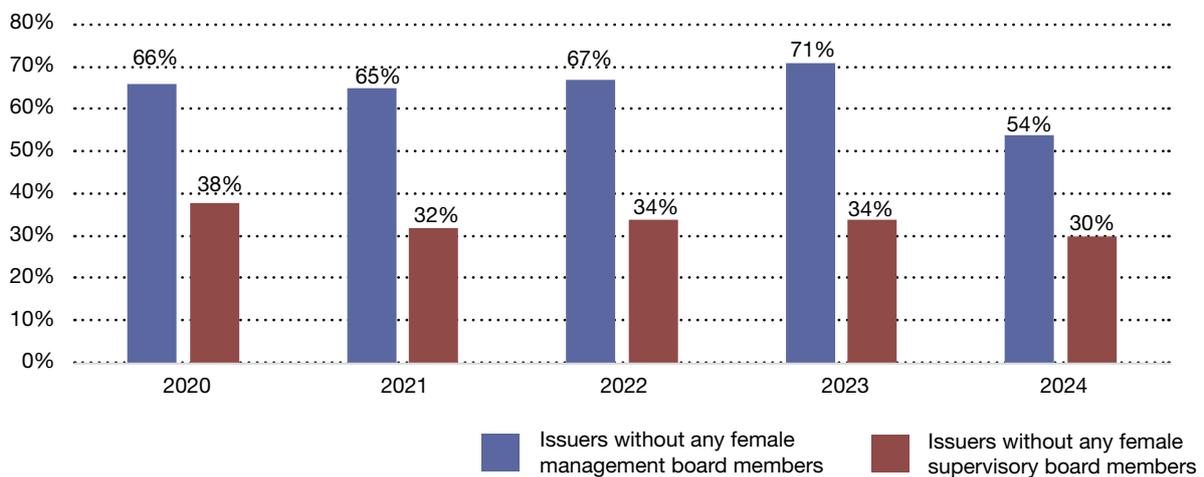


Source: court register

In 2024, the number of women chairing supervisory boards remained the same as in 2023. As regards the number of issuers with female management board chairs, an upward trend is evident in the observed period, but 2023 saw a slight decline.

However, men hold the most significant functions in the majority of issuers, as confirmed by the data in the chart below.

Chart 3 Number of issuers without any female board members in 2020, 2021, 2022, 2023 and 2024



Source: Governance practices questionnaire for 2020, 2021, 2022, 2023 and 2024

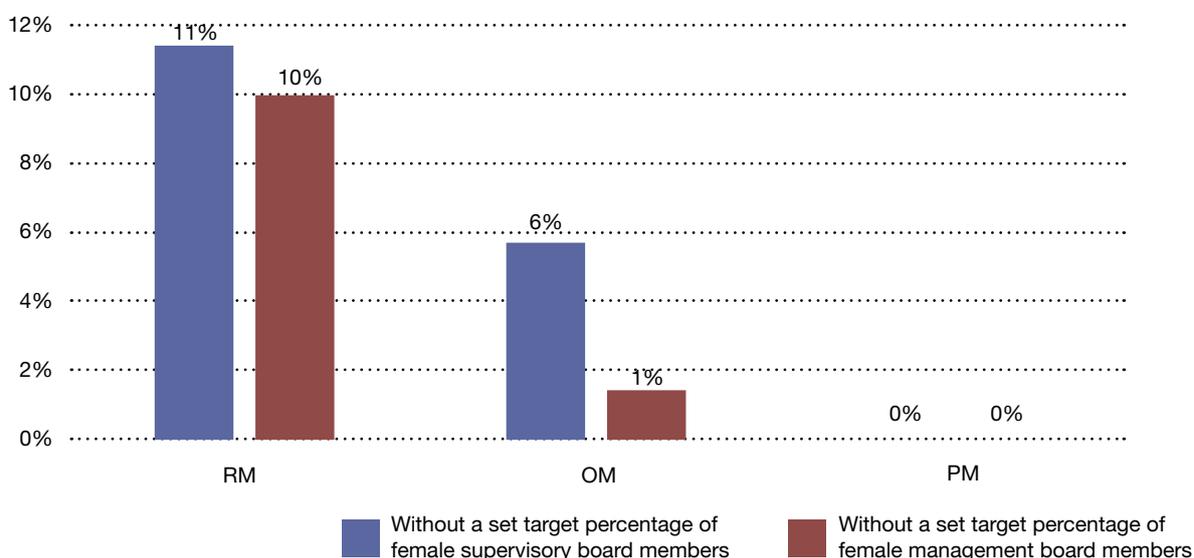
The share of issuers without any female management board members in 2024 is over 50%, however, it decreased in 2024, compared to the observed years (ranging from 66% to 54%). Furthermore, the share of issuers without any female supervisory board members also decreased compared to 2023, by 4 percentage points (34% in 2023, and 30% in 2024), without being relatively high in the observed years (ranging from 38% to 30%), which indicates slight shifts towards achieving gender diversity.

## TARGET PERCENTAGE OF FEMALE BOARD MEMBERS

The Code prescribes that every five years, the supervisory board of the issuer should set a target for the percentage of female members on the supervisory and management boards to be achieved within the next five years. Each goal must be published in the annual report and include an explanation as to why it has been set.

According to the data from the governance practices questionnaire, 58 issuers set the target percentage of female supervisory board members to be achieved within the next five years. According to the same questionnaire, 62 out of 70 issuers (89%) set the target percentage of female management board members.

Chart 4 Share of issuers that failed to set the target percentage of female board members in 2024, by segments of the regulated market



Source: Governance practices questionnaire 2024

The target percentage of female supervisory board members in 2024 was not set by 11% of the issuers on the Regular Market and 6% of the issuers on the Official Market (in 2023, 10% on the Regular Market and 6% on the Official Market). The target percentage of female management board members was not set by 10% of the issuers on the Regular Market and 1% of the issuers on the Official Market (in 2023, 8% on the Regular Market and 2% on the Official Market). All issuers on the Prime Market set the target percentage of female board members in 2024.

Broken down by segments of the regulated market, the target percentage of female supervisory board members was set by:

- 6 issuers on the Prime Market
- 13 issuers on the Official Market, and
- 39 issuers on the Regular Market.

Broken down by segments of the regulated market, the target percentage of female management board members was set by:

- 6 issuers on the Prime Market
- 16 issuers on the Official Market, and
- 40 issuers on the Regular Market.

Even though the target percentage of female board members is to be achieved within a period of five years from the date of defining the target percentage, the comparison of the data from the governance practices questionnaires showed that:

- 27 out of 62 issuers that had set the target (44%) achieved the target percentage of female management board members (16 issuers on the Regular Market, 8 issuers on the Official Market and 3 issuers on the Prime Market).
- 28 out of 58 issuers that had set the target (48%) achieved the target percentage of female supervisory board members (18 issuers on the Regular Market, 5 issuers on the Official Market and 5 issuers on the Prime Market).

In the following years, the achievement of the target percentage and compliance with the Code (with target percentages and deadlines defined by share issuers themselves) by the share issuers that have set that target will be subject to monitoring. Data on the achievement of the target percentage in 2024 compared to 2023 show a slight increase in the number of women on management boards (1%) and a fairly significant decrease in the number of women on supervisory boards (9%). In 2023, these percentages amounted to 34% and 60% for management and supervisory boards respectively.

Provision 15 of the Code stipulates that monitoring the progress in achieving the target percentage of female board members should be one of the responsibilities of the nomination committee.

*Table 1 Share of the issuers that reached the target percentage of female board members and have a nomination committee in place*

	2020	2021	2022	2023	2024
<b>Issuers that reached the target percentage of female management board members and have a nomination committee in place</b>	24%	37%	16%	17%	44%
<b>Issuers that reached the target percentage of female supervisory board members and have a nomination committee in place</b>	44%	42%	23%	29%	54%

*Source: Governance practices questionnaire for 2020, 2021, 2022, 2023 and 2024*

According to the data from the governance practices questionnaire, 44% of the issuers that had set the target percentage of female management board members achieved that percentage and also have a nomination committee in place. A total of 54% of the issuers that had set the target percentage of female supervisory board members achieved that percentage and also have a nomination committee in place.

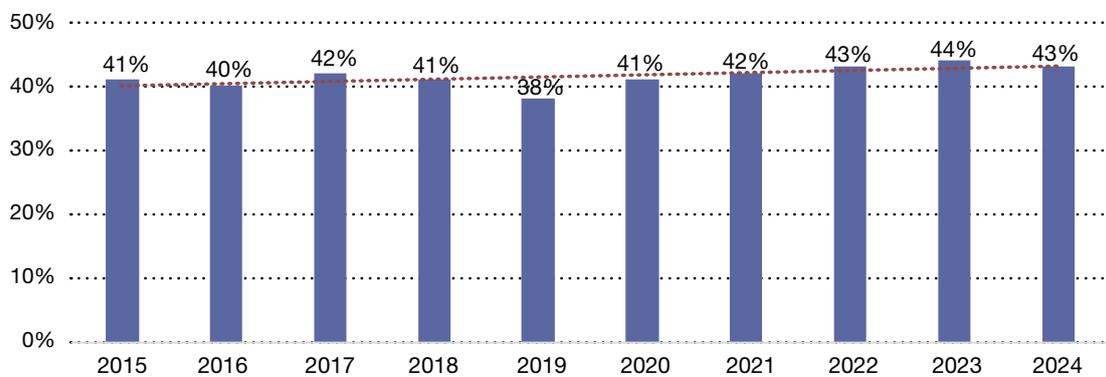
# INDEPENDENCE OF SUPERVISORY BOARD MEMBERS

Provision 22 of the Code stipulates that the majority of supervisory board members of share issuers in the Republic of Croatia should be independent.

Independent supervisory board members contribute to the adoption of objective decisions relating to management board members, the issuer and its shareholders, such as decisions on remuneration, new appointments and audit function.

The following chart provides a comparative overview of the ratio of independent supervisory board members in share issuers in the Republic of Croatia from 2015 to 2024.

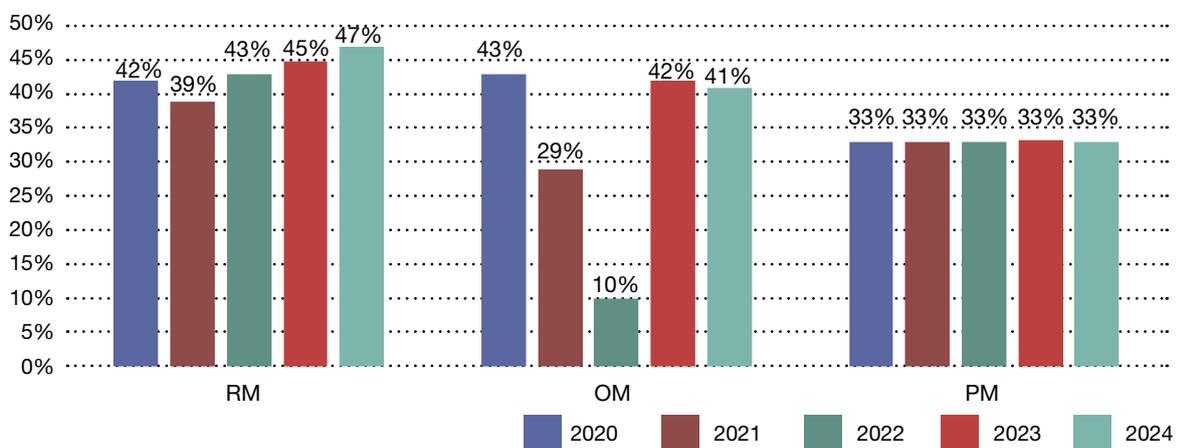
Chart 5 Independent supervisory board members in share issuers in the Republic of Croatia, 2015 – 2024



Source: Governance practices questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, Annual Report on Corporate Governance for 2015, 2016, 2017 and 2018

The level of independence of supervisory board members in share issuers in the 2015 - 2024 period shows a slightly upward trend. The average number of independent supervisory board members of share issuers in all segments of the regulated market from 2015 to 2024 reached 42%. This means that 58% of supervisory board members were not independent in that period.

Chart 6 Share of issuers with an independent majority of supervisory board members by segments of the regulated market; 2020, 2021, 2022, 2023 and 2024



Source: Governance practices questionnaire for 2020, 2021, 2022, 2023 and 2024

The level of independence of share issuers' supervisory board members in 2020, 2021, 2022, 2023 and 2024 changed slightly on the Regular Market (from 42% to 47%), while the Official Market saw a more significant increase in the share of issuers with an independent majority of supervisory board members compared to 2022 (from 10% to 41%). The share of issuers on the Prime Market with an independent majority of supervisory board members held steady in the observed period. However, the shares of issuers with an independent majority of supervisory board members by individual segments of the regulated market are lower than 50%.

According to data collected from share issuers, their supervisory boards consist of 5 members on average. Pursuant to the Code, the majority of supervisory board members should be independent. The following chart shows the average number of supervisory board members and the average number of independent supervisory board members in 2024.

*Table 2 Average number of supervisory board members and average number of independent supervisory board members of share issuers in the 2020 - 2024 period*

	2020	2021	2022	2023	2024
<b>Average number of supervisory board members of share issuers</b>	5	5,3	5,3	5,3	5,5
<b>Average number of independent supervisory board members of share issuers</b>	2	2,2	2,2	2	2,3

*Source: Governance practices questionnaire for 2020, 2021, 2022, 2023 and 2024*

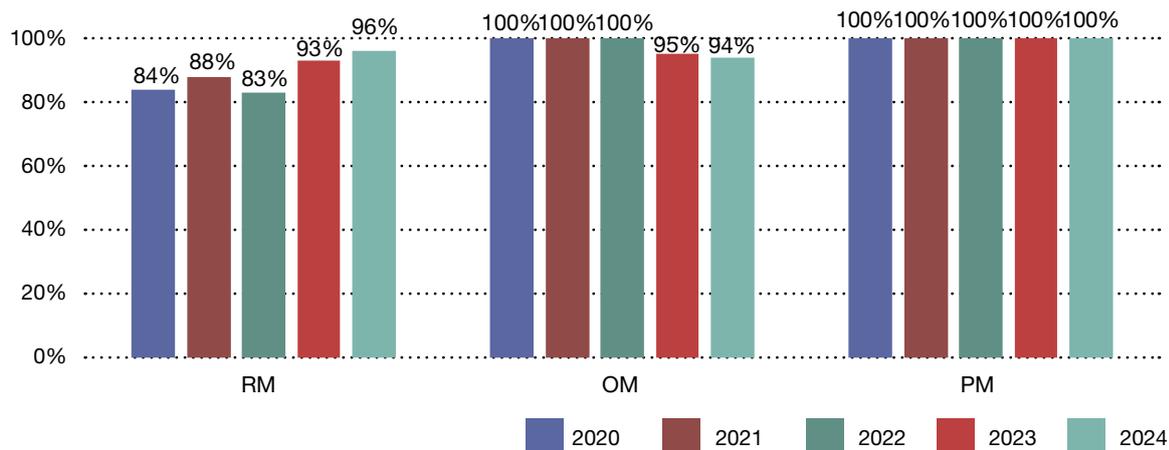
Even though data on independent supervisory board members of share issuers in the Republic of Croatia point to certain (slight) progress towards the increase in their independence, share issuers should put in an additional effort in order to ensure the independence of the majority of their supervisory board members and to comply with the Code.

According to data collected, the relationship between supervisory board members and management board members (predominant business relationship reaches 64%) and other supervisory board members (predominant business relationship reaches 64%), as well as related party transactions affect the achievement of the objective regarding the independence of the majority of supervisory board members, which, as a consequence, may have an impact on the effectiveness of the work of the supervisory board and its decision making process.

## INDEPENDENCE OF AUDIT COMMITTEE MEMBERS

Provision 24 of the Code stipulates that the supervisory board of a share issuer in the Republic of Croatia should establish at least a nomination committee, a remuneration committee and an audit committee, while the obligation to establish an audit committee is also laid down in the relevant legal provisions governing audit issues.

Chart 7 Proportion of share issuers with an audit committee in place in 2020, 2021, 2022, 2023 and 2024



Source: Compliance questionnaire 2020, 2021, 2022, 2023 and 2024

2024 saw a slight decrease in share issuers' compliance with the Code as regards the establishment of the audit committee by the supervisory board of the Regular Market and the Official Market due to the higher number of shares removed from trading on the regulated market of the ZSE. Issuers on the Prime Market were fully aligned with the Code in this respect, over all the four years observed.

Provision 27 of the Code stipulates that the majority of audit committee members should be independent, and its chair should be an independent member of the supervisory board. Management board members may not be members of supervisory board committees.

According to the data collected, the average number of share issuers' audit committee members in 2024 was 3, and on average 1 member of the audit committee was independent. These data fully correspond to the data on the average number of audit committee members and the average number of independent audit committee members in the previous year. Therefore, as regards the independence of audit committee members, there were no changes relative to the previous year. To conclude, in 2024, as in the previous year, the minimum majority independence requirement for audit committee members set by the Code was not met.

Issuers have recognised the significance of the audit committee, as evidenced by the increase in the share of the issuers that have set it up. They should therefore put in additional effort in order to ensure the independence of the majority of audit committee members and comply with the Code.

## CONFLICTS OF INTEREST

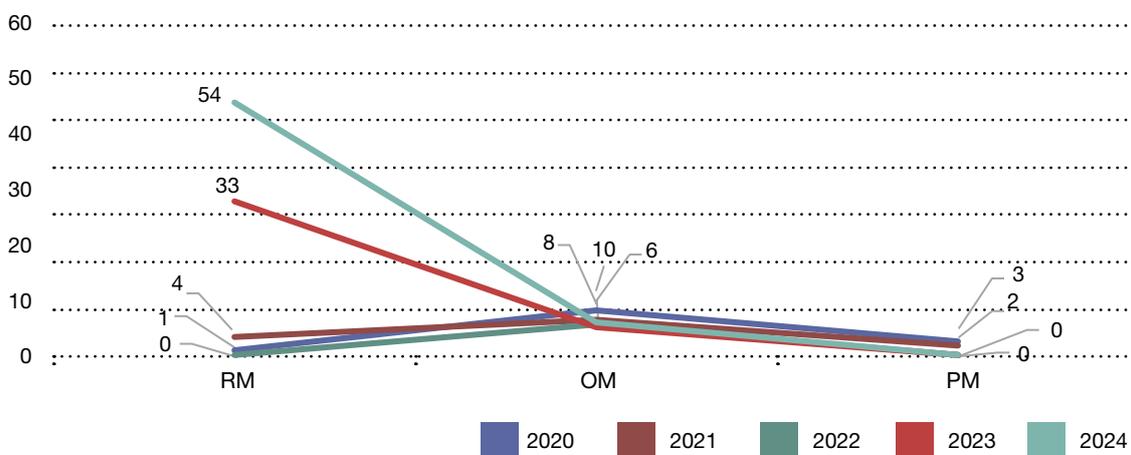
Members of the supervisory and management board are obliged to act in the best long-term interest of the company instead of in their own interest or in the interest of individual shareholders or other parties. In order to ensure acting in the best long-term interest of the company, situations should be avoided which could lead to a conflict of interest or which unequivocally constitute a conflict of interest.

It is therefore necessary to set up clear internal control mechanisms that can recognise and manage a potential conflict of interest or take adequate measures in a situation when a conflict of interest has arisen.

Provision 7 of the Code stipulates those members of supervisory and management boards should not be permitted to make decisions based on their personal interests or interests of their related persons, and should not participate in decisions in respect of which they have a conflict of interest.

For the sake of comparison, the following chart shows the number of reported conflicts of interest in 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market.

Chart 8 Number of conflicts of interest reported during the year, in 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market



Source: Governance practices questionnaire for 2020, 2021, 2022, 2023 and 2024

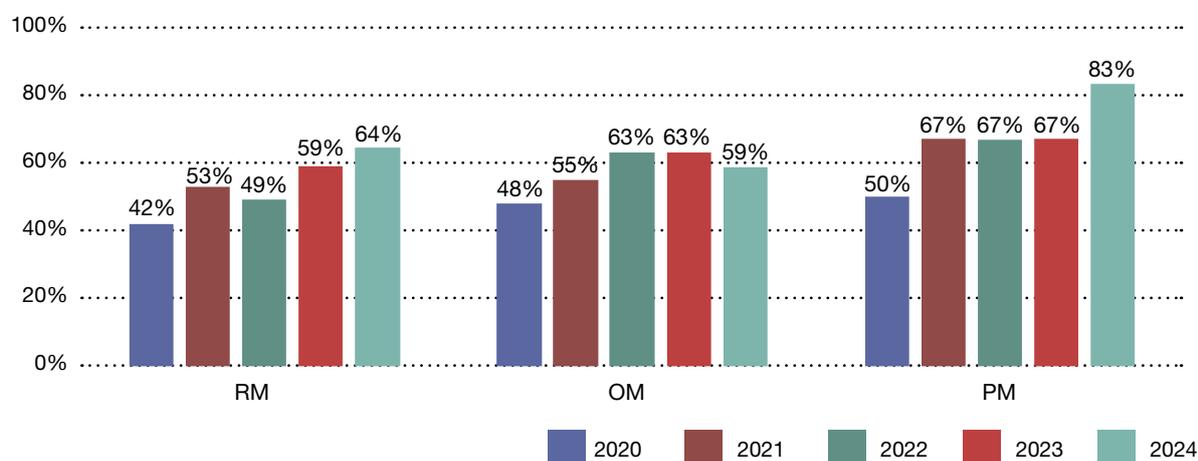
In 2023, 61 conflicts of interest were reported, 7 of which were reported by two issuers whose shares were admitted to trading on the Official Market, and 54 were reported by one issuer whose shares were admitted to trading on the Regular Market. No conflicts of interest were reported by issuers whose shares are admitted to trading on the Prime Market.

These data show a significant (over 60%) rise in the number of conflicts of interest reported by the issuers on the Regular Market compared to 2023.

Provision 7 of the Code stipulates that the supervisory board should give its prior approval for the conflicts of interest management policy. The following chart shows the share of issuers whose supervisory board gave its prior approval for the conflicts of

interest management policy in 2021, 2022, 2023 and 2024 by segments of the regulated market.

*Chart 9 Share of the issuers whose supervisory board gave its prior approval for the conflicts of interest management policy in 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market*



Source: Compliance questionnaire 2020, 2021, 2022, 2023 and 2024

The chart shows a rise in compliance as regards the granting of the supervisory board's prior approval for the conflicts of interest management policy on the Regular Market and Prime Market relative to the previous years, while the Official Market saw a slight decline in compliance compared to the previous year.

*Table 3 Comparative overview of reported conflicts of interest during the year and prior approvals given by supervisory boards for the conflicts of interest management policy in 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market*

	2020		2021		2022		2023		2024	
	Number of cases of conflicts of interest reported during the year	The supervisory board gave its prior approval for the conflicts of interest management policy	Number of conflicts of interest reported during the year	The supervisory board gave its prior approval for the conflicts of interest management policy	Number of conflicts of interest reported during the year	The supervisory board gave its prior approval for the conflicts of interest management policy	Number of conflicts of interest reported during the year	The supervisory board gave its prior approval for the conflicts of interest management policy	Number of conflicts of interest reported during the year	The supervisory board gave its prior approval for the conflicts of interest management policy
<b>RM</b>	1	YES	4	YES	0	YES	33	YES	54	YES
<b>OM</b>	10	YES	8	NO	7	YES	6	YES	7	NO
<b>PM</b>	3	NO	2	NO	0	YES	0	YES	0	YES
<b>Total</b>	14	-	14	-	7	-	39	-	61	-

Source: Questionnaire related to corporate governance, 2020, 2021, 2022, 2023 and 2024

In 2024, as in 2023, the supervisory board of the majority of issuers on the regulated market gave its prior approval for the conflicts of interest management policy.

Out of 61 cases of conflicts of interest reported in 2024, 6 were reported by the senior management, 27 by the management board and 28 by the supervisory board (in 2023, out of 39 reported cases of conflicts of interest, 4 were reported by the senior management, 12 by the management board, and 23 by the supervisory board). All the cases of conflicts of interest reported in 2024 (as in 2023) involved persons who abstained from voting on entering related party transactions.

The governance practices questionnaire showed that 14 supervisory board members of 11 issuers were related to management board members in 2024 (29 supervisory board members of 21 issuers in 2023). The number of issuers having reported transactions with management and supervisory board members was higher in 2024 than in 2023 and 2022. Furthermore, the year 2024 saw the highest average gross amount of related party transactions relative to the observed period. As regards the relationship between management and supervisory board members and data on related party transactions, in 2024, 27 conflicts of interest were reported by the management board and 28 conflicts of interest were reported by the supervisory board.

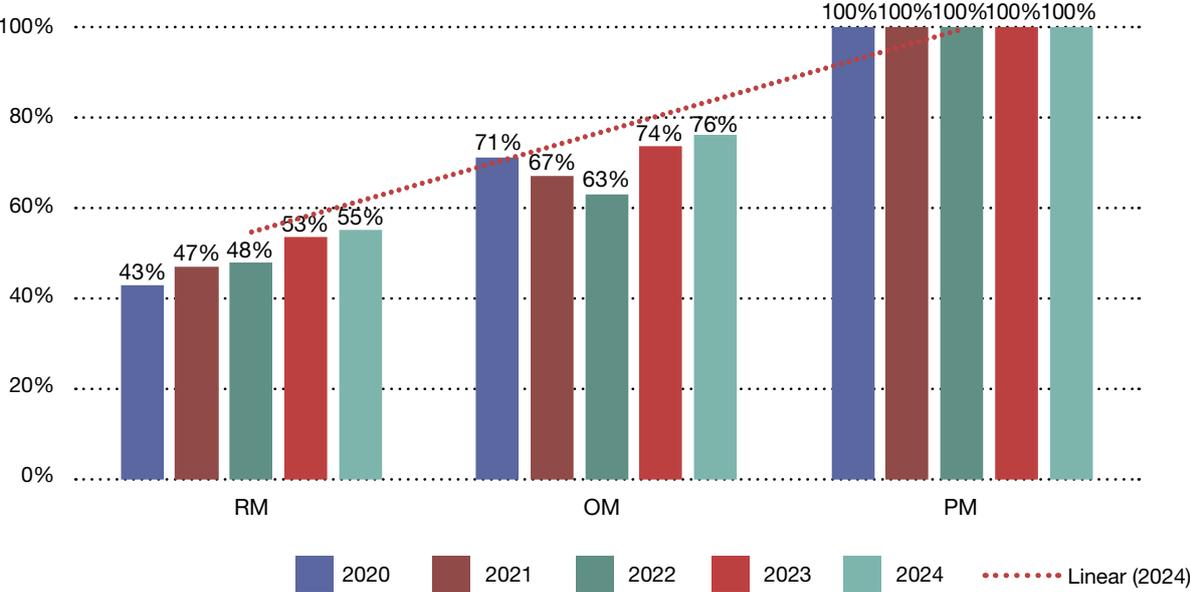
According to data on governance practices, 53% of issuers failed to adopt internal rules of procedure in cases of related party transactions in 2024 (59% in 2023).

## INTERNAL CONTROL SYSTEM

One of the basic principles of the Code concerning the section relating to the leadership of share issuers implies that supervisory and management boards should ensure that the company has in place the strategy, resources, risk management and internal control systems and relations with shareholders to support its long-term success and sustainable development.

In 2024, 64% of issuers had an internal control system in place, while this proportion stood at 61% in 2023. The following chart shows the proportion of the share issuers that had in place an internal control system in 2024 by segments of the regulated market.

Chart 10 Proportion of the share issuers that had in place an internal control system in 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market



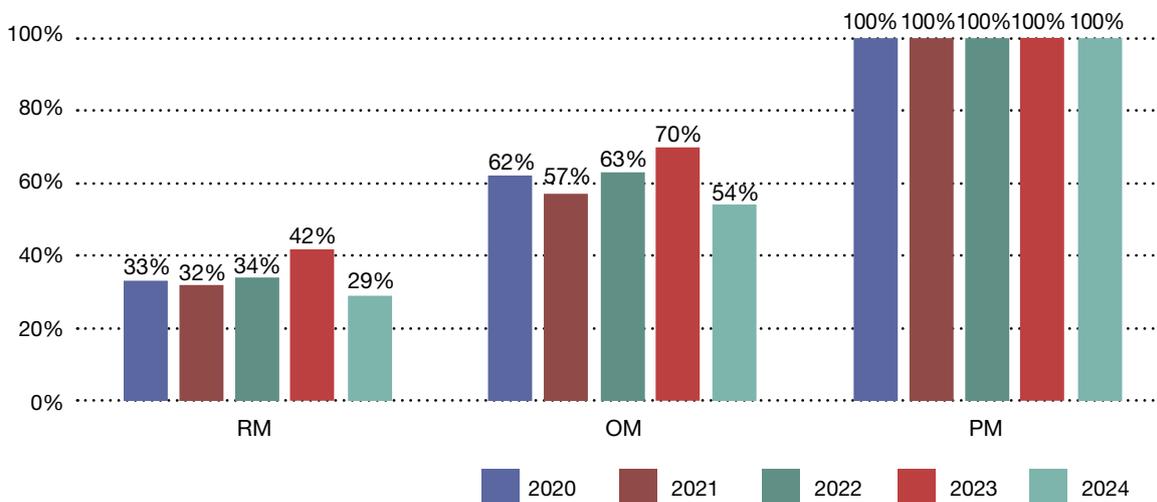
Source: Governance practices questionnaire for 2020, 2021, 2022, 2023 and 2024

The data provided show a slight increase in the number of issuers on the Regular Market with an internal control system in place, which points to the fact that, even though issuers have recognised the importance of establishing an effective internal control system as a factor which ensures reliable information used by the management board in its management activities, the share of such issuers on the Regular Market is still low. The Official Market also saw a rise in the number of issuers with an internal control system in place.

In 2024, there were 15 employees in the internal control system on average (16 in 2023).

Provision 65 of the Code stipulates that at least once a year, the audit committee should review the effectiveness of the risk management and internal control system as a whole, and make recommendations to the supervisory and management boards as necessary.

Chart 11 Proportion of the share issuers that had in place an internal control system and whose audit committee evaluated the effectiveness of the risk management and internal control system as a whole at least once a year in 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market



Source: Questionnaire related to corporate governance, 2020, 2021, 2022, 2023 and 2024

2024 saw a decrease in the share of issuers on the Regular Market and Official Market whose audit committee evaluated the effectiveness of the risk management and internal control system as a whole at least once a year.

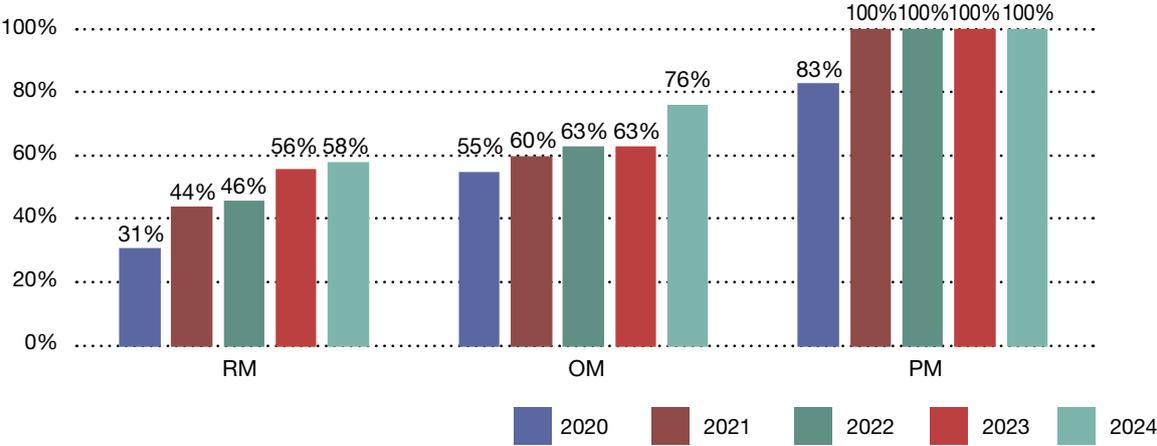
The audit committee of all the share issuers on the Prime Market that have in place an internal control system evaluated the effectiveness of the risk management and internal control system as a whole at least once a year, which points to full compliance of issuers on the Prime Market with this provision of the Code.

However, the existence of an internal control system and its evaluation by the audit committee do not in themselves ensure the effectiveness and efficiency of the system. Given that the management of conflicts of interest has indicated weaknesses in the internal control system, issuers should make further efforts in the coming period to establish an effective and efficient internal control system. This was also noted in the 2020, 2021, 2022 and 2023 Annual Reports on Corporate Governance.

## WHISTLE-BLOWING

Provision 69 of the Code stipulates that the management board should adopt and make freely available on the company's website, with the prior approval of the supervisory board, a procedure for reporting actual or suspected breaches of the law or of the company's code of conduct. The procedure should ensure that employees or external stakeholders do not suffer negative consequences if they report suspected misconduct.

Chart 12 Proportion of the issuers having made details of the whistle-blowing procedure available free of charge on their websites in 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market



Source: Compliance questionnaire 2020, 2021, 2022, 2023 and 2024, internal calculation

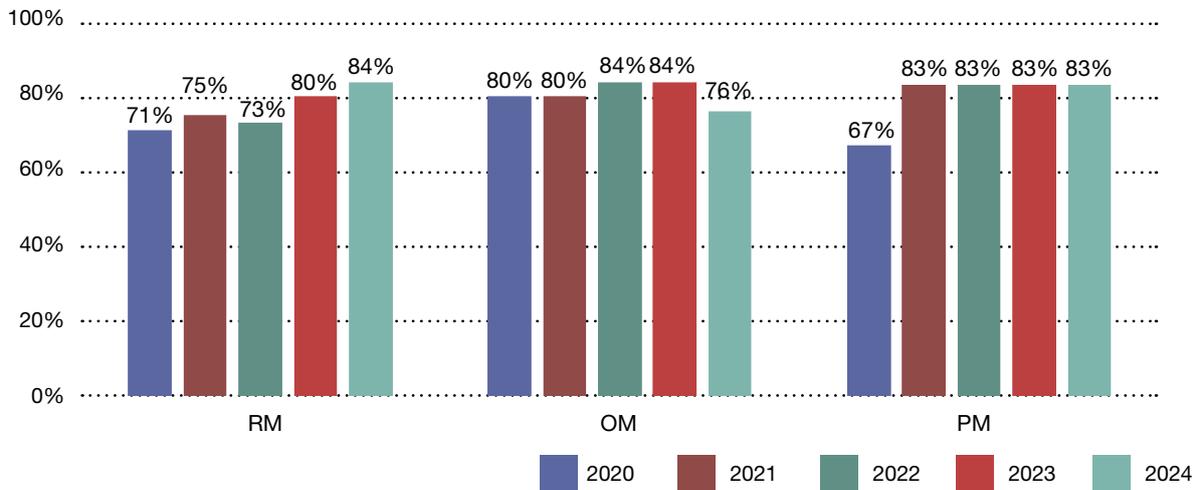
The 2020-2024 period saw an increasing number of companies that had made details of the whistle-blowing procedure available free of charge on their websites. The Regular Market and Official Market show a positive trend, however, there is still room for improvement given that in 2024 58% of companies on the Regular Market and 76% of companies on the Official Market made details of the whistle-blowing procedure available free of charge on their websites. All companies on the Prime Market made details of the whistle-blowing procedure available free of charge on their websites.

According to the compliance questionnaire for 2024, 88% of companies have defined a procedure that ensures that employees or external stakeholders do not suffer negative consequences if they report suspected misconduct, and management boards in 73% of companies have adopted a procedure for reporting actual or suspected breaches of the law or of the company’s code of conduct following the prior approval of the supervisory board.

Furthermore, Provision 70 of the Code stipulates that the management board should report any breaches identified through this procedure immediately to the supervisory board and arrange the actions that should be taken. The audit committee should review the effectiveness of the procedure and how it has been applied at least annually.

In 2024, 82% of companies had articles of association and/or internal regulations laying down the obligation of the management board to report to the supervisory board any breaches identified and to arrange the actions that should be taken, and the audit committee in 63% of these companies reviewed the effectiveness of the procedure and how it had been applied in the last 12 months.

Chart 13 Share of the issuers whose articles of association and/or internal regulations lay down the obligation of the management board to report to the supervisory board any breaches identified and to arrange the actions that should be taken, in 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market



Source: Compliance questionnaire 2020, 2021, 2022, 2023 and 2024, internal calculation

In 2024, 83% of companies on the Prime Market, 76% of companies on the Official Market and 84% of companies on the Regular Market had articles of association and/or internal regulations laying down the obligation of the management board to report to the supervisory board any breaches identified and to arrange the actions that should be taken.

## REMUNERATION POLICY

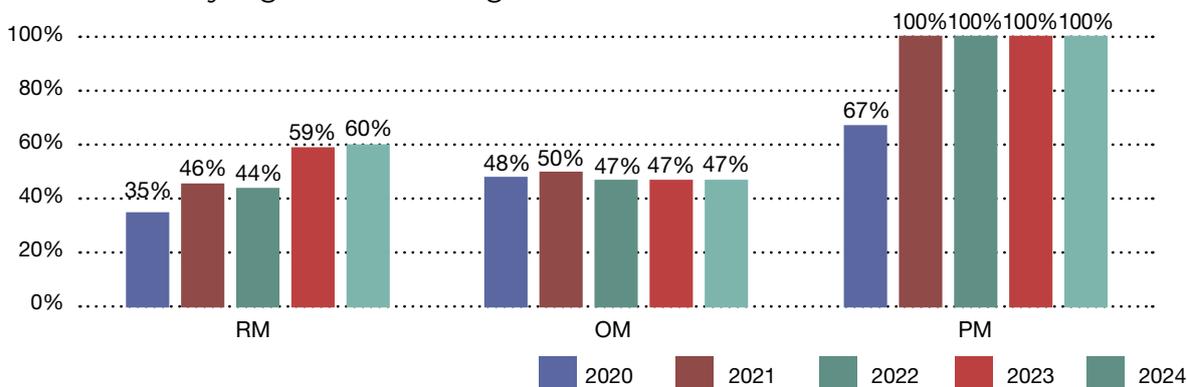
The Companies Act<sup>1</sup> prescribes the obligation to decide on the system of remuneration of members of the management board and supervisory board by adopting a remuneration policy.

Article 272r of the Companies Act stipulates that the management and supervisory board, or executive directors and the board of directors of the company whose shares are admitted to trading on the regulated market once a year prepare a clear and comprehensible report on all remuneration paid or committed to be paid by the company, or another company belonging to the same group, to each current and former member of the management board and supervisory board, or to the executive director and a member of the board of directors during the previous financial year. The content of the report on remuneration of management and supervisory board members is defined in Article 272r(1) and (2) of the Companies Act.

Provision 51 of the Code stipulates that the supervisory board should determine the annual remuneration of each management board member, based on the recommendations of the remuneration committee and in accordance with the approved remuneration policy. The remuneration policy should be prepared in accordance with the relevant legal requirements and should include provisions specifying the circumstances under which part of a management board member's remuneration would be withheld or recovered.

<sup>1</sup> Official Gazette, No 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 111/12, 68/13, 110/15, 40/19, 34/22, 114/22, 18/23, 130/23 and 136/24

Chart 14 Share of the issuers whose supervisory board sets annual remuneration of each member of the management board, based on the recommendations of the remuneration committee and in accordance with the approved remuneration policy in 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market

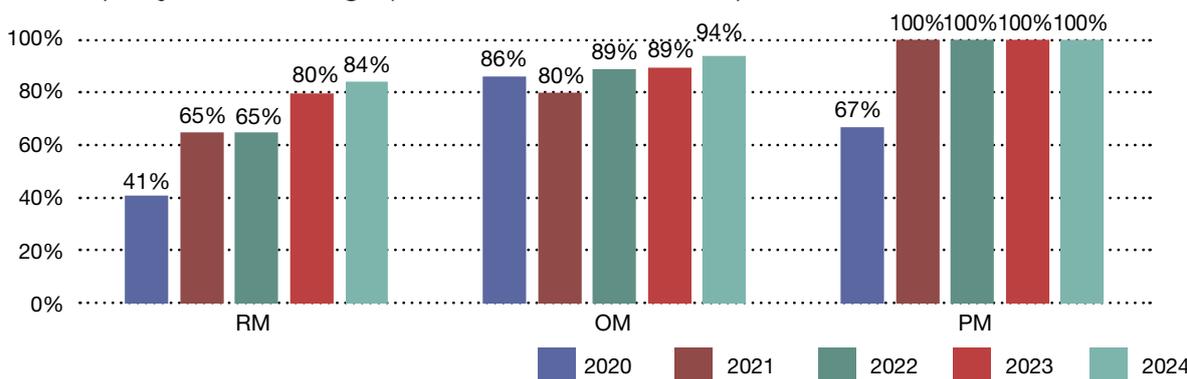


Source: Compliance questionnaire 2020, 2021, 2022, 2023 and 2024

The largest increase in the share of issuers that complied with this provision in 2024 compared to 2020 was recorded with respect to share issuers on the Prime Market (an increase from 67% to 100% in 2021, 2022, 2023 and 2024). The share of such issuers rose compared to 2020 on the Regular Market as well (25 percentage points), whereas their share on the Official Market remained the same.

In addition, Provision 56 of the Code, contained in the part governing the reporting on remuneration, stipulates that issuers should make freely available on their website their remuneration policy as approved by shareholders at the general meeting. The supervisory board of the company decides on the system of remuneration of management board members. Article 247a of the Companies Act defines the minimum content of a remuneration policy.

Chart 15 The company's approved remuneration policy is available on the website of the company free of charge (Provision 56 of the Code)



Source: Compliance questionnaire 2020, 2021, 2022, 2023 and 2024

The chart shows a significant increase in the compliance of issuers with regard to the availability of the issuer's remuneration policy free of charge on the issuer's website on the Prime Market (an increase from 67% to 100%) and Regular Market (an increase from 41% to 84%) in the observed period. This increase is particularly sharp on the Regular Market, where the share of issuers showing compliance grew by 43 percentage points in four years. The share of the issuers on the Official Market that complied with this provision of the Code showed an upward trend in the observed period.

# SUSTAINABILITY REPORTING FOR 2024

---



## REGULATORY FRAMEWORK FOR SUSTAINABILITY REPORTING

Sustainable financing is a process of considering and taking into account environmental, social and governance (ESG) factors when making investment decisions. It involves redirecting financial flows towards the development of low-carbon and climate-resilient economies, the protection of human rights and children's rights and corporate governance culture.

In order to implement the European Green Deal, i.e., to meet the international obligations under the Paris Agreement related to the fulfilment of climate, social and governance sustainability objectives, a legislative framework for the operations of stakeholders in the financial sector has been adopted in order to redirect financial flows to sustainable economic activities and transparently present operations related to sustainable financing. In the Republic of Croatia, the issue of sustainable development is given special attention in the Government's National Recovery and Resilience Plan 2021-2026, which points to the need to create a sustainable and resilient economy with a focus on green and digital transformation.

In January 2023, the Corporate Sustainability Reporting Directive (CSRD)<sup>1</sup> entered into force, replacing the Non-Financial Reporting Directive<sup>2</sup> (NFRD). CSRD prescribes the obligation to disclose ESG-relevant information for all large companies and all issuers. It also lays down changes as regards entities subject to sustainability reporting requirements and place of publication of sustainability reports and prescribes the adoption of the European Sustainability Reporting Standards, the obligation to draw up management reports in the single electronic reporting format, the requirement to mark up sustainability reporting, assurance of sustainability reporting, etc.

CSRD was implemented in national legislation in July 2024 through the new Accounting Act (Official Gazette No 85/24 and 145/24) and amendments to the Audit Act (Official Gazette No 127/17, 27/24, 85/24 and 145/24) and the Capital Market Act (Official Gazette No 65/18, 17/20, 83/21, 151/22 and 85/24). The application for the first obliged entities began in 2024, and the publication of the first sustainability reports under CSRD began in 2025.

The relevant framework for sustainability reporting is the framework for compiling information related to sustainability issues defined by the Accounting Act, the European Sustainability Reporting Standards<sup>3</sup> (ESRS), as well as the Taxonomy Regulation

<sup>1</sup> Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU as regards corporate sustainability reporting, OJ L 322/15, 16.12.2022

<sup>2</sup> Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups, OJ L 330/1, 15.11.2014

<sup>3</sup> Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards, OJ L 2023/2772, 22.12.2023

(disclosures pursuant to Article 8 of Regulation 2020/852<sup>4</sup>).

The ESRS consist of three categories: cross-cutting standards, topical standards (environmental, social and governance standards) and sector-specific standards. The first two categories are published in the above-mentioned Commission Delegated Regulation (EU) 2023/2772 and apply to all companies, regardless of the sector or sectors in which they operate.

On 5 July 2024, ESMA published a Public Statement on the first application of ESRS5, with the aim of supporting the implementation of the new requirements and drawing attention to the European Commission and EFRAG guidelines, as well as highlighting key areas that are essential in the preparation of sustainability reporting under the ESRS.

Furthermore, the Code prescribes the disclosure of policies on how environmental and social impacts of the company's activities are assessed, how human rights and the rights of employees are safeguarded, and how corruption and bribery will be prevented and sanctioned. These provisions of the Code also apply to the share issuers on the regulated market that are not subject to sustainability reporting requirements under the Accounting Act.

## SUSTAINABILITY REPORT

The sustainability report is an integral part of the management report pursuant to the provisions of Article 29(3) of the Accounting Act. It contains information needed to understand the impact on sustainability matters and information needed to understand how sustainability matters affect the development, business performance and position of a company. It provides a systematic overview of the ESG aspects of the business

<sup>4</sup> **Regulation (EU) No 2020/852** of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) No 2019/ 2088, OJ L 198, 22.6.2020

**Commission Delegated Regulation (EU) 2021/2139** of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives, OJ L 442, 9.12.2019

**Commission Delegated Regulation (EU) 2021/2178** of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation, OJ L 443, 10.12.2021

**Commission Delegated Regulation (EU) 2022/1214** of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities, OJ L 188, 15.7.2022

**Commission Delegated Regulation (EU) 2023/2485** of 27 June 2023 amending Delegated Regulation (EU) 2021/2139 establishing additional technical screening criteria for determining the conditions under which certain economic activities qualify as contributing substantially to climate change mitigation or climate change adaptation and for determining whether those activities cause no significant harm to any of the other environmental objectives, OJ L 2023/2485, 21.11.2023

**Commission Delegated Regulation (EU) 2023/2486** of 27 June 2023 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems and for determining whether that economic activity causes no significant harm to any of the other environmental objectives and amending Commission Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities, OJ L 2023/2486, 21.11.2023

<sup>5</sup> Available at [ESMA32-992851010-1597 - ESRS Statement \(europa.eu\)](https://esma.europa.eu/press-material/press-news/press-news-releases-and-other-publications/2024/07/2024-07-05-esma-public-statement-on-the-first-application-of-esrs)

activities, including key performance indicators and set goals to which the company is committed in order to demonstrate its dedication to achieving sustainability and creating long-term value for the company. It also gives an overview of environmental, social and governance factors through the concept of double materiality, according to which companies must consider how their actions impact the environment and people, but also how all these factors affect them financially.

ESRS prescribe the information that a company is obliged to disclose about its material impacts, risks and opportunities related to environmental, social and governance sustainability factors, respecting the principle of double materiality: impact materiality (includes all impacts of the company's business activities on stakeholders, including impacts on the environment and society) and financial materiality (includes all external impacts on sustainability that could internally affect the future profitability of the company). The report focuses on four reporting areas: governance (GOV), strategy and business model (SBM), impact, risk and opportunity management (IRO), and metrics and targets (M, T).

In addition to compliance with regulations, there are numerous advantages of preparing a sustainability report: building a sustainable corporate culture and improving reputation, a more effective governance strategy, improving the management of sustainability factors, which will support competitive growth and resilience of entrepreneurs in the short, medium and long term, increasing corporate transparency towards all stakeholders, increased involvement and cooperation with key stakeholders, attracting new investors and meeting data requests from financial institutions and investors, which helps companies in their access to financing and potentially reduces capital costs.

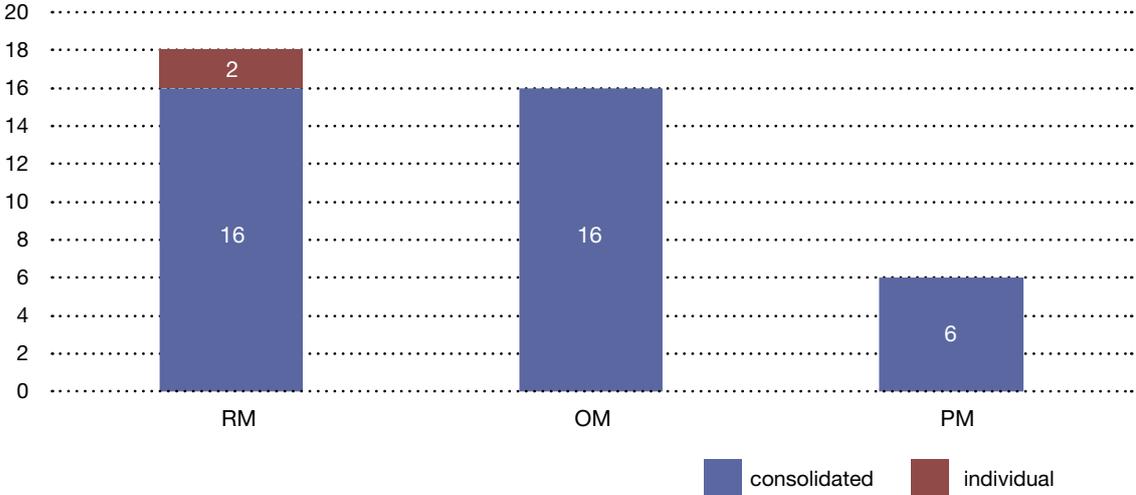
## LIST OF ENTITIES SUBJECT TO SUSTAINABILITY REPORTING FOR 2024

Pursuant to Article 70(1)(1) of the Accounting Act, entities required to report on sustainability for the 2024 business year are large undertakings and parent companies of large groups that are public interest entities and which, as of the balance sheet date, exceed the criterion of an average number of 500 employees based on the indicators as of the last day of the 2023 business year. Out of 50 entities required to report on sustainability for the business year 2024, a total of 40 entities are issuers of securities listed on the regulated market of the ZSE, in relation to which Hanfa is authorised to check whether the sustainability information is compiled in accordance with the relevant sustainability reporting framework.

## OVERVIEW OF ISSUERS' SUSTAINABILITY REPORTS FOR 2024

Of the 40 issuers that prepared sustainability reports, only 2 (5%) prepared them on an individual basis, given that they are not obliged to consolidate the reports, while all other sustainability reports were prepared on a consolidated basis.

Chart 16 Overview of 2024 sustainability reports in relation to the consolidation of data with issuers' subsidiaries

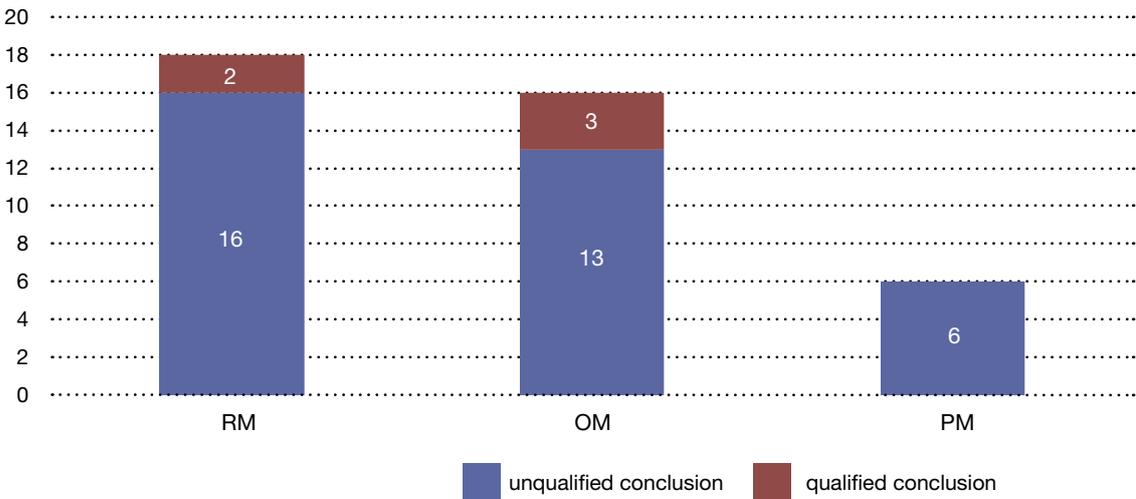


Source: Sustainability reports for 2024 received in the Officially Appointed Mechanism for the central storage of regulated information (hereinafter: the OAM)

Of the 40 issuers for which audit firms prepared reports on the assurance of sustainability reports, only 2 (5%) had different audit firms in charge of auditing financial statements and sustainability reports (the option provided for in accordance with the provisions of Article 58b(3) of the Audit Act).

Five reports on the assurance of sustainability reporting had a qualified limited assurance conclusion, while the rest had an unqualified limited assurance conclusion (88%), as shown in the charts below.

Chart 17 Overview of the type of conclusions on the assurance of sustainability reports, by segments of the regulated market

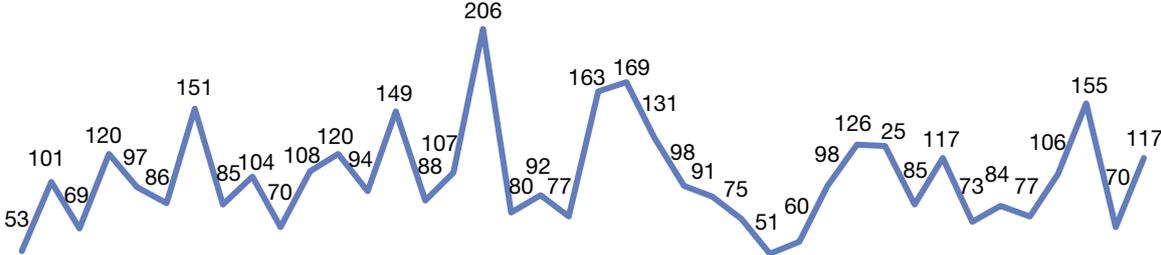


Source: Sustainability reports for 2024 received in the OAM

A total of 38 sustainability reports follow the titles of individual disclosures and topical standards according to the ESRS, while 10 issuers also published an ESRS index with a list of disclosures according to the ESRS and associated pages in sustainability reports. Two issuers have neither disclosures according to the names of the standards, nor an ESRS index within the sustainability report.

The number of pages of sustainability reports varies and ranges from 51 to 206. The total number of pages of all sustainability reports reached 4,128, with an average of 103 pages per report. A total of 18 issuers have sustainability reports of over 100 pages, while the others have between 50 and 100.

Chart 18 Number of sustainability report pages



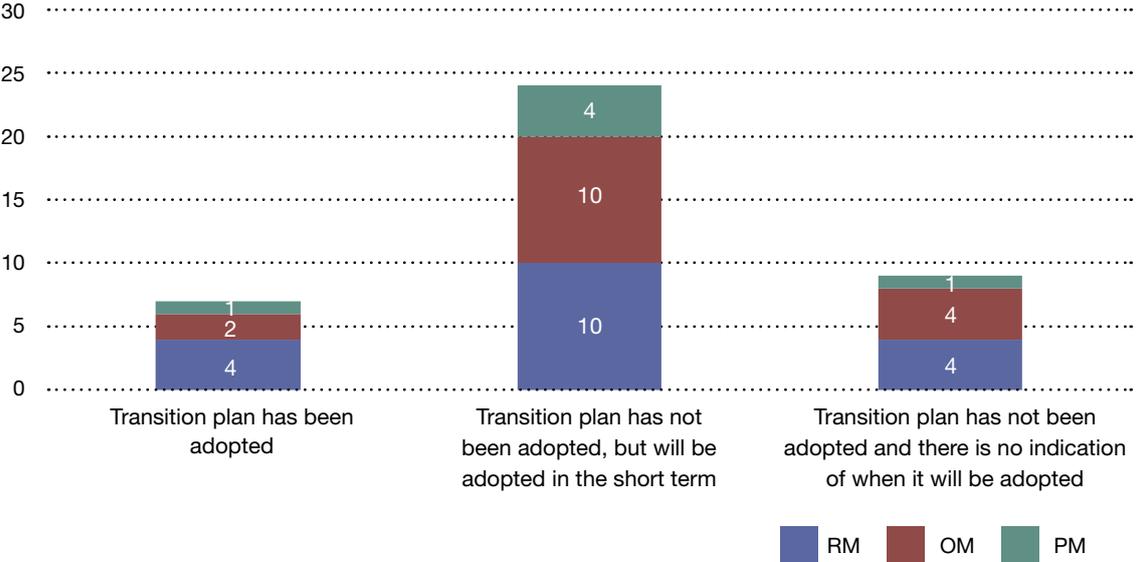
Source: Sustainability reports for 2024 received in the OAM

Of the issuers that were not obliged to prepare a sustainability report for 2024, 2 issuers published a sustainability report within the deadline for publishing the annual report, and one issuer published a non-financial report for 2024 in accordance with the GRI standards. In addition, 2 issuers have individual disclosures related to sustainable business operations within the management report, and one issuer announced the publication of a sustainability report at the end of August 2024.

### Environmental information (E1 – E5)

Five environmental standards cover content related to climate change (ESRS E1), pollution (ESRS E2), water and marine resources (ESRS E3), biodiversity and ecosystems (ESRS E4) and resource use and circular economy (ESRS E5).

Chart 19 Overview of the implementation of issuers' transition plans for climate change mitigation



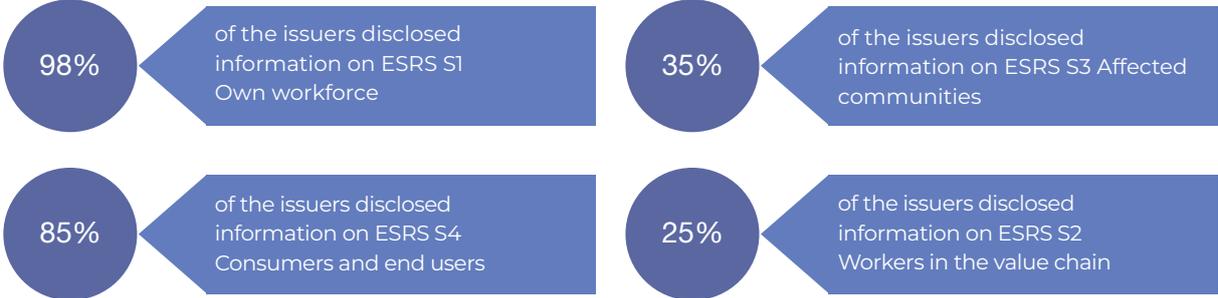
Source: Sustainability reports for 2024 received in the OAM

- 7 issuers (18%) reported that they had adopted a transition plan for climate change mitigation and implemented it in the company's strategy and policies, while 9 issuers (22%) did not adopt a transition plan nor did they specify the exact time-frame in which they plan to adopt it. The remaining 60% of issuers also did not adopt a transition plan, but they define a short- and medium-term timeframe in which they plan to adopt it (usually from 2025 to 2030).

### Information focused on social sustainability (S1 – S4)

ESRS S1–S4 represent four social standards that cover social topics and allow companies to report in a structured way on information about their own workforce beyond the company's borders (S1), about workers in the value chain (S2), about communities affected by the company's activities (S3), and consumers and end users (S4). ESRS S2 – 4 do not provide quantitative, but only qualitative information.

Figure 1 Share of issuers' disclosures according to S1–S4 social standards in sustainability reports for 2024



Source: Sustainability reports for 2024 received in the OAM

The disclosures mainly concerned working conditions (health and safety), gender equality and equal pay for equal work, and training and skills development.

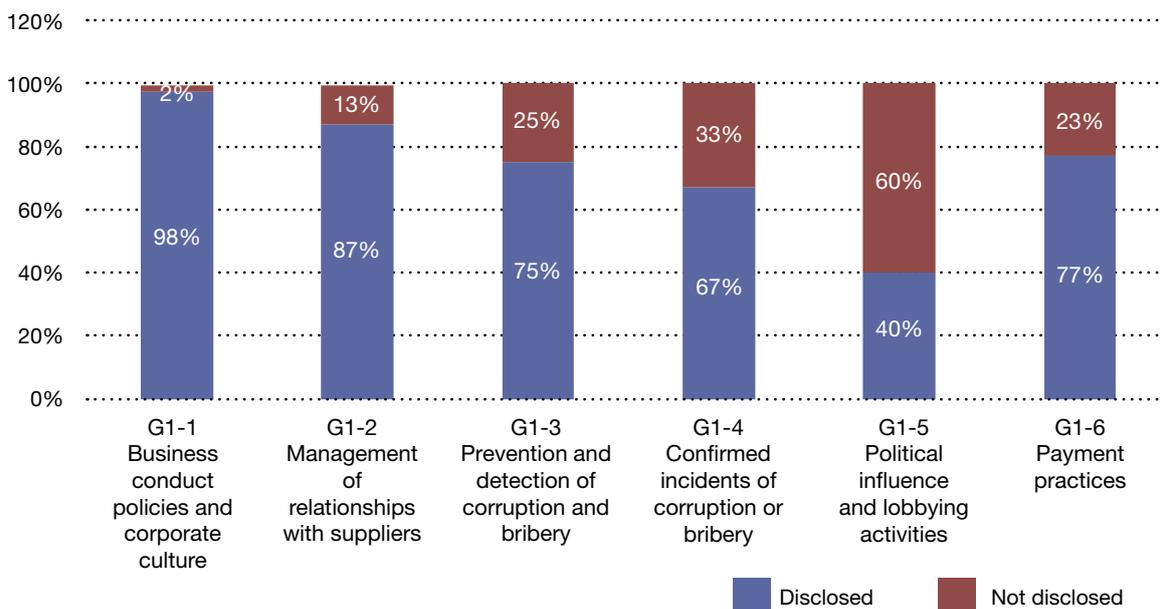
- Most issuers aim to establish a comfortable and inclusive working environment, especially with regard to the age structure of the workforce, while encouraging gender equality in the workplace and with regard to management positions and creating positive social changes.
- Most issuers did not state the proportion of employees with disabilities in the total number of employees, and the share of issuers that did disclose it does not exceed 4%.
- In 2024, there were generally no serious complaints about human rights violations and no reports of concerns or irregularities, except for a dozen complaints from workers regarding requests for the protection of dignity and complaints about alleged discrimination. No monetary amounts related to such incidents or complaints were recorded.

### Governance information (ESRS G1 – Business conduct)

This governance standard enables an understanding of the company’s strategy, processes and performance, and contains information on the role of administrative, management and supervisory bodies and specifies the various contents of reporting for the management of impacts, risks and opportunities in the company. By adhering to the ESRS G1 standard, companies can prevent unethical corporate behaviour that often leads to reputational damage and strengthen relationships with customers, suppliers and employees.

The standard covers the following 6 areas: G1 – 1: Business conduct policies and corporate culture, G1 – 2: Management of relationships with suppliers, G1 – 3: Prevention and detection of corruption and bribery, G1 – 4: Confirmed incidents of corruption or bribery, G1 – 5: Political influence and lobbying activities, G1 – 6: Payment practices.

Chart 20 Overview of disclosure requirements in the G1 Business Conduct standard in sustainability reports of 40 issuers



Source: Sustainability reports for 2024 received in the OAM

- The largest share of the issuer’s disclosures in terms of business conduct standards relates to business conduct policies and corporate culture (G1 – 1, 98%), and the smallest share to political influence and lobbying activities (G1 – 5, 40%).

Regarding issuer-specific topics, about 40% of issuers presented special topics such as cyber (information) security, contribution to community development, project management, digitalisation, share program, etc.

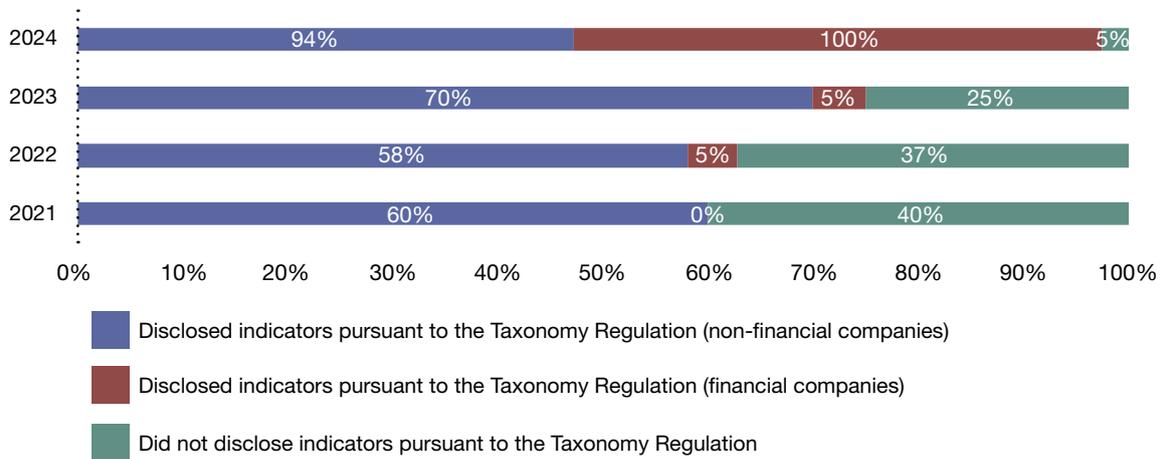
## REPORTING UNDER THE TAXONOMY REGULATION (DISCLOSURES PURSUANT TO ARTICLE 8 OF REGULATION (EU) 2020/852)

For issuers which are subject to sustainability reporting, Article 8 of the Taxonomy Regulation (Regulation (EU) 2020/852) prescribes the obligation to disclose indicators of the proportion of the turnover, capital expenditure and operating expenditure associated with environmentally sustainable economic activities with respect to six environmental objectives.

Of the 40 issuers that disclosed sustainability reports, 38 (95%) disclosed indicators and information under the Taxonomy Regulation, of which 33 for non-financial companies and 5 for financial companies. In the preceding year, 75% of the issuers that drew up their non-financial statements for 2023 disclosed indicator under the Taxonomy Regulation.

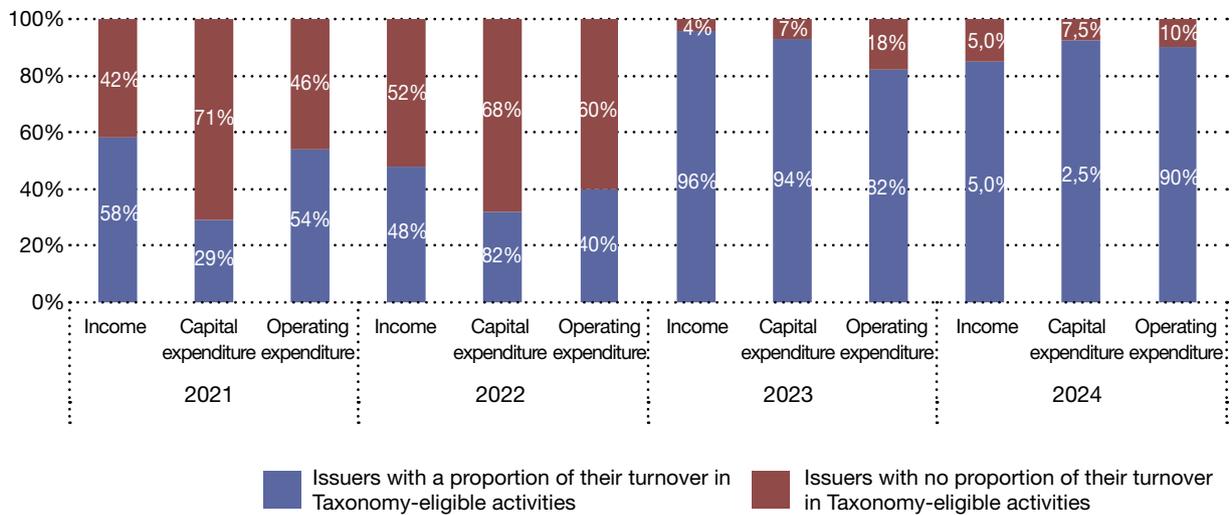
The number of pages of sustainability reports related to disclosures under the Taxonomy Regulation varies and ranges from 3 to 100. The total number of pages related to Taxonomy reached 424, with an average of 11 pages per report.

Chart 21 Overview of issuers by the disclosure of indicators related to Taxonomy-eligible activities in 2021, 2022, 2023 and 2024



Source: Issuers' non-financial statements for 2021, 2022 and 2023 and sustainability reports for 2024

Chart 22 Overview of issuers' disclosures by the type of indicators related to Taxonomy-eligible activities in 2021, 2022, 2023 and 2024

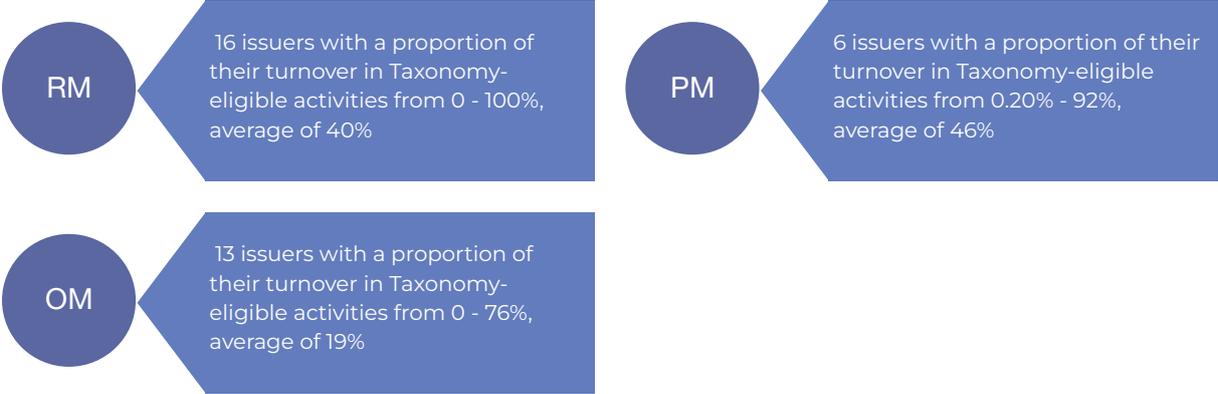


Source: Issuers' non-financial statements for 2021, 2022 and 2023 and sustainability reports for 2024 received in the OAM

When it comes to other issuers that were not obliged to prepare a sustainability report for 2024, only two have voluntarily disclosed indicators related to Taxonomy-eligible i.e., Taxonomy-aligned activities under the Taxonomy Regulation.

### Turnover indicator

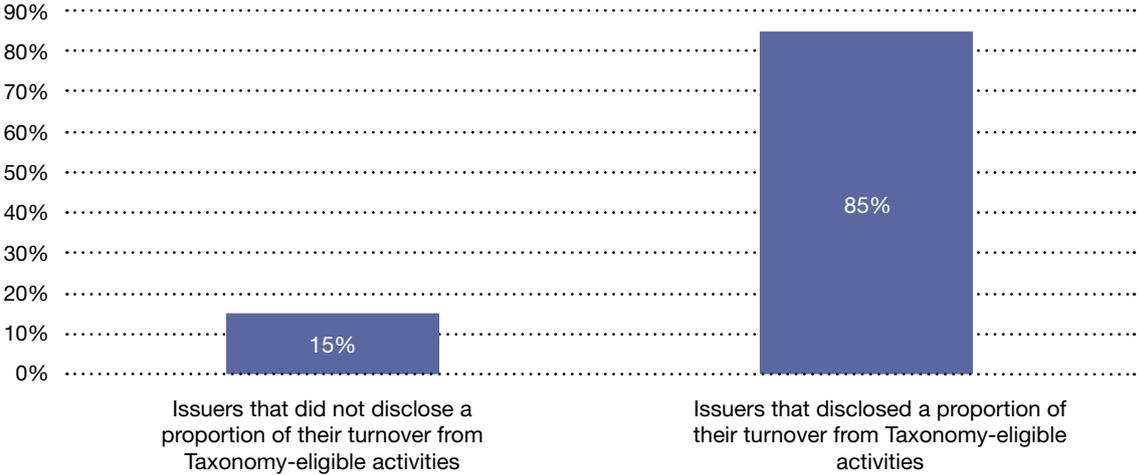
Figure 2 Overview of issuers according to the disclosure of the indicators of the proportion of turnover from Taxonomy-eligible activities for 2024, non-financial companies only, by segments of the regulated market



Source: Sustainability reports for 2024 received in the OAM

- The average proportion of turnover from Taxonomy-eligible activities among 35 non-financial issuers stands at 33%, which is half as much than the average of the previous year.
- 15% of issuers do not have a proportion of turnover from Taxonomy-eligible activities, i.e., 85% of issuers have it.

Chart 23 Overview of issuers according to the disclosure of the proportion of turnover from Taxonomy-eligible activities for 2024

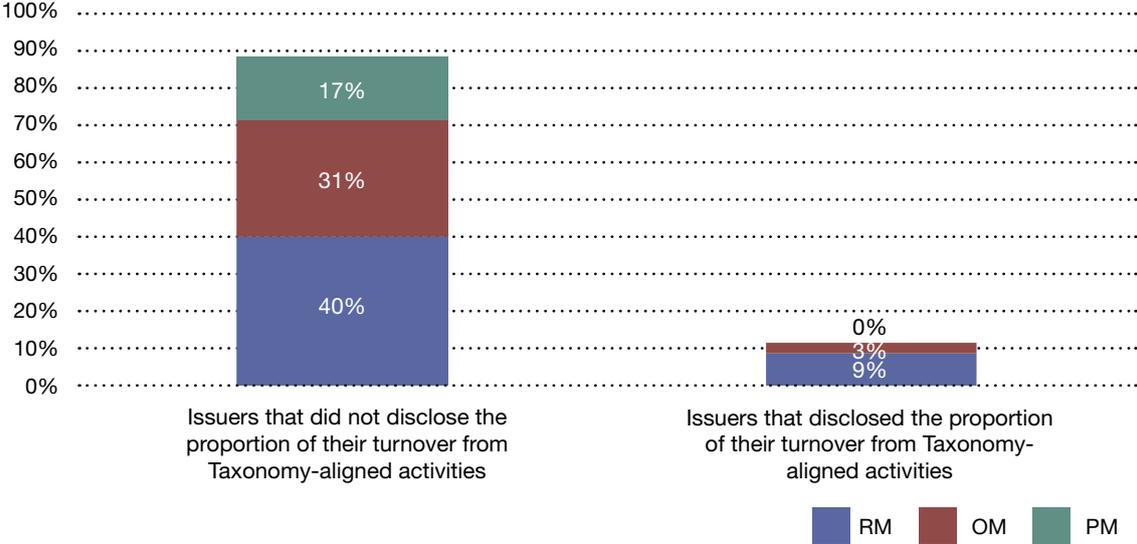


Source: Sustainability reports for 2024 received in the OAM

Revenues from Taxonomy-eligible but environmentally unsustainable activities mainly contribute to the following environmental objectives: protection and restoration of biodiversity and ecosystems (70%), climate change mitigation (20%), climate change

adaptation (13%) and the transition to a circular economy (4%), while no issuer has identified the proportion of turnover in activities that contribute to environmental objectives related to the sustainable use and protection of water and marine resources and the pollution prevention and control.

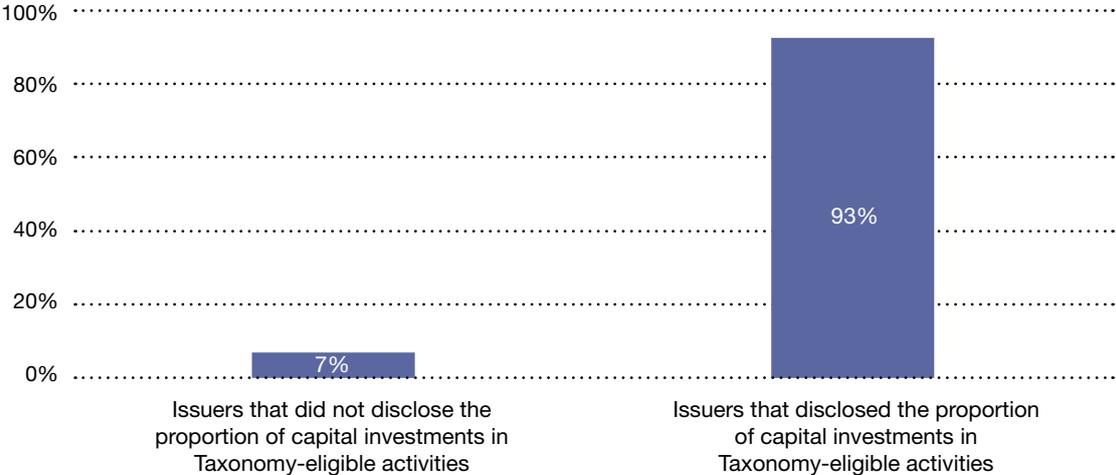
Chart 24 Overview of non-financial issuers according to the disclosure of the proportion of turnover from Taxonomy-aligned activities for 2024, by segments of the regulated market



Source: Sustainability reports for 2024 received in the OAM

### Capital investment indicator

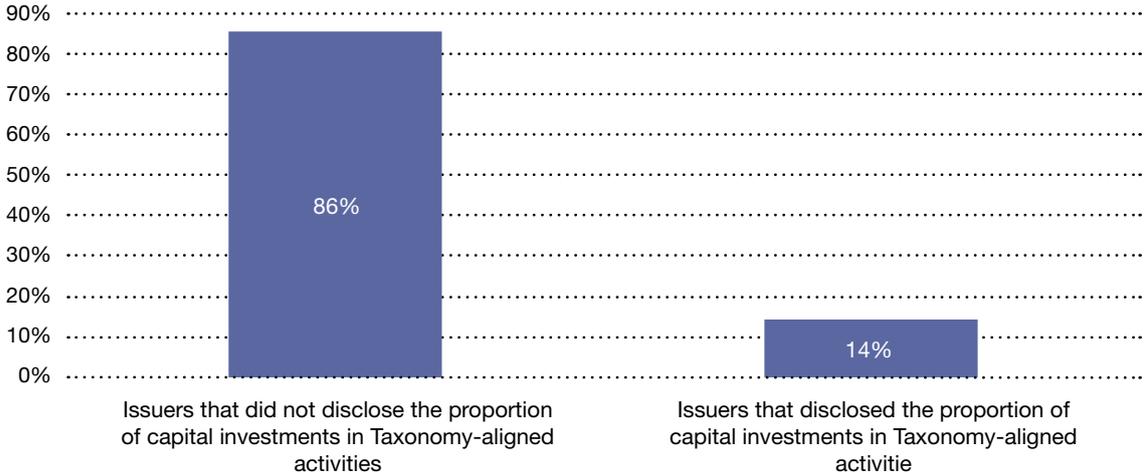
Chart 25 Overview of issuers according to the disclosure of the proportion of capital investments in Taxonomy-eligible activities for 2024



Source: Sustainability reports for 2024 received in the OAM

- Three issuers do not have any capital investments linked to Taxonomy-eligible activities, and of the 37 issuers that do have such investments, 2 stated that this proportion was 100%.
- The average proportion of capital investments in Taxonomy-eligible activities amounted to 46%.
- 16 issuers reported that the proportion of capital investments in Taxonomy-eligible activities is higher than 50%.

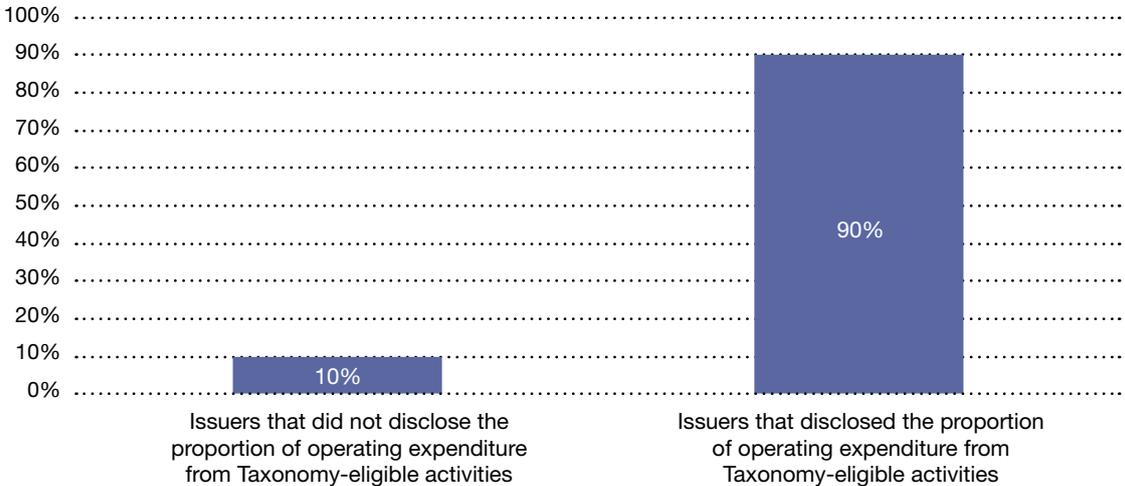
Chart 26 Overview of non-financial issuers according to the disclosure of the proportion of capital investments in Taxonomy-aligned activities for 2024



Source: Sustainability reports for 2024 received in the OAM

### Operating expenditure indicator

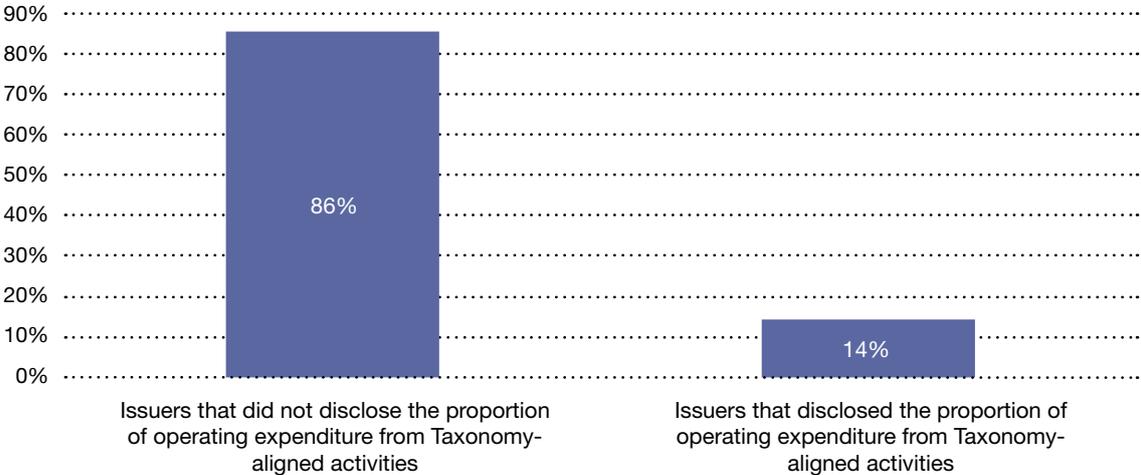
Chart 27 Overview of issuers according to the disclosure of the proportion of operating expenditure from Taxonomy-eligible activities for 2024



Source: Sustainability reports for 2024 received in the OAM

- 4 issuers did not have any operating expenditure linked to Taxonomy-eligible activities.
- Of 36 issuers with operating expenditure linked to Taxonomy-eligible activities, one reported that this proportion was higher than 100%.
- 10 issuers reported that the proportion of operating expenditure in Taxonomy-eligible activities was higher than 50%.
- The average proportion of operating expenditure in Taxonomy-eligible activities amounted to 39%.
- Most issuers used estimates when calculating operating expenditure indicators.

Chart 28 Overview of issuers according to the disclosure of the proportion of operating expenditure from Taxonomy-aligned activities for 2024, for non-financial companies



Source: Sustainability reports for 2024 received in the OAM

### Issuers’ challenges and good practices in preparing sustainability reports

The complexity and scope of ESRS standard requirements and disclosures under the Taxonomy Regulation posed the main challenges in the first reporting year. Many standards required processes and data bases that will only be established and standardized over time. Most issuers point to a plan to improve the data collection process and the adoption of a transition plan for climate change mitigation as key strategies for the transition to a lower-carbon economy with greenhouse gas emission reduction measures, and for the presentation of comparative information/values in sustainability reports.

The following are issuers' good practices:

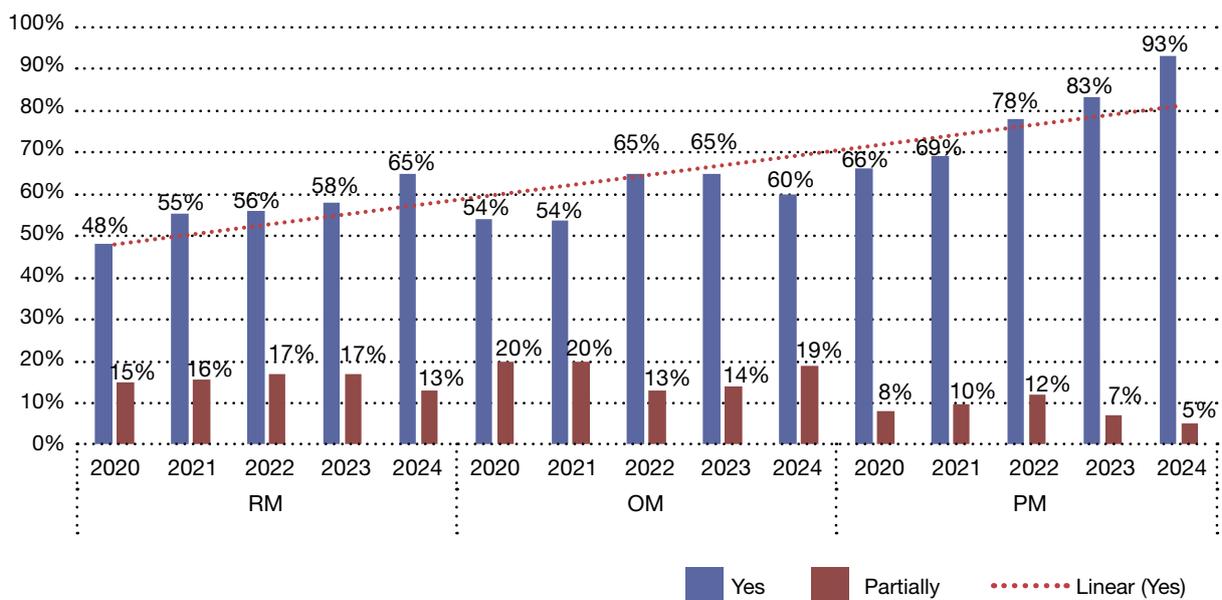
- Implementation and publication of the sustainability strategy
- Identification of impacts, risks and opportunities along the upstream and downstream of the value chain as an integral part of the materiality assessment process
- Establishment of a data collection and coverage process regarding sustainability matters internally within the company, but also in the value chain, and adopting codes of conduct for suppliers
- Establishment of a formal procedure for the double materiality assessment
- Assessment of the vulnerability of the activity to chronic and acute climate change risks
- Adoption of methodologies for supply chain due diligence
- Introduction of systematic value chain emission monitoring (in particular Scope 3).

### Compliance of the issuers whose shares are admitted to the ZSE with the section “Corporate social responsibility”

Pursuant to the Code, supervisory and management boards should agree and adopt policies on:

- how environmental and social impacts of the company’s activities are assessed, and how the associated risks are managed
- how human rights and the rights of employees are safeguarded and
- how corruption and bribery will be prevented and sanctioned.

Chart 29 Share issuers' compliance with the section “Stakeholders and corporate social responsibility” in 2020, 2021, 2022, 2023 and 2024, by segments of the regulated market

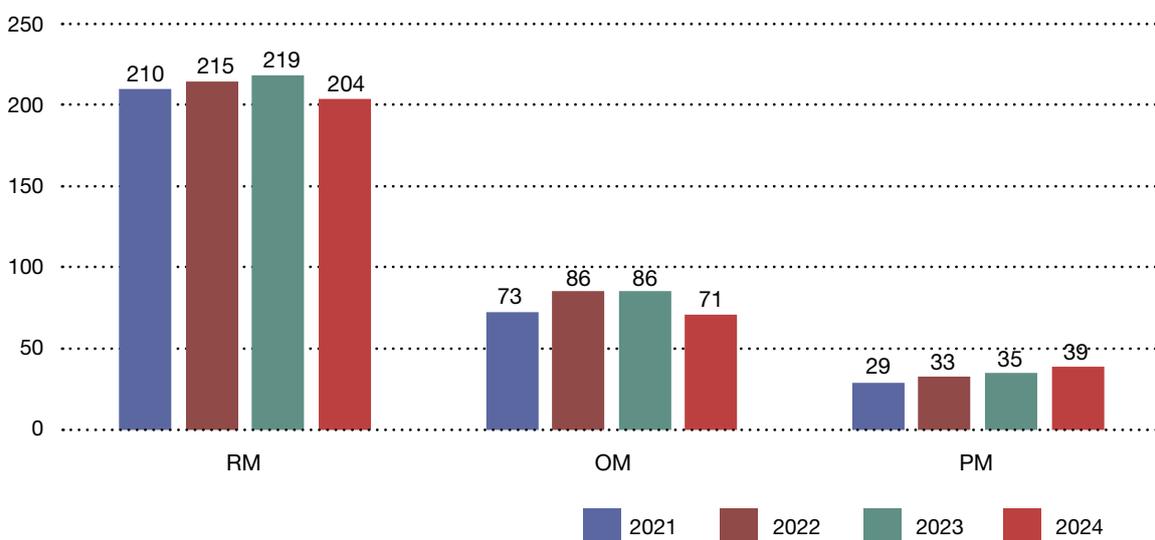


Source: Compliance questionnaire 2020, 2021, 2022, 2023 and 2024, internal calculation

Data provided in the compliance questionnaire for 2024 show an increase in share issuers' compliance with the section "Stakeholders and corporate social responsibility" on the Regular Market and Prime Market, while the Official Market recorded a slight decrease in compliance. The issuers that failed to comply or complied partially justified this on the grounds of internal procedures, i.e., the fact that the policies had been adopted by the management board but still not by the supervisory board. They also explained that the policies were covered by the Ordinance on conduct and ethics, the Accounting Act and other applicable laws, that they were available upon request, prescribed by their articles of association, etc. A significant number of issuers explained that they planned to adopt these policies in the following reporting period.

In 2024, issuers' compliance with the section "Stakeholders and corporate social responsibility" on the Prime Market, Official Market and Regular Market stood at 93%, 60% and 65% respectively.

Chart 30 Share issuers' progress in compliance (number of "YES" answers) with the section "Stakeholders and corporate social responsibility" in 2021, 2022, 2023 and 2024, by segments of the regulated market



Source: Compliance questionnaire 2021, 2022, 2023 and 2024, internal calculation

There was a slight fall in share issuers' progress in compliance with the section "Stakeholders and corporate social responsibility" on the Regular Market and Official Market, while the Prime Market showed an upward trend in the observed period. Share issuers included in the database for processing data on the progress in compliance with the Code provided more "YES" answers in 2023 than in 2024 (in 2023, the total number of "YES" answers reached 340, while in 2024 it stood at 314).

In 2024, the progress in issuers' compliance with the section "Stakeholders and corporate social responsibility" on the Prime Market reached 11%, while the Regular Market and Official Market saw a progress decline reaching 12% on average.

# SHARE ISSUERS' COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

---



## SHARE ISSUERS' COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

This Annual Report on Corporate Governance provides for the fourth time Hanfa's information on the compliance of companies whose shares are admitted to trading on the regulated market of the ZSE (hereinafter: issuers) with the new Code. The Code is applicable to the periods starting from 1 January 2020; however, the 2019 Annual Report on Corporate Governance report provided an overview of issuers' compliance with the Code for 2019 as well, enabling the initial level of their compliance with the Code to be determined and further improvement of actions taken regarding the Code to be monitored in the forthcoming period.

Issuers' compliance with the Code has been calculated on the basis of data from compliance questionnaires, whose accuracy, completeness and quality fall within the responsibility of management boards and supervisory boards of issuers. The Code is applicable to all companies whose shares are admitted to trading on the regulated market of the ZSE, except for closed-ended investment fund shares; they are therefore not obliged to submit the compliance questionnaire. As at 31 December 2024, there were 74 issuers whose shares were admitted to trading on the regulated market of the ZSE, of which two were closed-ended investment funds. A total of 72 share issuers were therefore obliged to submit the compliance questionnaire for 2024 (81 share issuers in 2023).

The compliance questionnaire was submitted to Hanfa by 69 share issuers out of the 72 share issuers subject to the submission obligation. For the purpose of presenting the actual state of play regarding the compliance with the Code and its individual sections, the total number of the share issuers that submitted their compliance questionnaires did not cover an issuer that submitted the compliance questionnaire after the expiration of the submission deadline. The sample serving as the basis for calculating overall compliance covered therefore 68 share issuers.

The calculation of issuers' compliance with the new Code is based on the structure of the compliance questionnaire.

The compliance questionnaire follows the structure of the Code:

- Section 1: Leadership
- Section 2: Duties of board members
- Section 3: Appointment of board members
- Section 4: Supervisory board and its committees
- Section 5: Management board
- Section 6: Remuneration of board members
- Section 7: Risks, internal control and audit
- Section 8: Disclosure and transparency
- Section 9: Shareholders and the general meeting
- Section 10: Stakeholders and corporate social responsibility.

The compliance questionnaire requires issuers to explain whether they comply (fully or partially) or fail to comply with each of the recommendations of the Code. If issuers

fail to comply with a recommendation of the Code, or comply with it only partially, they should provide details in the questionnaire regarding their failure to comply and the reasons for non-compliance, including specific circumstances relating to these issuers; they should describe actions they have taken instead of complying with the recommendation from the Code to make sure they meet the objective set out in the relevant Code principle; and, if they intend to comply with the Code provision in the future, they should specify when they will start doing so.

Issuers' compliance with the Code was calculated for each section of the Code separately and as overall compliance with the Code. It was determined based on the number of answers of "YES", "NO", and "Partially", not taking account of explanations provided for answers of "NO" and "Partially". The compliance with individual sections of the Code by segments of the regulated market was calculated as the average number of questions responded to with "YES", "NO" and "Partially" for each section of the Code.

For the purpose of determining the overall compliance with the Code, a valuation model consisting of four scores was used:

- where the number of "YES" answers was higher than the average number of "YES" answers for a specific section of the Code and where the number of "YES" answers was higher than the number of "Partially" and "NO" answers for that issuer, a score of 2 was awarded (green)
- where the number of "YES" answers was higher than the average number of "YES" answers for a specific section of the Code, a score of 1 was awarded (yellow)
- where the number of "YES" answers was lower than the average number of "YES" answers for a specific section of the Code, a score of 0 was awarded (orange)
- where the number of "YES" answers was lower than the average number of "YES" answers for a specific section of the Code and where the number of "NO" answers was higher than the number of "Partially" and "YES" answers for that issuer, a score of -1 was awarded (red).

The sum of compliance scores by individual sections determined the overall compliance of issuers with the Code for the year 2024.

In 2021, Hanfa assessed the progress in issuers' compliance with the Code for the first time. This Annual Report on Corporate Governance provides Hanfa's assessment of this progress as well. The compliance scores were assigned on the basis of the compliance questionnaires for 2023 and 2024.

All the issuers comprising the sample for the calculation of overall compliance in 2024 (68 issuers) were also taken into account for the calculation of compliance progress in 2024.

The model for assessing progress in issuers' compliance in 2024 relative to 2023 involved two criteria against which individual issuers were observed, namely:

#### I. Progress in comparison with the market

The absolute change in the score assigned to each issuer per section was calculated first. The changes in absolute scores were the basis for the calculation of the standard

deviation of the change in the score per section. In order to determine issuers that are at least by 50% better or worse than the market, the standard deviation obtained was multiplied by 1.5 and observed along with the average change recorded by all issuers.

The following scores were used to determine the progress:

- Issuers whose absolute change in the score was higher than the average change recorded by all issuers added to the standard deviation multiplied by 1.5 were assigned a score of 1 (they were better than 50% of the market).
- Issuers whose absolute change in the score was lower than the average change recorded by all issuers decreased by the standard deviation multiplied by 1.5 were assigned a score of -1 (they were worse than 50% of the market).
- Other changes resulted in issuers being assigned a score of 0.

## II. Progress made by individual issuers in 2024 compared with 2023 by individual sections

Progress made by individual issuers was observed through a relative change in the number of questions responded to with "YES" in comparison with 2023 for each section. As the number of questions differs from section to section, weights were defined with respect to the importance of each section by the number of questions, as follows:

- Sections with the proportion of the number of questions exceeding 25% of the total number of questions were assigned a weight of 10%.
- Sections with the proportion of the number of questions ranging between 10% and 24% of the total number of questions were assigned a weight of 20%.
- Sections with the proportion of the number of questions ranging between 6% and 9% of the total number of questions were assigned a weight of 33%.
- Sections with the proportion of the number of questions being lower than 5% of the total number of questions were assigned a weight of 51%.

The following scores were used to determine the progress:

- Where the relative change in the number of "YES" answers was equal to or higher than the weight assigned, the issuer was assigned a score of 1 (a positive change).
- Where the relative change in the number of "YES" answers was equal to or lower than the negative weight assigned, the issuer was assigned a score of -1 (a negative change).
- Other changes resulted in issuers being assigned a score of 0 (no change).

After the scores were assigned in the two manners described above, they were added together, representing the final score showing progress in compliance with the Code assigned to an individual issuer per section.

## LIST OF ISSUERS ACCORDING TO THEIR COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Tables 4, 5 and 6 show share issuers' compliance with individual sections of the Code by segments of the regulated market in 2024. The list of issuers according to their compliance with individual sections was determined on the basis of the sum of scores relating to each section.

- In 2019, none of the issuers on the Official Market and Prime Market complied fully with the Code; only 2 issuers on the Regular Market showed full compliance.
- Pursuant to answers provided in questionnaires related to corporate governance, in 2020 as many as 8 issuers complied fully with the Code (2 issuers whose shares are admitted on the Prime Market, 2 issuers whose shares are admitted on the Official Market and 4 issuers whose shares are admitted on the Regular Market).
- Pursuant to answers provided in questionnaires related to compliance with the Code, 9 issuers complied fully with the Code in 2021 (3 issuers whose shares are admitted on the Prime Market and 6 issuers whose shares are admitted on the Regular Market). In the year observed, there were no issuers on the Official Market that complied fully with the Code.
- Pursuant to answers provided in questionnaires related to compliance with the Code, 10 issuers complied fully with the Code in 2022 (2 issuers whose shares are admitted on the Prime Market, 2 issuers whose shares are admitted on the Official Market and 6 issuers whose shares are admitted on the Regular Market).
- Pursuant to answers provided in questionnaires related to corporate governance, in 2023, 11 issuers complied fully with the Code (3 issuers whose shares are admitted on the Prime Market, 3 issuers whose shares are admitted on the Official Market and 5 issuers whose shares are admitted on the Regular Market).
- Pursuant to answers provided in questionnaires related to corporate governance, in 2024, 13 issuers complied fully with the Code (4 issuers whose shares are admitted on the Prime Market, 4 issuers whose shares are admitted on the Official Market and 5 issuers whose shares are admitted on the Regular Market).
- This points to an improvement as regards the compliance of share issuers with the Code in 2024.

*Table 4 Prime Market issuers' compliance scores by individual sections of the Code for the year 2024*

Issuer	Section 1	Section 2	Section 3	Section 4	Section 5	Section 6	Section 7	Section 8	Section 9	Section 10
Atlantic Grupa d.d.	2	2	2	2	2	2	2	2	2	2
Podravka d.d.	2	2	2	2	2	2	2	2	2	2
Hrvatski Telekom d.d.	2	2	2	2	2	2	2	2	2	2
VALAMAR RIVIERA d.d.	2	2	2	2	2	2	2	2	2	2
Arena Hospitality Group d.d.	2	1	2	2	2	2	2	2	2	2
AD Plastik d.d.	2	1	2	2	2	2	1	1	1	2

Source: Hanfa's internal calculation based on the compliance questionnaire for 2024

Table 5 Official Market issuers' compliance scores by individual sections of the Code for the year 2024

Issuer	Section 1	Section 2	Section 3	Section 4	Section 5	Section 6	Section 7	Section 8	Section 9	Section 10
BOSQAR d.d.	2	2	2	2	2	2	2	2	2	2
Končar - Elektroindustrija d.d.	2	2	2	2	2	2	2	2	2	2
SPAN d.d.	2	2	2	2	2	2	2	2	2	2
Zagrebačka burza d.d.	2	2	2	2	2	2	2	2	2	2
CROATIA osiguranje d.d.	2	2	2	2	2	2	2	2	2	1
Hrvatska poštanska banka d.d.	1	2	2	2	2	2	2	2	2	2
Luka Ploče d.d.	2	2	2	2	1	2	2	2	2	2
Dalekovod d.d.	2	2	0	2	2	1	2	2	2	2
JADRAN d.d.	2	2	-1	2	2	2	2	2	2	0
CIAK Grupa d.d. za upravljanje društvima	1	0	0	2	2	1	2	2	2	2
Ilirija d.d.	1	2	0	2	2	1	2	0	2	2
Institut IGH d.d.	1	0	-1	2	2	0	1	2	2	2
INA - Industrija nafte d.d.	1	0	0	1	1	0	1	2	2	1
Medika d.d.	2	2	-1	1	2	0	1	2	1	-1
Čakovečki mlinovi d.d.	1	2	0	0	1	-1	1	0	1	1
GRANOLIO D.D.	0	0	0	1	1	2	1	0	1	0
Luka Rijeka d.d.	2	-1	-1	-1	1	-1	-1	1	1	-1

Source: Hanfa's internal calculation based on the compliance questionnaire for 2024

Table 6 Regular Market issuers' compliance scores by individual sections of the Code for the year 2024

Issuer	Section 1	Section 2	Section 3	Section 4	Section 5	Section 6	Section 7	Section 8	Section 9	Section 10
Ericsson Nikola Tesla d.d.	2	2	2	2	2	2	2	2	2	2
MODRA ŠPILJA d.d.	2	2	2	2	2	2	2	2	2	2
Podravska banka d.d.	2	2	2	2	2	2	2	2	2	2
Terra Firma d.d.	2	2	2	2	2	2	2	2	2	2
Vis d.d.	2	2	2	2	2	2	2	2	2	2
BRODOGRADILIŠTE VIKTOR LENAC d.d.	2	2	2	2	1	2	2	2	2	2
HELIOS FAROS d.d.	2	2	2	2	2	1	2	2	2	2
Jadroagent d.d.	2	2	2	2	1	2	2	2	2	2
Končar - Distributivni i specijalni transformatori d.d.	2	2	2	2	2	2	2	1	2	2
Slatinska banka d.d.	2	2	2	2	1	2	2	2	2	2
ADRIATIC OSIGURANJE d.d.	1	2	2	2	2	2	2	1	2	2
Adris Grupa d.d.	2	2	2	2	2	2	2	0	2	2

Croatia Airlines d.d.	2	1	2	2	2	2	2	2	1	2
Tehnika d.d.	2	1	2	2	2	2	1	2	2	2
Imperial Riviera d.d.	2	1	2	2	2	2	2	0	1	2
Istarska kreditna banka Umag d.d.	1	1	2	2	2	2	2	2	2	0
Ingra d.d.	2	2	0	2	2	2	1	1	1	2
Maistra d.d.	2	2	2	1	1	2	2	0	1	2
Adriatic Croatia International Club d.d.	2	2	-1	2	1	2	2	2	2	0
Kutjevo d.d.	2	2	-1	1	2	1	2	2	1	2
Jadroplov d.d.	2	2	-1	1	2	1	2	1	1	2
MON PERIN d.d.	1	1	2	1	2	1	1	0	2	2
Stanovi Jadran d.d. za poslovanje nekretninama	1	-1	2	1	1	1	1	2	2	2
AGRAM BANKA d.d.	1	2	0	1	2	1	2	1	1	0
Čateks d.d.	1	2	2	1	-1	-1	2	2	1	2
Kraš d.d.	1	1	-1	1	2	1	2	0	2	2
THE GARDEN BREWERY d.d.	2	1	-1	1	2	2	1	1	1	1
ZAGREBAČKA BANKA DIONIČKO DRUŠTVO	1	0	0	1	1	2	2	2	1	0
Plava laguna d.d.	1	1	-1	1	2	2	1	1	1	0
Primo Real Estate d.d.	2	1	2	2	2	1	-1	0	1	-1
Tekstilpromet d.d.	1	1	-1	1	2	1	1	0	1	2
VILLA DUBROVNIK HOTELSKO - TURISTIČKO DIONIČKO DRUŠTVO	2	2	-1	1	1	1	1	0	1	1
ALPHA ADRIATIC pomorski promet dioničko društvo	1	1	-1	1	0	1	1	0	2	2
AUTO HRVATSKA d.d.	1	1	-1	0	2	0	1	0	1	1
MEDORA HOTELI I LJETOVALIŠTA d.d.	1	1	0	1	-1	0	1	1	2	0
Quattro logistika d.d.	1	0	0	1	1	1	1	1	0	-1
Saponia d.d.	1	1	0	-1	-1	-1	1	2	2	1
Jadranski naftovod d.d.	1	1	-1	1	0	-1	1	1	1	0
ĐURO ĐAKOVIĆ GRUPA d.d.	1	0	-1	0	-1	1	1	1	1	0
Maraska d.d.	1	-1	2	0	-1	-1	1	0	1	-1
Zagrebačke pekarnice Klara d.d.	1	0	-1	0	-1	-1	0	1	0	2
Lošinjaska plovidba - Holding d.d.	1	-1	-1	1	1	-1	-1	1	1	-1
PROFESSIO ENERGIA d.d.	-1	-1	-1	1	1	-1	0	1	1	0
Vodoprivreda Zagreb d.d.	1	1	-1	1	-1	-1	0	0	0	-1
Liburnia riviera hoteli d.d.	1	-1	0	1	0	-1	-1	0	0	-1

Source: Hanfa's internal calculation based on the compliance questionnaire for 2024

Viewed by issuers' compliance by individual sections, and taking account of the highest level of compliance with the Code, the largest number of provisions fully complied with by individual issuers and the number of issuers' employees, the following issuers showed the highest level of compliance by segments of the regulated market:

Table 7 List of issuers according to their compliance scores for 2024

Issuer	Regulated market segment	Total	Number of provisions the issuer fully complies with	Number of employees
Podravka d.d.	PM	20	139	3,420
Končar - Elektroindustrija d.d.	OM	20	131	587
Ericsson Nikola Tesla d.d.	RM	20	133	2,913

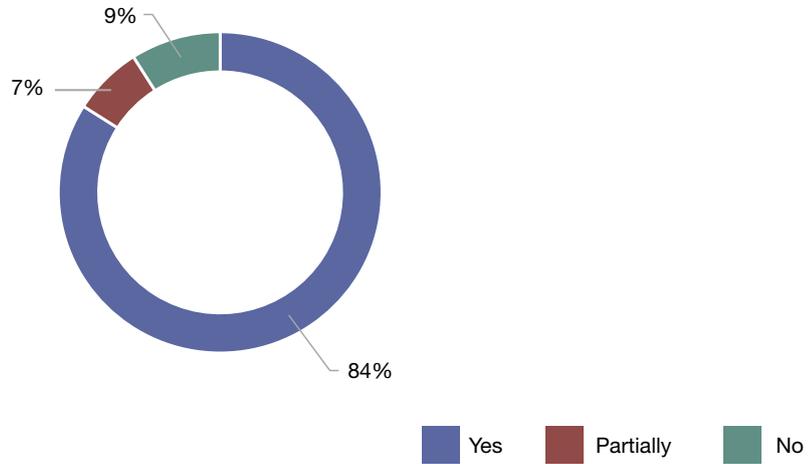
Source: Hanfa's internal calculation based on the compliance questionnaire for 2024

The highest level of compliance with the Code in 2024 was reached by Podravka d.d. on the Prime Market, by Končar – Elektroindustrija d.d. on the Official Market, and by Ericsson Nikola Tesla d.d. on the Regular Market.

Charts 31 - 50 show the percentage of share issuers' compliance by individual sections and their overall compliance with the Code for the year 2024.

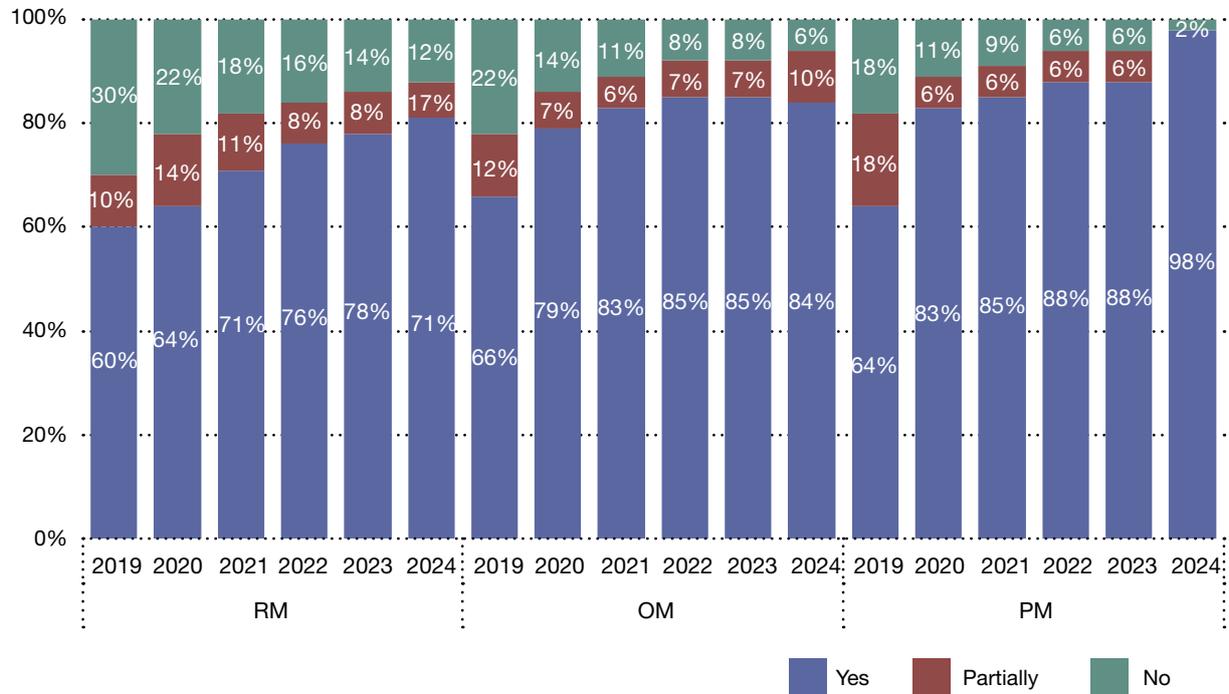
## Issuers' compliance by sections of the Code

Chart 31 Share issuers' compliance with the section "Leadership" in 2024



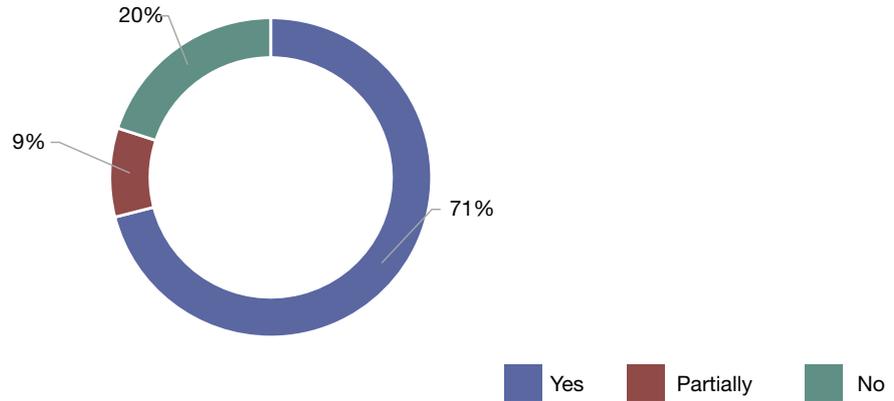
Source: Compliance questionnaire 2024, internal calculation

Chart 32 Share issuers' compliance with the section "Leadership" in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market



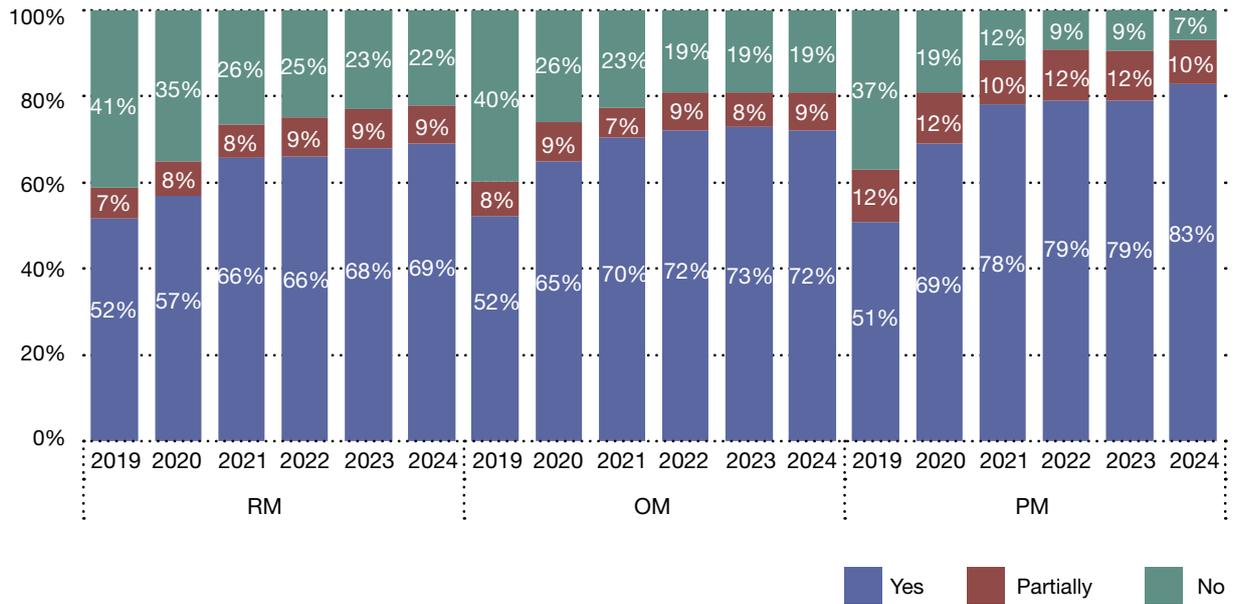
Source: Compliance questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, internal calculation

Chart 33 Share issuers' compliance with the section "Duties of board members" in 2024



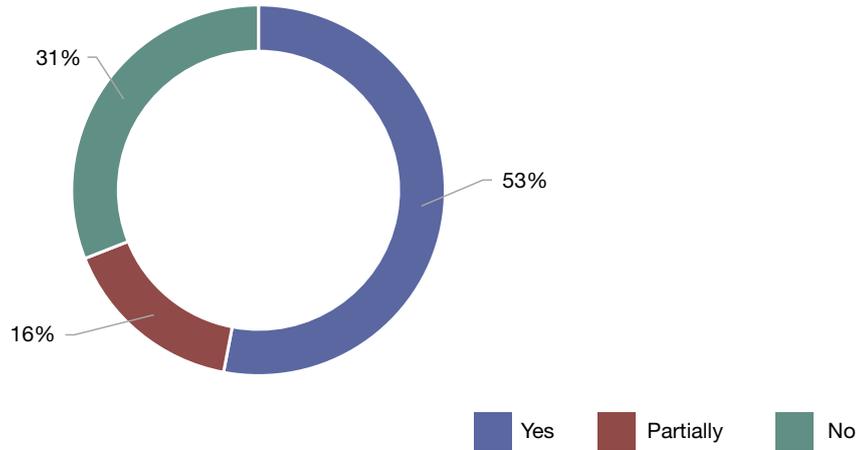
Source: Compliance questionnaire 2024, internal calculation

Chart 34 Share issuers' compliance with the section "Duties of board members" in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market



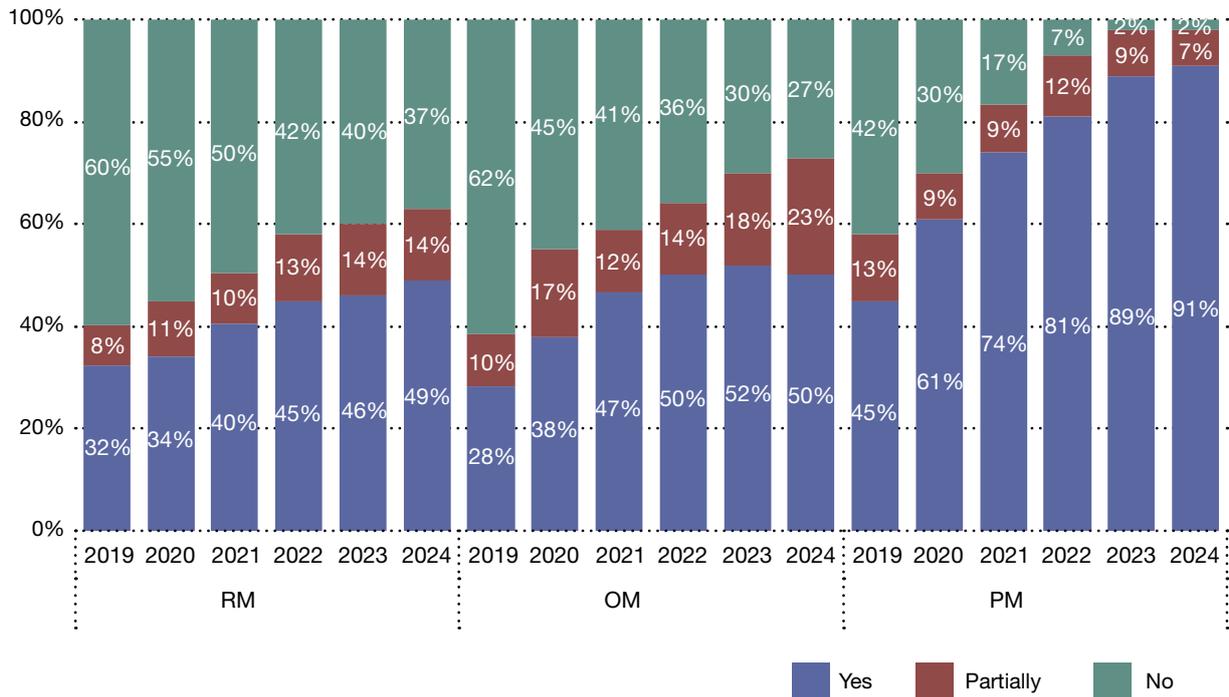
Source: Compliance questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, internal calculation

Chart 35 Share issuers' compliance with the section "Appointment of board members" in 2024



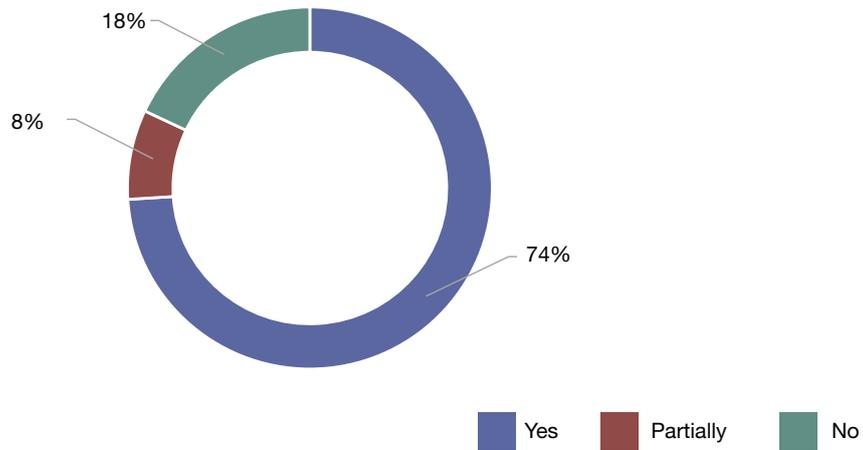
Source: Compliance questionnaire 2024, internal calculation

Chart 36 Share issuers' compliance with the section "Appointment of board members" in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market



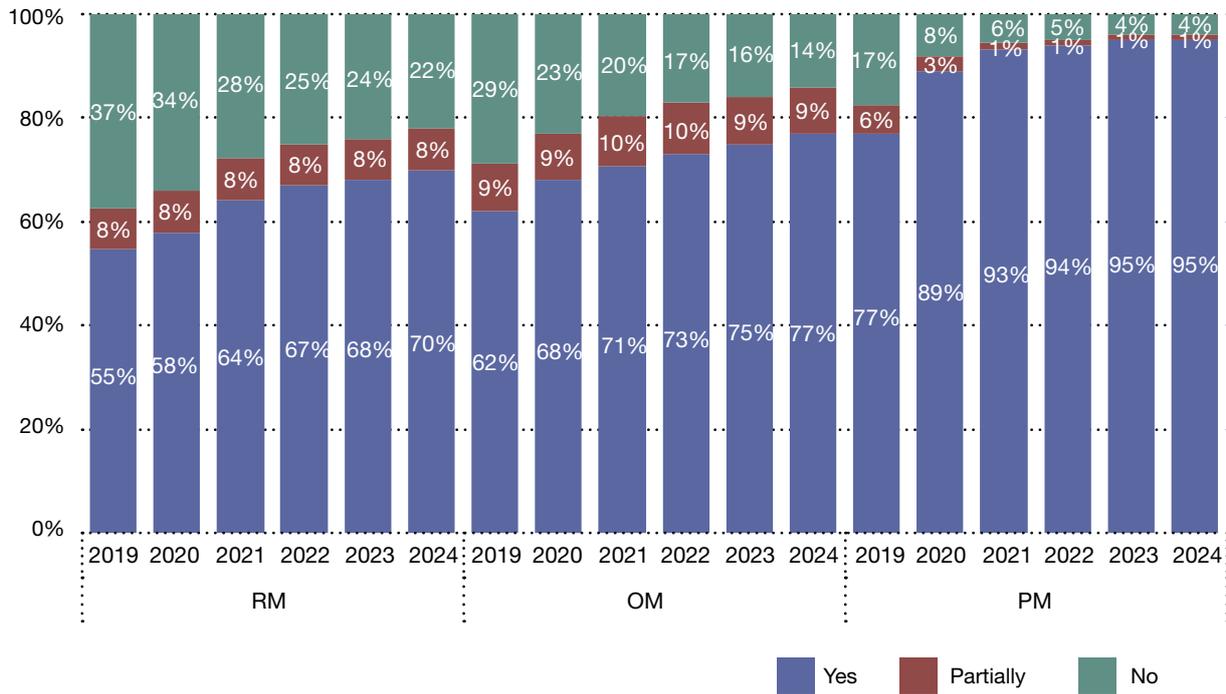
Source: Compliance questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, internal calculation

Chart 37 Share issuers' compliance with the section "Supervisory board and its committees" in 2024



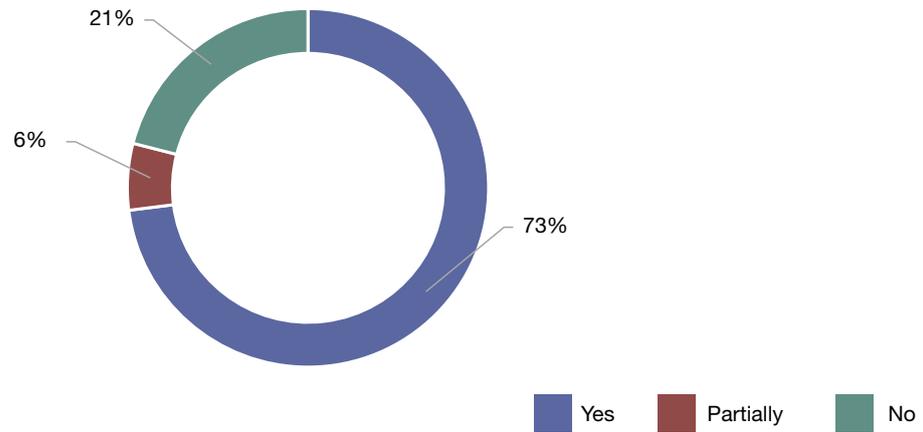
Source: Compliance questionnaire 2024, internal calculation

Chart 38 Share issuers' compliance with the section "Supervisory board and its committees" in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market



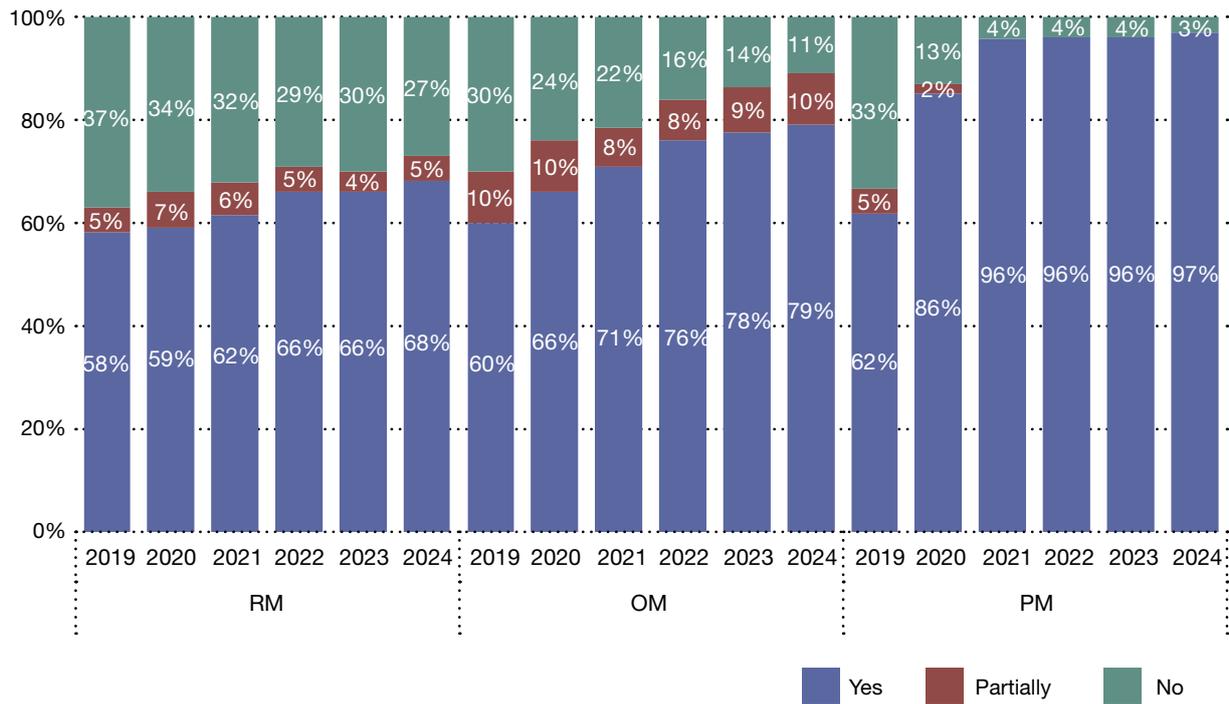
Source: Compliance questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, internal calculation

Chart 39 Share issuers' compliance with the section "Management board" in 2024



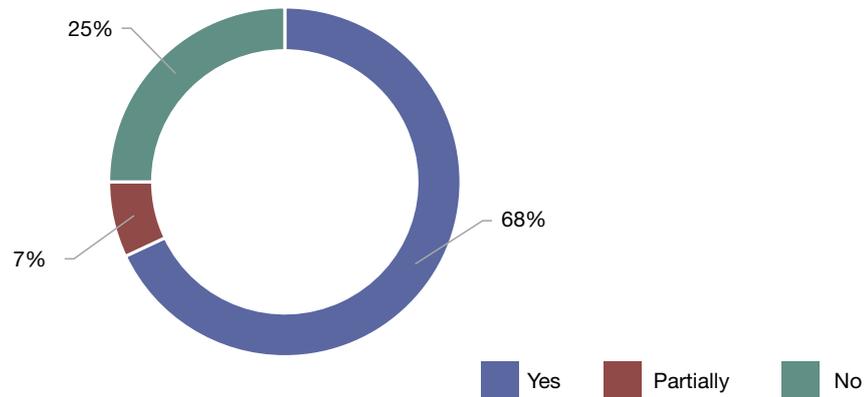
Source: Compliance questionnaire 2024, internal calculation

Chart 40 Share issuers' compliance with the section "Management board" in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market



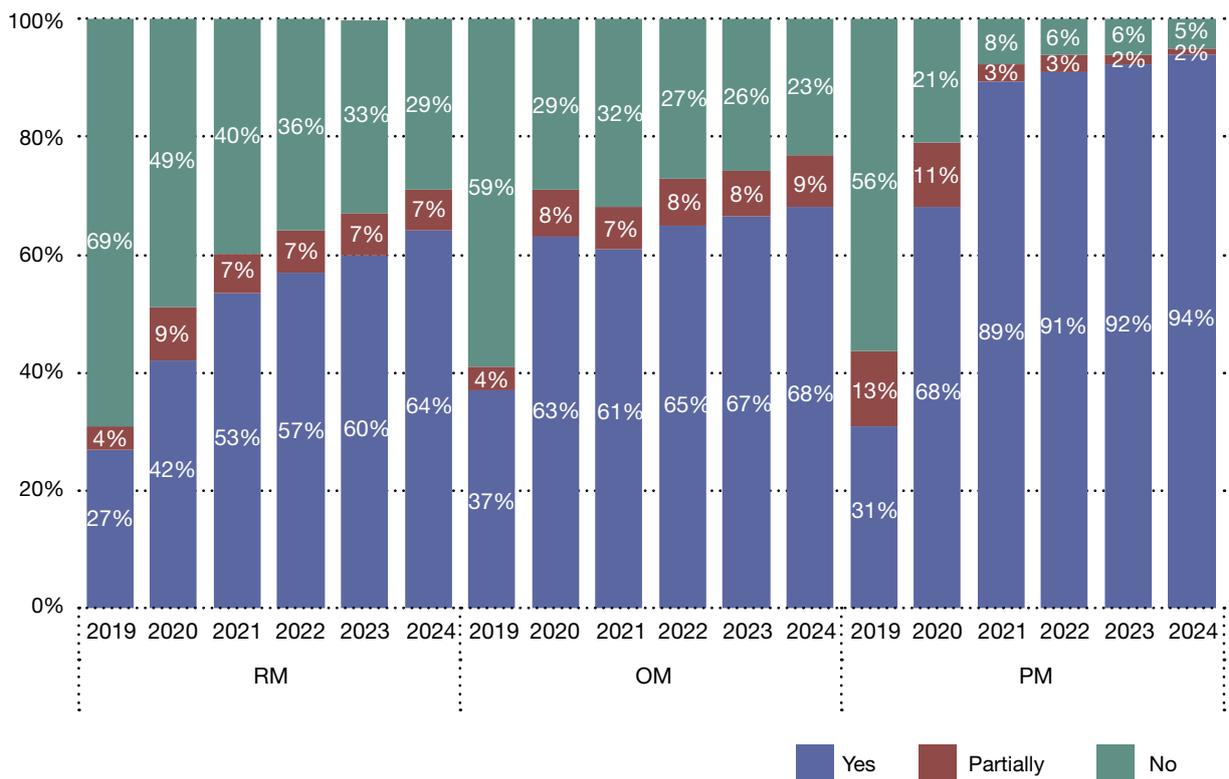
Source: Compliance questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, internal calculation

Chart 41 Share issuers' compliance with the section "Remuneration of board members" in 2024



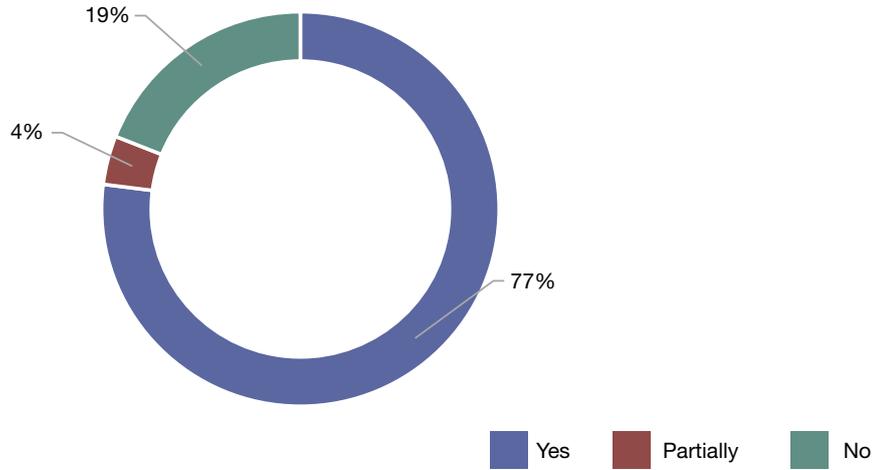
Source: Compliance questionnaire 2024, internal calculation

Chart 42 Share issuers' compliance with the section "Remuneration of board members" in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market



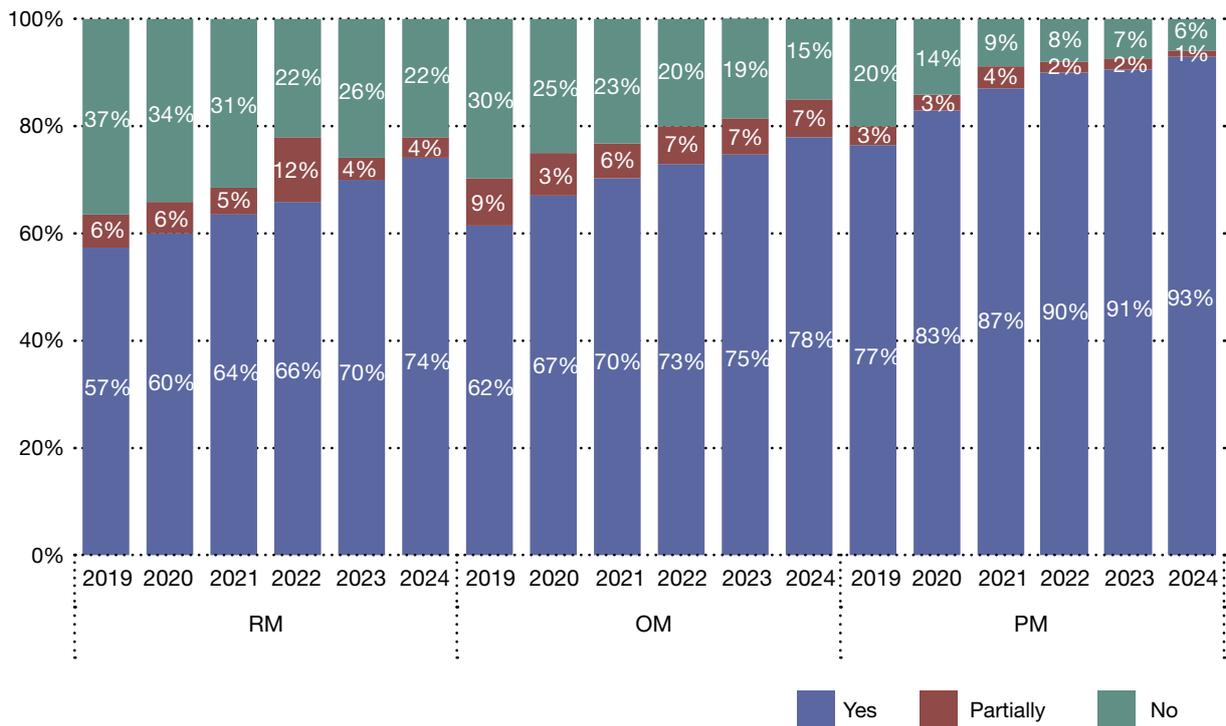
Source: Compliance questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, internal calculation

Chart 43 Share issuers' compliance with the section "Risks, internal control and audit" in 2024



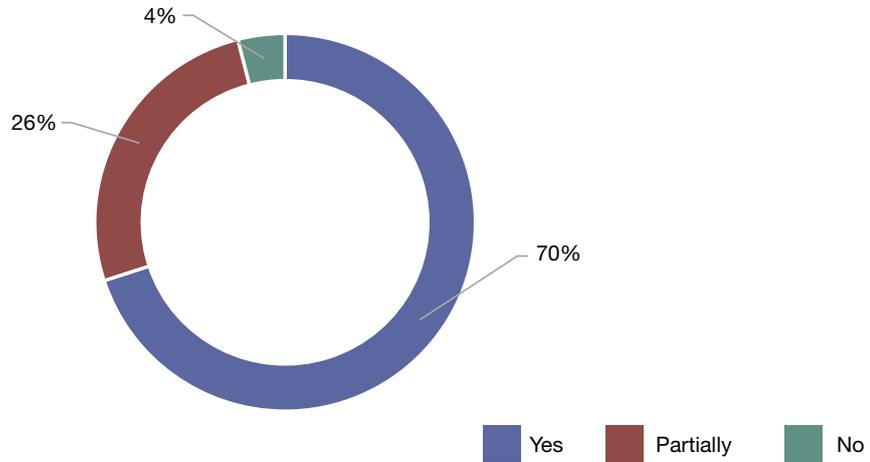
Source: Compliance questionnaire 2024, internal calculation

Chart 44 Share issuers' compliance with the section "Risks, internal control and audit" in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market



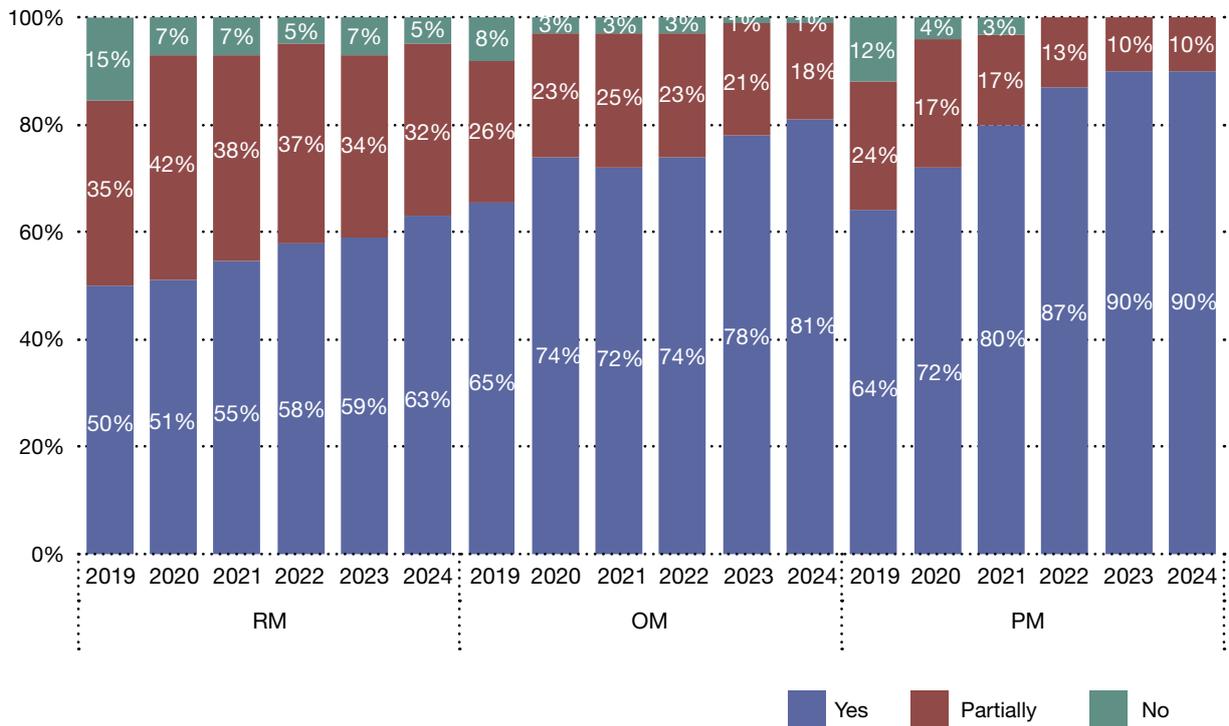
Source: Compliance questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, internal calculation

Chart 45 Share issuers' compliance with the section "Disclosure and transparency" in 2024



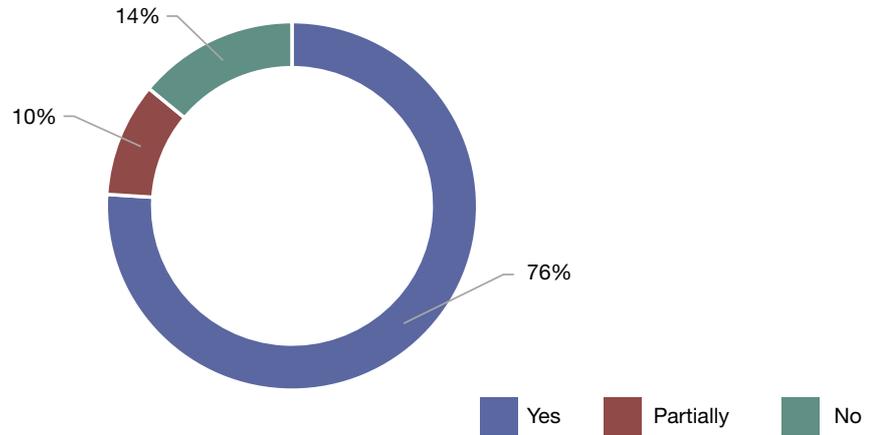
Source: Compliance questionnaire 2024, internal calculation

Chart 46 Share issuers' compliance with the section "Disclosure and transparency" in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market



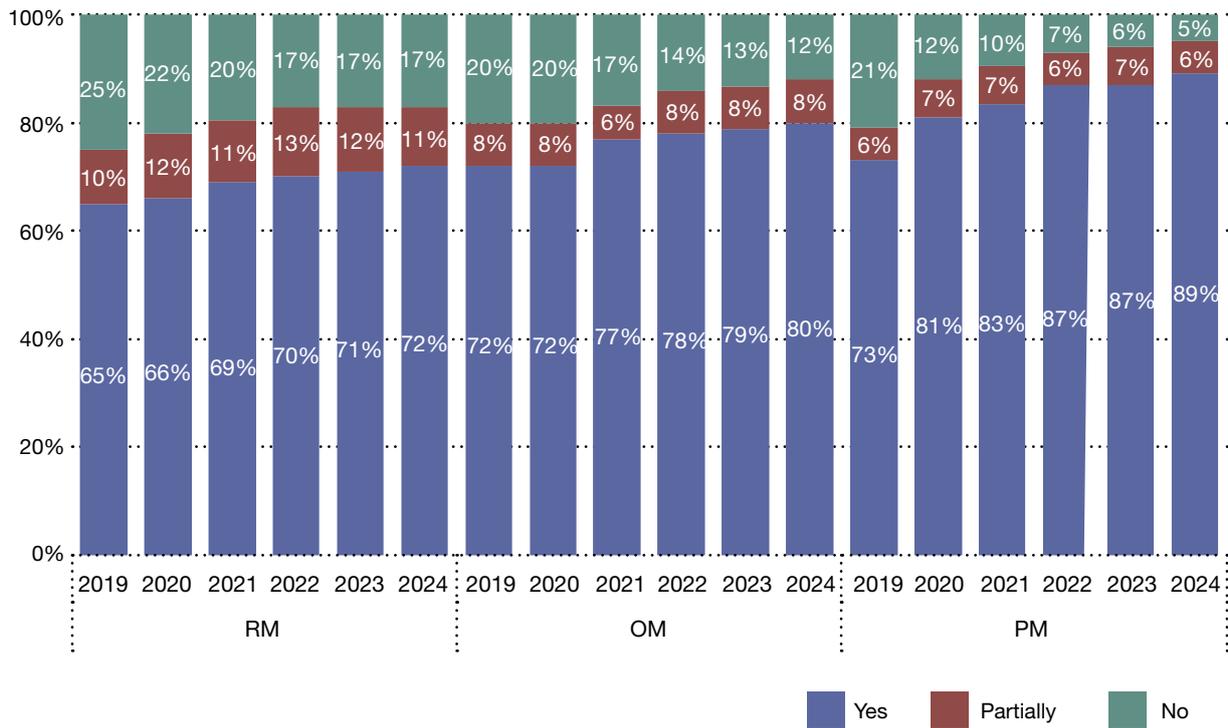
Source: Compliance questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, internal calculation

Chart 47 Share issuers' compliance with the section "Shareholders and the general meeting" in 2024



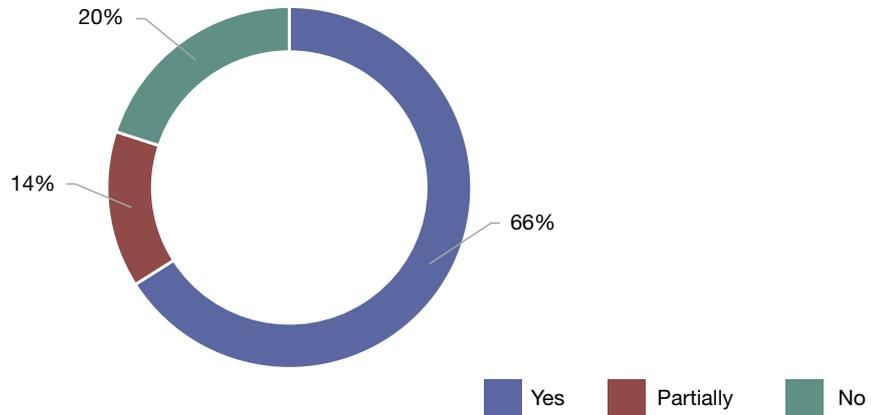
Source: Compliance questionnaire 2024, internal calculation

Chart 48 Share issuers' compliance with the section "Shareholders and the general meeting" in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market



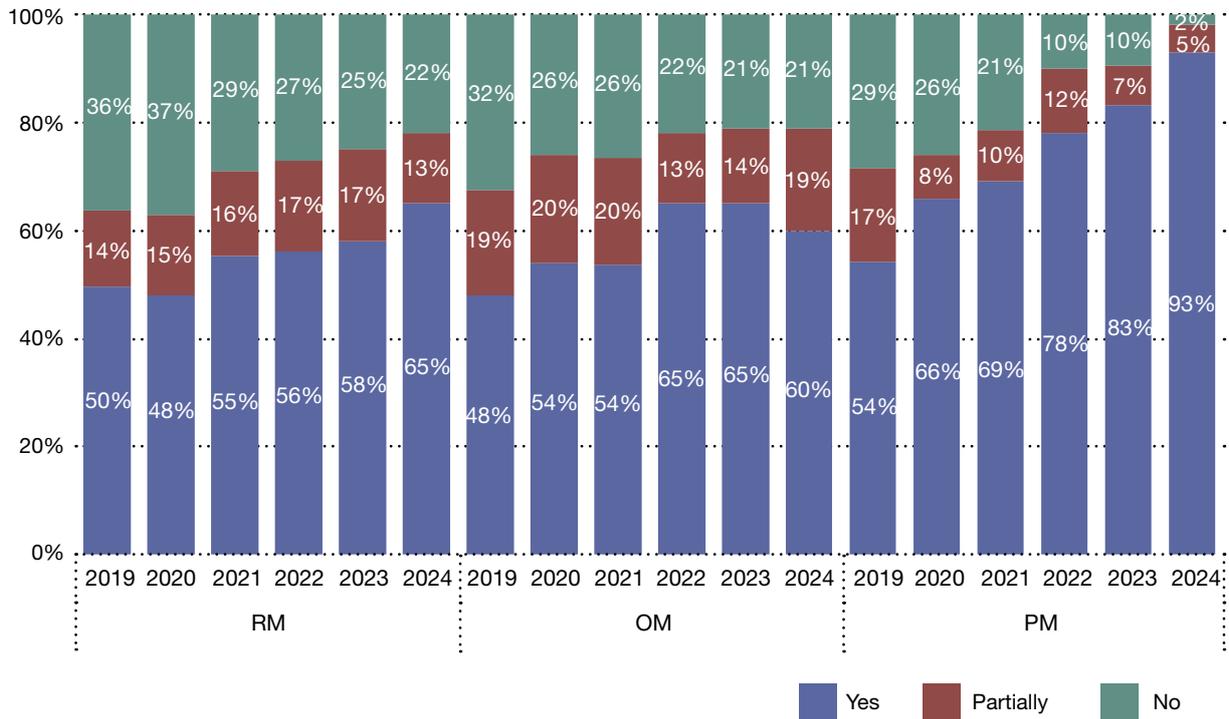
Source: Compliance questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, internal calculation

Chart 49 Share issuers' compliance with the section "Stakeholders and corporate social responsibility" in 2024



Source: Compliance questionnaire 2024, internal calculation

Chart 50 Share issuers' compliance with the section "Stakeholders and corporate social responsibility" in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market

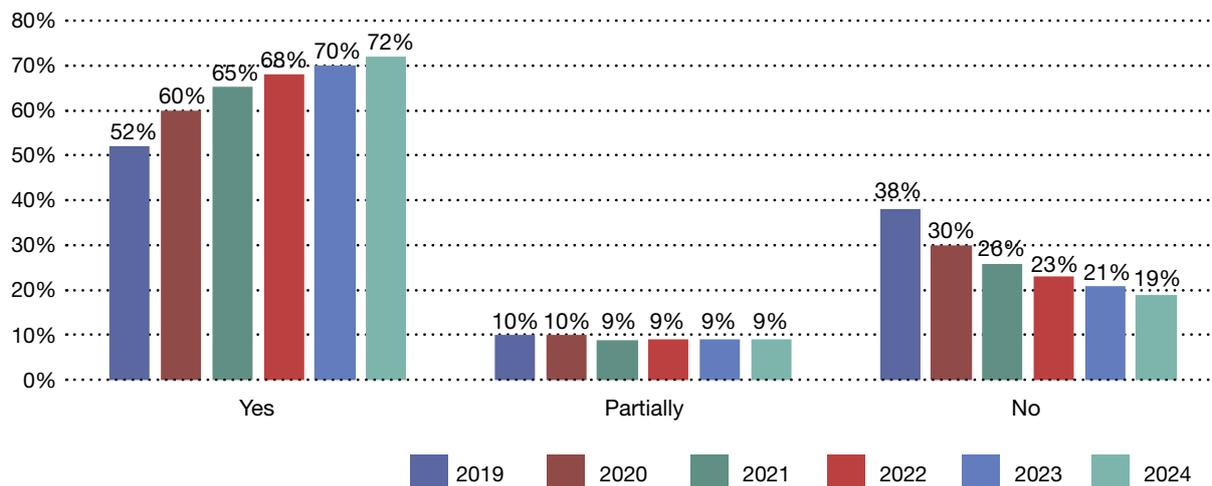


Source: Compliance questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, internal calculation

## Share issuers' overall compliance with the Code in 2024

The following chart provides a comparative overview of share issuers' compliance with the Code in 2024 compared to 2019, 2020, 2021, 2022 and 2023.

Chart 51 Share issuers' overall compliance with the Code in 2024



Source: Compliance questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, internal calculation

A total of 72% of all the questions in the 2024 compliance questionnaire were answered “YES” and 19% of the questions were answered “NO” (in 2023, 70% of all the questions in the compliance questionnaire were answered “YES” and 21% of the questions were answered “NO”).

- According to data submitted in the compliance questionnaire for the year 2024, the issuers comply most with the sections “Leadership” and “Risks, internal control and audit”.
- Issuers comply least with the sections “Appointment of board members” and “Stakeholders and corporate social responsibility”.
- The compliance analysis showed improvement as regards all the sections of the Code. The most significant increase in issuers’ compliance compared with the preceding year was recorded with respect to the section “Risks, internal control and audit” and “Stakeholders and corporate social responsibility” (the section “Remuneration of board members” in 2023). A significant rise in the level of issuers’ compliance in 2024 relative to 2023 was also recorded with respect to the sections “Disclosure and transparency” (a 4% rise compared to the preceding year), “Leadership”, “Supervisory board and its committees” and “Remuneration of board members” (a 3% rise compared to the preceding year).
- Taking account of the sharpest increase in the level of share issuers’ compliance in 2024 relating to Section 7 of the Code “Risks, internal control and audit”, the following text highlights the provisions of the Code relating to risk management and internal control, the role of supervisory and management boards, the role of the audit

committee, relations with the external auditor and whistle-blowing, that received “YES” answers from more than 70% of issuers:

- The company has defined clear internal responsibilities for maintaining the risk management system and a clear procedure for maintaining contact between responsible persons of the system and the audit committee.
  - The company maintains an effective risk management system that ensures reliable risk identification, mitigation, measurement, reporting and monitoring.
  - The audit committee makes recommendations to the supervisory and management boards regarding the effectiveness of the risk management and internal control system as necessary.
  - The audit committee reviews the effectiveness of the risk management and internal control system as a whole at least once a year.
  - Duties of the audit committee include all the activities referred to in Provision 60 of the Code.
  - The audit committee, supervisory board or any of its committees have taken the measures referred to in Provision 61 of the Code.
  - The responsibilities of the management board regarding all the activities referred to in Provision 59 of the Code have been laid down.
  - The procedure ensures that employees or external stakeholders do not suffer negative consequences if they report suspected misconduct.
  - Articles of association and/or internal regulations of the company lay down the obligation of the management board to report any breaches identified to the supervisory board and to arrange the actions that should be taken.
  - The management board has adopted, with the prior approval of the supervisory board, procedures for reporting actual, suspected or likely breaches of the law or of the company's code of conduct.
  - The responsibility of the audit committee to monitor the independence and objectivity of the external auditor has been laid down.
  - The audit committee meets the external auditor as needed to discuss issues identified in the course of the audit, and to monitor the quality of the services provided.
  - The audit committee oversees the process of selecting and appointing the external auditor in accordance with the requirements of the law, and makes recommendations to the supervisory board on the selection of external auditor and the terms of their appointment.
  - In the preceding 12 months, the audit committee has agreed the annual work plan with the external auditor covering the scope and materiality of the activities to be audited.
- The largest portion of issuers (68, or 100%) complied with the provisions of the Code relating to:
    - the holding of supervisory board meetings (supervisory board meetings may be held without the presence of management board members when the supervisory board finds it appropriate)
    - the general meeting (the company has ensured that all shareholders, irrespective of the number or class of shares they hold, have equal access to information on the company and on how they can exercise and protect their rights)

- relations with shareholders (the articles of association and/or other internal regulations provide shareholders with the opportunity to exercise their voting rights by proxy without any restrictions)
  - relations with the external auditor (the audit committee oversees the process of selecting and appointing the external auditor in accordance with the requirements of the law, and makes recommendations to the supervisory board on the selection of external auditor and the terms of their appointment)
  - use of the company website (the company has ensured that the information on the website is kept up to date and published in accordance with time limits prescribed by law and regulations).
- The smallest portion of issuers (13, or 19%) complied with the provision of the Code relating to the role of the supervisory board (the supervisory board has defined a target percentage of female supervisory board and management board members, that needs to be reached within the next 5 years, and has adopted a plan for achieving that goal; all of which has been published on the company website).

## LIST OF ISSUERS ACCORDING TO THE PROGRESS IN THEIR COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Tables 8, 9 and 10 show share issuers' progress in compliance with individual sections of the Code by segments of the regulated market in 2024 compared to 2023. The list of issuers according to their progress in compliance with individual sections of the Code was determined on the basis of the sum of progress scores relating to each section.

The analysis showed that the largest portion of issuers made progress in compliance with Section 6 "Remuneration of board members" (8 issuers, or 12%).

*Table 8 Prime Market issuers' compliance progress scores by individual sections of the Code for the year 2024*

Issuer	Section 1	Section 2	Section 3	Section 4	Section 5	Section 6	Section 7	Section 8	Section 9	Section 10
AD Plastik d.d.	0	0	0	0	0	0	0	0	0	0
Arena Hospitality Group d.d.	2	0	0	0	0	0	0	0	0	0
Atlantic Grupa d.d.	0	0	0	0	0	0	0	0	0	0
Hrvatski Telekom d.d.	0	0	0	0	0	0	0	0	0	2
Podravka d.d.	0	0	0	0	0	0	0	0	0	0
VALAMAR RIVIERA d.d.	0	0	0	0	0	0	0	0	0	0

Source: Hanfa's internal calculation based on the compliance questionnaire for 2024

Table 9 Official Market issuers' compliance progress scores by individual sections of the Code for the year 2024

Issuer	Section 1	Section 2	Section 3	Section 4	Section 5	Section 6	Section 7	Section 8	Section 9	Section 10
BOSQAR d.d.	0	0	0	0	0	0	0	0	0	0
CIAK Grupa d.d. za upravljanje društvima	0	0	0	0	0	0	0	0	0	0
CROATIA osiguranje d.d.	0	0	0	0	0	0	0	0	0	0
Čakovečki mlinovi d.d.	0	0	0	0	1	0	2	0	0	0
Dalekovod d.d.	0	0	-2	0	0	0	0	0	0	0
GRANOLIO D.D.	0	0	1	0	0	1	0	0	0	0
Hrvatska poštanska banka d.d.	0	0	0	0	0	0	0	0	0	0
Ilirija d.d.	0	0	0	2	0	0	1	0	0	0
INA - Industrija nafte d.d.	0	0	0	0	0	0	0	0	0	0
Institut IGH d.d.	-1	-1	-2	-1	0	2	0	0	0	0
JADRAN d.d.	0	0	0	0	0	0	0	0	0	0
Končar - Elektroindustrija d.d.	0	0	0	0	0	0	0	0	0	0
Luka Ploče d.d.	0	0	0	0	0	0	0	0	0	0
Luka Rijeka d.d.	0	0	0	0	0	0	0	0	0	0
Medika d.d.	0	1	0	0	1	0	1	1	0	0
SPAN d.d.	0	0	0	0	0	0	0	0	0	0
Zagrebačka burza d.d.	2	0	0	1	0	0	0	0	0	0

Source: Hanfa's internal calculation based on the compliance questionnaire for 2024

Table 10 Regular Market issuers' compliance progress scores by individual sections of the Code for the year 2024

Issuer	Section 1	Section 2	Section 3	Section 4	Section 5	Section 6	Section 7	Section 8	Section 9	Section 10
Adriatic Croatia International Club d.d.	0	0	0	0	0	0	0	0	0	0
ADRIATIC OSIGURANJE d.d.	0	0	0	0	0	0	0	0	0	0
Adris Grupa d.d.	0	0	0	0	0	0	0	0	0	0
AGRAM BANKA d.d.	0	0	0	0	0	0	0	0	0	0
ALPHA ADRIATIC pomorski promet dioničko društvo	0	0	0	0	0	0	0	0	0	0
AUTO HRVATSKA d.d.	0	0	0	1	0	0	0	0	0	1
BRODOGRADILIŠTE VIKTOR LENAC d.d.	0	0	0	0	0	0	0	0	0	0
Croatia Airlines d.d.	0	-1	1	0	0	0	0	0	-2	0
Čateks d.d.	0	0	0	0	0	0	0	0	0	0
ĐURO ĐAKOVIĆ GRUPA d.d.	0	0	0	1	0	0	0	0	0	2
Ericsson Nikola Tesla d.d.	0	0	0	0	0	1	0	0	0	0
HELIOS FAROS d.d.	0	0	0	0	0	0	0	0	0	0
Imperial Riviera d.d.	1	0	0	0	0	0	0	0	0	2
Ingra d.d.	0	0	0	0	0	2	-1	0	0	0

Istarska kreditna banka Umag d.d.	0	0	0	0	0	0	0	0	0	0
Jadranski naftovod d.d.	0	-1	0	-2	0	-1	-1	0	0	0
Jadroagent d.d.	0	0	0	0	0	1	0	0	0	0
Jadroplov d.d.	0	0	0	0	1	0	0	0	0	0
Končar - Distributivni i specijalni transformatori d.d.	0	0	0	0	0	0	0	0	0	0
Kraš d.d.	0	0	0	-2	0	2	0	-1	0	0
Kutjevo d.d.	0	0	-2	-2	0	-1	0	0	-1	0
Liburnia riviera hoteli d.d.	0	0	0	0	0	0	0	0	0	0
Lošinjska plovidba - Holding d.d.	0	0	0	0	0	0	0	0	0	0
Maistra d.d.	0	0	2	0	0	1	0	0	0	0
Maraska d.d.	0	0	2	2	0	0	0	0	-1	0
MEDORA HOTELI I LJETOVALIŠTA d.d.	0	0	0	0	0	0	0	0	0	0
MODRA ŠPILJA d.d.	0	0	0	0	0	0	0	0	0	0
MON PERIN d.d.	0	0	0	0	0	0	0	0	0	0
Plava laguna d.d.	0	0	0	0	0	0	0	0	0	0
Podravska banka d.d.	0	0	0	0	0	0	0	0	0	0
Primo Real Estate d.d.	0	0	0	2	0	0	-1	-1	2	0
PROFESSIO ENERGIA d.d.	0	0	0	0	0	0	0	0	0	0
Quattro logistika d.d.	0	0	0	0	0	0	0	0	0	0
Saponia d.d.	0	0	0	0	0	0	0	0	0	0
Slatinska banka d.d.	0	0	0	0	0	0	0	0	0	0
Stanovi Jadran d.d. za poslovanje nekretninama	0	0	0	0	0	0	0	0	0	0
Tehnika d.d.	0	0	0	0	0	0	0	0	1	0
Tekstilpromet d.d.	0	0	0	0	0	0	0	0	0	0
Terra Firma d.d.	0	0	0	0	0	0	0	0	0	0
THE GARDEN BREWERY d.d.	0	0	0	0	0	0	0	0	0	0
VILLA DUBROVNIK HOTELSKO - TURISTIČKO DIONIČKO DRUŠTVO	0	0	0	-1	0	2	0	0	0	0
Vis d.d.	0	0	0	0	0	0	0	0	0	0
Vodoprivreda Zagreb d.d.	0	0	0	0	0	0	0	0	0	0
ZAGREBAČKA BANKA DIONIČKO DRUŠTVO	0	-1	0	0	0	0	0	0	0	1
Zagrebačke pekarne Klara d.d.	0	0	0	1	0	-2	0	1	0	0
THE GARDEN BREWERY d.d.	0	-1	0	0	0	2	0	1	0	0
VILLA DUBROVNIK HOTELSKO - TURISTIČKO DIONIČKO DRUŠTVO	1	2	0	0	0	0	2	0	0	0
Viro tvornica šećera d.d.	0	0	0	0	0	-1	0	0	0	0
Vis d.d.	0	0	0	0	0	0	0	0	0	0
Vodoprivreda Zagreb d.d.	0	0	0	0	0	0	0	0	0	0
ZAGREBAČKA BANKA DIONIČKO DRUŠTVO	0	0	0	0	0	0	0	0	0	0
Zagrebačke pekarne Klara d.d.	2	-1	0	2	0	2	2	-1	1	2
Zvečevo d.d.	0	0	0	0	0	0	0	0	0	0
Quattro logistika d.d.	0	0	0	0	0	-1	0	0	0	0

Source: Hanfa's internal calculation based on the compliance questionnaire for 2024

The calculation model showed that the highest level of compliance with the Code by segments of the regulated market was reached by the following issuers:

*Table 11 List of issuers according to the progress in their compliance with the Code for the year 2024 by segments of the regulated market*

Issuer	Regulated market segment	Total	Number of provisions the issuer fully complies with
Hrvatski Telekom d.d.	PM	2	139
Medika d.d.	OM	4	91
Imperial Riviera d.d.	RM	3	103

*Source: Hanfa's internal calculation based on the compliance questionnaire for 2024*

The highest level of compliance with the Code in 2024 was reached by Hrvatski Telekom d.d. on the Prime Market, by Medika d.d. on the Official Market, and by Imperial Riviera d.d. on the Regular Market. Taking into account the above in accordance with the methodology for assessing issuers' progress in compliance with the Code and the criterion relating to the highest number of "YES" answers as regards all market segments, Hrvatski Telekom d.d. was selected as the issuer with the greatest progress in compliance with the Code on the regulated market for 2024.

## RECOMMENDATIONS FOR IMPROVING THE QUALITY OF CORPORATE GOVERNANCE REPORTING

Hanfa received compliance questionnaires from issuers for the first time for the year 2019. Questions from the compliance questionnaire are answered "YES", "NO" or "Partially", which was the case in 2024 as well.

In accordance with the Code, issuers should provide explanations for questions answered to with "NO" or "Partially", i.e., they should:

- provide details on the part of the provision of the Code they fail to comply with and the reasons for non-compliance
- describe actions they have taken or intend to take instead of complying with the provision of the Code to make sure they meet the objective set out in the relevant Code principle
- if they intend to comply with the Code provision in the future, specify when they will start doing so.

The following table provides examples of adequate and inadequate explanations for those questions from the compliance questionnaire answered to with "NO" or "Partially".

Table 12 Examples of explanations from the compliance questionnaire for share issuers for the year 2024

Provision of the Code	Examples of adequate explanations	Examples of inadequate explanations
The code of conduct (or another internal regulation) is available on the website of the company free of charge.	The rules of conduct of employees and others acting on behalf of the Company are regulated by various internal regulations that have not been publicly disclosed.	It is not disclosed publicly. The internal regulation is accessible to the persons concerned.
The company's conflict of interest management policy is available on the website of the company free of charge.	There is no written conflict of interest management policy; specific cases are discussed at Supervisory Board meetings.  Conflicts of interest are regulated by the Ethical Code adopted by the Management Board of the Company and by other internal regulations.	There is no such obligation. There was no such need.
The information referred to in Article 17 of the Code is available free of charge on the company's website also when appointing workforce representatives or other supervisory board members not elected by shareholders at the general meeting.	The data are not published on the Company's website, but are available in the materials for the General Assembly.  The Company makes available the information laid down by Article 281 of the Companies Act.	There is not such need. No, as there is no legal obligation in relation thereto. Not our practice.
The terms of reference of each supervisory board committee are available on the company's website free of charge.	The Company plans to establish a Nomination and Remuneration Committee in the forthcoming period, and to publish the terms of reference of all Supervisory Board committees on its website.	Not considered necessary. It has not been formalised.
The management board has evaluated its own effectiveness and the effectiveness of its individual members in the last 12 months.	It has not been implemented. By granting discharge, the General Assembly evaluates the functioning of the Management Board and the Supervisory Board.	Not in a formal form. Not our practice. The Management Board has not carried out such an evaluation.
Remuneration policies and/or internal acts of the company prohibit the inclusion of variable or other performance-related elements in the remuneration of supervisory board members.	The Company intends to draw up a remuneration policy within a reasonable time period.  The Supervisory Board receives no remuneration, except for workers' representatives whose remuneration is fixed.	There is no such policy. There are no such restrictions.
The company has established an internal audit function with responsibility for supervising the effectiveness of the internal control system, including the management of risks.	The Company plans to establish an internal audit function with supervisory responsibility.  The Company has an internal control function, and part of the internal audit work is carried out through certain support functions.	There is no internal audit plan. There is no such obligation. There has been no need for an internal audit.

<p>The annual report contains all the information referred to in Article 74 of the Code.</p>	<p>The Annual Report is planned to be updated.</p> <p>Data on all contracts and agreements between the members of the Management Board or the Supervisory Board and the Company have been disclosed in total and the report of the Audit Committee has not been published; the Company plans to disclose this information in its Annual Report for 2024.</p>	<p>Not our practice.</p> <p>Given that the Supervisory Board did not put it on the agenda.</p> <p>There is no internal regulation laying down such obligation.</p>
<p>The company has designated an individual as the investor relations contact for all shareholders, whose contact details are freely available on the company's website.</p>	<p>The website provides the contact details of the person in charge of investor relations; allowing shareholders, investors and other interested entities to make contact.</p> <p>The Company plans to make contact persons available on its website in 2024.</p>	<p>Not our practice.</p> <p>Contact details are not available on the website.</p>
<p>When requesting prior approval of the supervisory board, the management board specifies how recommended measures comply with the policies relating to the environment and community, protection of human and workers' rights, and prevention of bribery and corruption.</p>	<p>The Management Board of the Company has adopted the Code of Ethical and Professional Behaviour and the Conflicts of Interest Management policy, which also contain the rules for making the described decisions; upon the approval of the Supervisory Board, they will be published on the Company's website.</p>	<p>Not applicable to all decisions.</p> <p>There are no documents accompanying the approval.</p> <p>The policies have not been developed.</p>

Source: Compliance questionnaire 2024

The explanation provided for “NO” or “Partially” answers is extremely important as it offers issuers an opportunity to provide their own reasons that led to non-compliance or partial compliance. The 2023 compliance questionnaire, just as the compliance questionnaires for 2021 and 2022, shows that issuers are not willing to provide detailed explanations for their non-compliance or partial compliance, stating very often that a certain requirement is not prescribed by the law, their articles of association or another internal act.

It is therefore important to provide reasons for non-compliance in the explanation given for “NO” or “Partially” answers and to specify when and how the issuer intends to comply with the relevant provision of the Code in the future, in order for compliance progress to be shown in future reporting periods. Issuers need to make sure they obey the deadlines for and manner of compliance they specified as regards the compliance with a certain provision of the Code. Actions taken in accordance with the manner and deadlines defined and specified by issuers in the questionnaire may be subject to verification by Hanfa.

In addition, issuers always need to take account of the accuracy of data (answers and explanations for “NO” and “Partially” answers) provided in their compliance questionnaires as these data are subject to verification during the data processing procedure. Where an answer or explanation provided in an issuer’s compliance questionnaire proves to be differing from the actual state of play, the issuer will be excluded from the data processing procedure aimed at determining the overall compliance of share issuers with the Code.

# ANNUAL REPORT ON CORPORATE GOVERNANCE FOR SHARE ISSUERS

---



## INTRODUCTION

Data shown in this Annual Report on Corporate Governance for the issuers whose shares are admitted to trading on the regulated market of the ZSE are presented in line with the sections of the Corporate Governance Code, the compliance questionnaire and the governance practices questionnaire, namely the Supervisory board and its committees (Sections 3 and 4 of the Code), Management board (Section 5 of the Code), Duties of board members (Sections 1 and 2 of the Code), Remuneration of board members (Section 6 of the Code), Risk, internal control and audit (Section 7 of the Code), General meeting (Section 9 of the Code) and Transparency and corporate social responsibility (Sections 8 and 10 of the Code).

The issuers submit two questionnaires to Hanfa: the governance practices questionnaire and the compliance questionnaire. The compliance questionnaire is publicly disclosed. Since the Code does not apply to issuers of shares of closed-ended investment funds, these issuers submit to Hanfa only their governance practices questionnaire.

Out of 74 issuers whose shares were admitted to trading on the regulated market on 31 December 2024, 72 were obliged to submit to Hanfa their governance practices questionnaire and compliance questionnaire for 2024, while 2 were obliged to submit only their governance practices questionnaire.

68 out of the 72 issuers obliged to submit their governance practices questionnaire and compliance questionnaire met their obligation to submit their questionnaires related to corporate governance within the prescribed deadline, and one issuer submitted the questionnaires after the deadline. Both share issuers obliged to submit to Hanfa only their governance practices questionnaire for 2024 fulfilled this requirement (100% of the submitters).

Data shown in this Chapter cover the data from the 2024 governance practices questionnaire and compliance questionnaire for all the share issuers that submitted their questionnaires to Hanfa (data from the governance practices questionnaire and data from the compliance questionnaire for the 68 issuers that submitted their 2024 compliance questionnaire).

The regulated market of the ZSE is divided into three segments: the Prime Market (PM), the Official Market (OM), and the Regular Market (RM), which differ in the level of requirements to be met by the issuers. The Prime Market is the most demanding market segment as regards transparency requirements, while the Regular Market sets only minimum transparency requirements. The Prime Market segment was established by the ZSE at the end of 2018.

In 2024, the ZSE turnover amounted to EUR 459m, increasing by 24% compared with the preceding year. The share turnover reached EUR 295m, 10% more in comparison with 2023. At end-2024, there were 74 share issuers admitted to the regulated market of the ZSE (9 share issuers fewer compared with 31 December 2023); the number of share issuers has been decreasing continuously since 2015. In 2024, shares of 2 issuers were removed from the Official Market and shares of 7 issuers were removed from the Regular Market, whereas no new shares were admitted to trading on the regulated market.

In 2024, more than half of the total securities turnover in the amount of EUR 459m was accounted for by trading in shares (EUR 295m, or 64%). The largest turnover was generated by trading in shares admitted on the Regular Market (43% of the total share turnover), which, however, decreased relative to the previous year, when this proportion stood at 38%. Trading in shares admitted to the Prime Market and Official Market accounted for 32% and 25% of the total share turnover in 2024 respectively. In 2024, the share turnover on the Regular Market amounted to EUR 127m, an increase of about 8% relative to the preceding year, when it reached EUR 104m.

Market capitalisation of shares rose by about 26% compared to 2023, amounting to EUR 28.9bn at the end of 2024. The market value measured by market capitalisation was higher than in the previous year on all segments of the regulated market: by 17.1% on the Prime Market, by 11.5% on the Official Market and by 41.2% on the Regular Market.

The CROBEX stock index concluded the year 2024 at the level of 3,191.15 points, by 26% higher relative to the previous year. All stock indices grew in 2024 relative to 2023, except for CROBEXnutris, CROBEXtransport and CROBEXturist, which declined by 5.73%, 17.91% and 0.16% respectively.

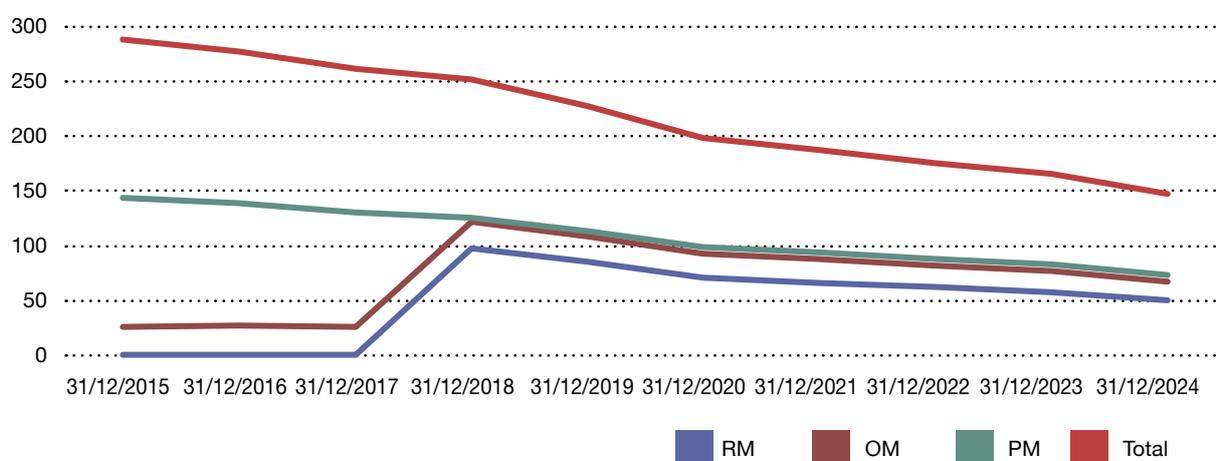
Most traded shares were those of Hrvatski Telekom d.d., Končar d.d., Podravka d.d., Ericsson Nikola Tesla d.d. and Končar – Distributivni i specijalni transformatori d.d.; their total turnover reached EUR 134,743,055, accounting for 45.8% of the total share turnover in 2024.

## SHORT OVERVIEW ON SHARE ISSUERS

### Number of share issuers

The 2015 – 2024 period was marked by a **decreasing trend in the number of issuers** on the regulated market of the ZSE. In 2024, a total of 9 companies removed their shares from trading on the regulated market (2 from the Official Market and 7 from the Regular Market). The following chart provides an illustrative overview of changes in the number of issuers by segments on the regulated market of the ZSE.

Chart 52 Number of issuers per segments of the regulated market, 2015 – 2024



Source: ZSE, internal calculation

There was a significant decrease in the total number of the issuers whose shares are admitted to the regulated market of the ZSE, mostly due to a continued decline in the number of the issuers whose shares are admitted to the Regular Market. In addition, there is a slight decrease in the number of the issuers whose shares are admitted to the Official Market. The Prime Market has existed since 2018; as at 31 December 2024, there were 6 issuers on that market segment.

The table below provides a detailed overview of the number of issuers, as well as percentage changes in the number of issuers relative to the previous year.

Table 13 Number of share issuers on the regulated market of the ZSE from 2015 to 2024, as at 31 December

Regulated market	2015		2016		2017		2018		2019		2020		2021		2022		2023		2024	
	Number	Change	Number	Change	Number	Change	Number	Change	Number	Change	Number	Change	Number	Change	Number	Change	Number	Change	Number	Change
PM	0	-	0	-	0	-	4	-	5	25	6	20	6	-	6	-	6	-	6	-
OM	26	-18.2	27	3.7	26	-3.7	24	-7.7	23	-4.2	22	-4.3	22	-	19	-13.6	19	-	17	-10.5
RM	118	-9.2	112	-5.1	105	-6.3	98	-6.7	86	-12.2	71	-17.4	66	-7	63	-4.5	58	-7.9	51	-12.1
<b>Total</b>	<b>144</b>	<b>-5.3</b>	<b>139</b>	<b>-9</b>	<b>131</b>	<b>-5.8</b>	<b>126</b>	<b>-3.8</b>	<b>114</b>	<b>-9.5</b>	<b>99</b>	<b>-13.2</b>	<b>94</b>	<b>-5.1</b>	<b>88</b>	<b>-6.4</b>	<b>83</b>	<b>-5.7</b>	<b>74</b>	<b>-10.8</b>

Source: ZSE, internal calculation

At the end of 2024, there were 74 share issuers, a 10.84% decline compared to 31 December 2023, when there were 9 issuers more with their shares admitted to the regulated market. Broken down by regulated market segments, the largest decrease in the number of issuers was recorded on the Regular Market (7 issuers fewer than at the end of 2023), whereas the number of issuers on the Official Market fell from 19 to 17 at end-2024.

## Shares not traded at all

- The following shares were not traded at all in the period from their admission to trading on the regulated market of the ZSE to 31 December 2024:
  - ordinary share of the issuer Professio Energia d.d., bearing the symbol DLPR-R-A
  - preferential share of the issuer Plava laguna d.d., bearing the symbol PLAG-P-A
  - ordinary share of the issuer Stanovi Jadran d.d., bearing the symbol STJD-R-A
  - ordinary share of the issuer The Garden Brewery d.d, bearing the symbol GARB-R-A
  - ordinary share of the issuer Quattro logistika d.d., bearing the symbol QTLG-R-A.

## Admissions to trading and removals from trading on the regulated market of the ZSE

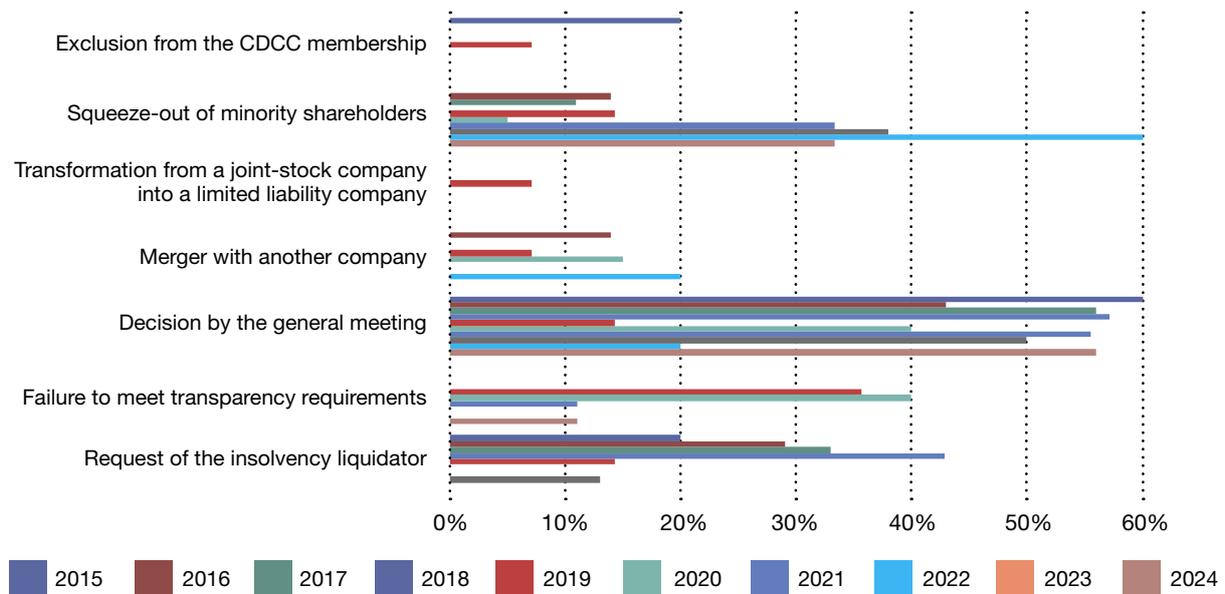
- In 2022, shares of two issuers were admitted to trading on the regulated market of the ZSE:
  - ordinary shares issued by the company Mon Perin d.d. were admitted to trading on the Official Market on 28 March 2022
  - ordinary shares issued by the company Quattro logistika d.d. were admitted to trading on the Regular Market on 9 June 2022.
- In 2021, shares of three issuers were admitted to trading on the regulated market of the ZSE:
  - ordinary shares issued by the company Villa Dubrovnik d.d. were admitted to trading on the Regular Market on 21 June 2021
  - ordinary shares issued by the company Primo Real Estate d.d. were admitted to trading on the Regular Market on 20 July 2021
  - ordinary shares issued by the company SPAN d.d. were admitted to trading on the Official Market on 21 September 2021.
- In 2020, shares of five issuers were admitted to trading on the regulated market of the ZSE:
  - ordinary shares issued by the company Helios Faros d.d. were admitted to trading on the Regular Market on 30 April 2020
  - ordinary shares issued by the company The Garden Brewery d.d. were admitted to trading on the Regular Market on 9 June 2020
  - ordinary shares issued by the company Modra Šplja d.d. were admitted to trading on the Regular Market on 1 October 2020
  - ordinary shares issued by the company Vis d.d. were admitted to trading on the Regular Market on 1 October 2020
  - ordinary shares issued by the company Ciak Grupa d.d. were admitted to trading on the Official Market on 29 December 2020.

Despite the continuous listing of shares in the previous years, no shares were admitted to trading on the regulated market in 2024 and 2023.

On the other hand, during 2024, 7 issuers removed their shares from trading on the Regular Market, 2 issuers removed their shares from trading on the Official Market, whereas no shares were removed from trading on the Prime Market (5 issuers removed their shares from trading on the Regular Market during 2023, and no shares were removed from trading on the Official Market and Prime Market; in 2022, 5 issuers removed their shares from trading on the Regular Market, 3 issuers removed their shares from trading on the Official Market, while no issuers removed their shares from trading on the Prime Market; in 2021, 8 issuers removed their shares from trading on the Regular Market (20 issuers in 2020), while no issuers did so on the Official Market in 2020 and 2021).

The removal from trading on the Official Market and Regular Market in 2024 occurred due to the decision of the general meeting (5 issuers), squeeze-out of minority shareholders (3 issuers) and failure to meet transparency requirements (1 issuer).

Chart 53 Reasons for removing shares from trading on the regulated market from 2015 to 2024



Source: ZSE

In the period between 2015 and 2024, the largest number of shares were removed from trading on the regulated market on the basis of a decision of the general meeting. Three shares were removed from trading on the regulated market in 2024 (3 shares as well in 2023) due to the squeeze-out of minority shareholders. One share was removed from trading on the regulated market due to failure to meet transparency requirements (no shares in 2023).

In the period observed, out of 99 shares that were removed from trading on the regulated market, 6 were removed from the Official Market, and the remaining 93 from the Regular Market. Since 2018, when the Prime Market was established, no shares have been removed from trading on that segment of the regulated market.

## Classification of issuers by sectors

Issuers are classified into the financial and non-financial sector with respect to activities they carry out. The financial sector is comprised of financial institutions and closed-ended alternative investment funds, while the non-financial sector covers other activities. The classification of issuers by sectors in the period from 2015 to 2024 is shown in the following table.

Table 14 Classification of issuers by sectors in the period from 2015 to 2024, as at 31 December

Sectors	2015		2016		2017		2018		2019		2020		2021		2022		2023		2024	
	Number	Share (%)	Number	Share (%)	Number	Share (%)	Number	Share (%)	Number	Share (%)	Number	Share (%)								
Financial sector	17	11.8	15	10.8	14	10.7	12	9.5	12	10.5	12	12.1	11	11.7	11	12.5	11	13.3	11	14.86
Non-financial sector	127	88.2	124	89.2	117	89.3	114	90.5	102	89.5	87	87.9	83	88.3	77	87.5	72	86.7	63	85.14
<b>Total</b>	<b>144</b>	<b>100</b>	<b>139</b>	<b>100</b>	<b>131</b>	<b>100</b>	<b>126</b>	<b>100</b>	<b>114</b>	<b>100</b>	<b>99</b>	<b>100</b>	<b>94</b>	<b>100</b>	<b>88</b>	<b>100</b>	<b>83</b>	<b>100</b>	<b>74</b>	<b>100</b>

Source: ZSE

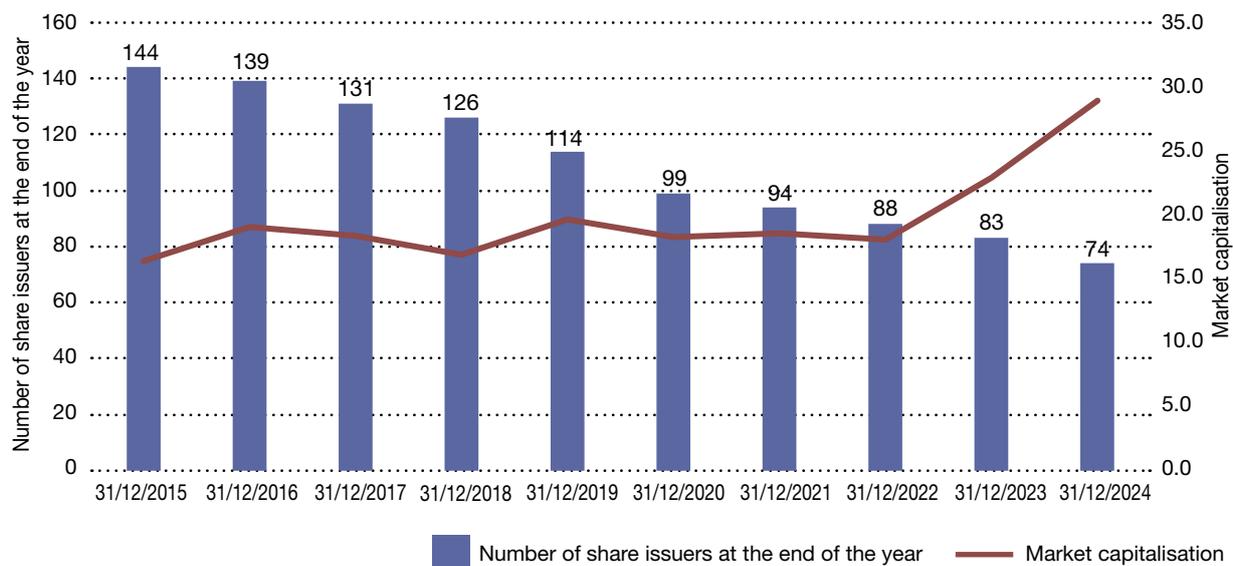
According to the publicly available data provided by the ZSE, as at 31 December 2024, the largest number of share issuers came from the tourism industry (14 issuers; 20 issuers at the end of 2023). They were followed by share issuers engaged in financial and insurance activities (13 issuers; 14 issuers in 2023), those from the transportation and storage sector (9 issuers, as in 2023) and those engaged in legal, accounting, management, architectural, engineering, technical testing and analysis activities (7 issuers; as in 2023). The food, beverages and tobacco manufacturing industry had 6 issuers at end-2024. Other industries/activities counted less than 5 share issuers per industry/activity as at 31 December 2024.

## Market capitalisation

- At the end of 2024, market capitalisation of shares admitted to trading on the Prime Market amounted to EUR 5,708,623,213.82, increasing by 17% compared to 31 December 2023 (when it reached EUR 4,872,990,193.04), as a result of a rise in share prices.
- Market capitalisation of shares admitted to trading on the Official Market reached EUR 8,428,132,465.59, growing by 12% relative to 31 December 2023, when it stood at EUR 7,560,463,835.75, due to rising share prices.
- As at 31 December 2024, total market capitalisation of shares admitted to the Regular Market (excluding closed-ended alternative investment funds) amounted to EUR 14,796,811,439.58, rising by around 41% compared to the end of the previous year, when it reached EUR 10,473,891,338.63, also driven by rising share prices.
- Market capitalisation of shares of the 68 issuers that submitted their 2024 governance practices questionnaire amounted to EUR 28,857,348,259.

The chart below shows the total market capitalisation of shares admitted to trading on the regulated market, together with the number of share issuers at the end of each year.

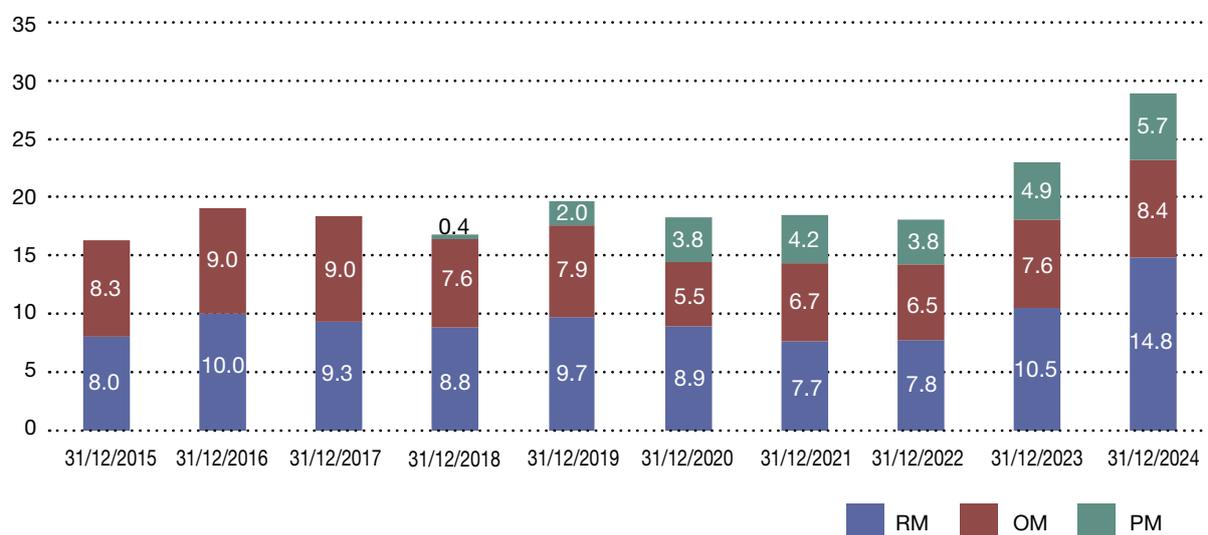
Chart 54 Market capitalisation of shares (in EUR bn) admitted to trading on the regulated market and the number of issuers at the end of each year, from 2015 to 2024



Source: ZSE

Market capitalisation of shares in the period from 31 December 2015 to 31 December 2024 by segments of the regulated market they are admitted to is shown in the chart below.

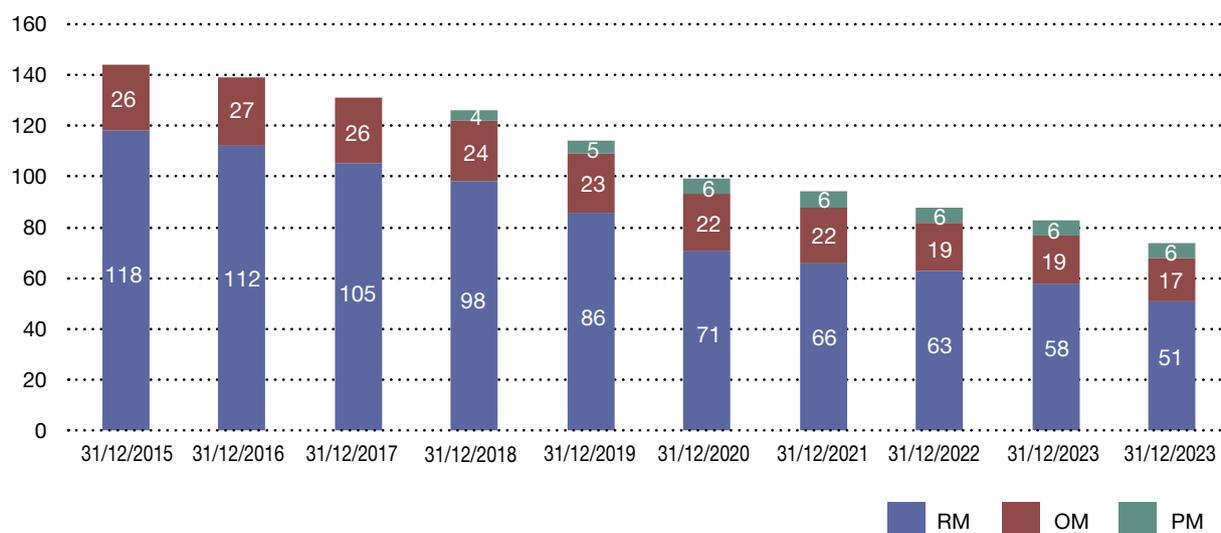
Chart 55 Market capitalisation of shares (in EUR bn) by segments of the regulated market from 2015 to 2024



Source: ZSE

- Market capitalisation of shares admitted to the Regular Market rose significantly compared to 2023, due to growing share prices.
- The increase in market capitalisation of shares admitted to the Official Market was also primarily driven by a rise in share prices.

Chart 56 Number of share issuers by segments of the regulated market from 2015 to 2024



Source: ZSE

- The number of share issuers on the regulated market of the ZSE, primarily those whose shares are admitted to the Regular Market, has been declining continuously for the last ten years. The number of issuers whose shares are admitted to the Official Market fell compared to 2023 too, but it also declined in comparison with the other years. The Prime Market, that has existed since 2018, shows a slight increase in the number of issuers, but their number has held steady since 2020. At the end of 2024, there were 51 issuers on the Regular Market, 17 issuers on the Official Market and 6 issuers on the Prime Market.

## CAPITAL AND ITS ORIGIN

The following text provides an overview of share issuers' initial capital, ownership structure and capital origin.

### Initial capital

- At end-2024, the initial capital of 74 share issuers reached EUR 6,847,759,206, ranging between EUR 1m and EUR 1.36bn (the initial capital of 83 share issuers at end-2023 amounted to EUR 7,080,369,902, ranging from EUR 1m to EUR 1.36bn).
- According to data from the court register, 4 issuers increased their initial capital during 2024 (7 issuers did so in 2023), while 1 issuer reduced its initial capital (7 issuers in 2023).
- Net change in the capital of share issuers amounted to EUR 23,501,150 in 2024.

Table 15 Number of the issuers whose shares are admitted to trading on the regulated market of the ZSE, initial capital and market capitalisation (in EUR bn) from 2015 to 2024

Number of issuers										Initial capital and market capitalisation	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
2015	2016	2017	2018	2019	2020	2021	2022	2023	2024											
144	139	131	126	114	99	94	88	83	74	Initial capital (EUR bn)	8.1	8.0	8.0	8.1	8.6	7.4	7.2	7.1	7.1	6.8
										Market capitalisation (EUR bn)	16.3	19.0	18.3	16.8	19.6	18.2	18.5	18	22.9	28.9

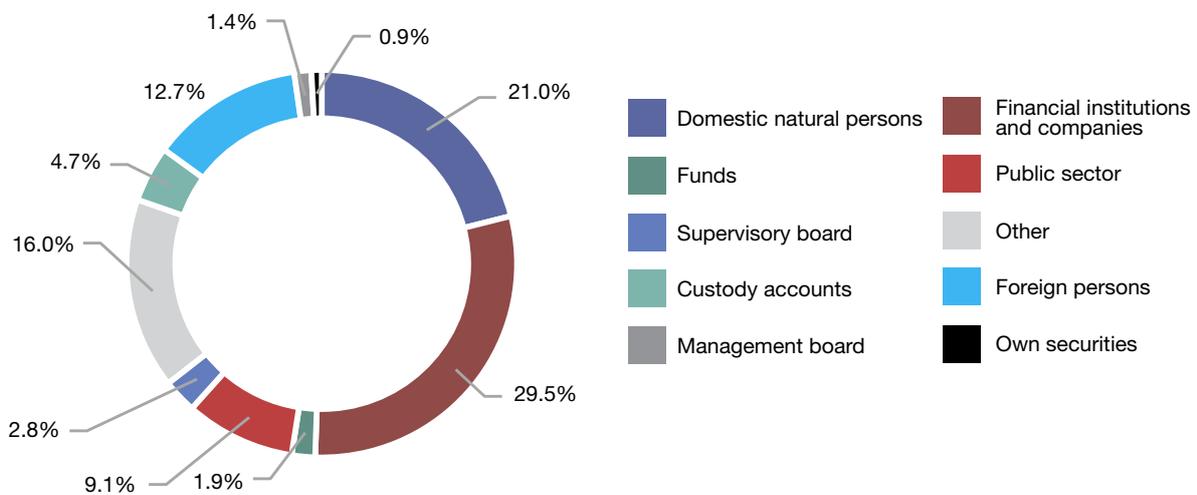
Source: court register, ZSE

### Ownership structure

Share issuers' ownership structure has been developed on the basis of information received from the Central Depository and Clearing Company (hereinafter: CDCC). It has been analysed by groups of shareholders, with the sum of all groups making up 100% of the issuers' ownership structure (one shareholder may be allocated to only one group). The issuers' ownership structure is divided into the following categories: own securities, financial institutions and companies, funds (investment and pension funds with their registered offices in the Republic of Croatia), public sector (Republic of Croatia), management board members, supervisory board members, domestic natural persons (other than members of the management and supervisory board), foreign persons (other than members of the management and supervisory board), custody accounts and other owners.

The following charts show the ownership structure of share issuers as at 31 December 2024 and in the period from 2015 to 2024 by the above-mentioned categories.

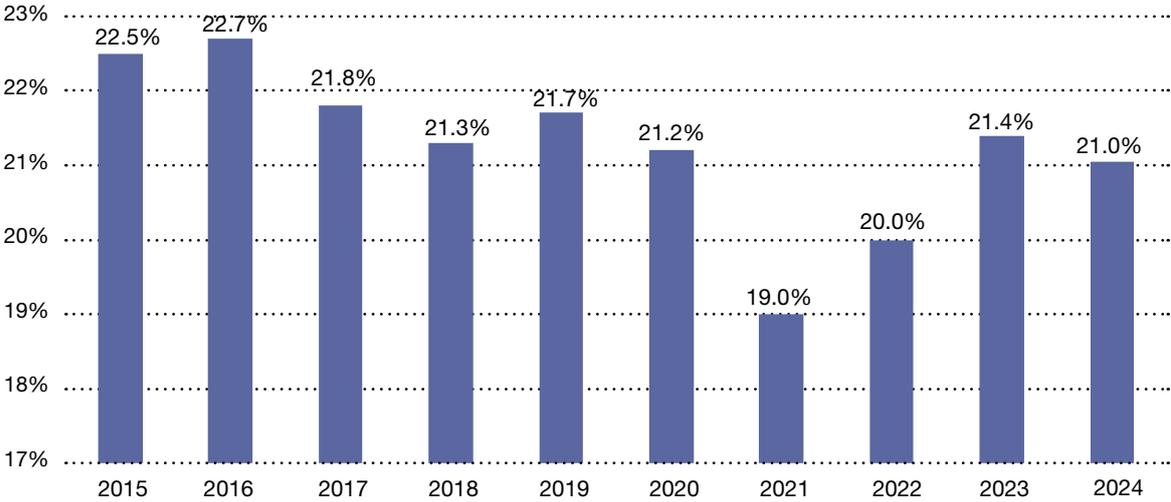
Chart 57 Ownership structure of share issuers as at 31 December 2024



Source: CDCC

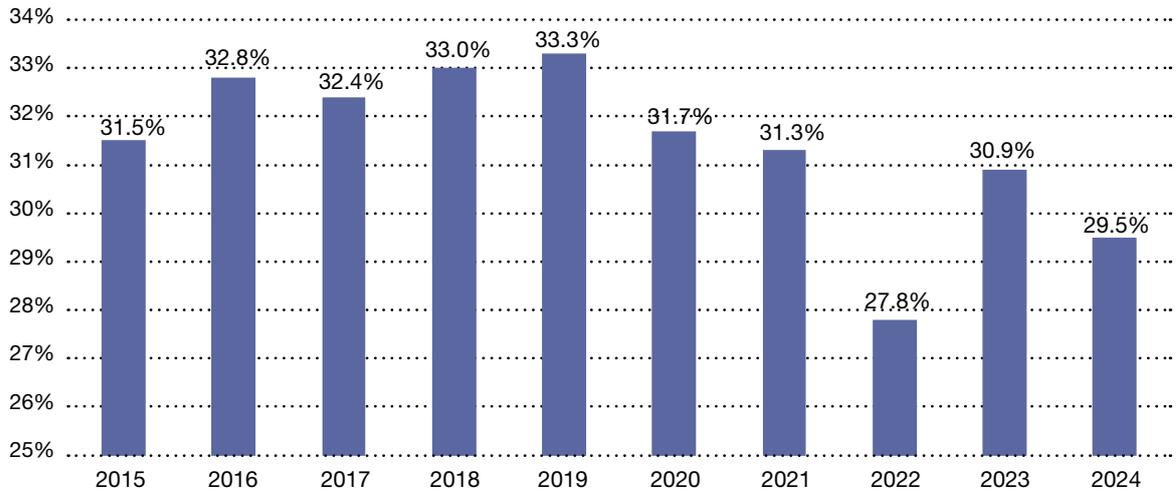
- As at 31 December 2024, the share issuers' ownership structure was dominated (as in the previous years) by financial institutions and companies with a 29.5% share, followed by domestic natural persons with a 21% share, other owners with a 16% share and foreign persons with a 12.7% share, while own securities, management board members, funds, supervisory board members and custody accounts made up the smallest shares in this structure (0.9%, 1.4%, 1.9%, 2.8% and 5% respectively).
- Compared to 2015, the share of the public sector in the issuers' ownership structure showed the largest drop (3.5 p.p.; from 12.6% to 9.1%), followed by funds with a 3.2 p.p. decline (from 5.1 % to 1.9%), financial institutions and companies with a 2 p.p. fall (from 31.5% to 29.5%), custody accounts with a 1.9 p.p. drop (from 6.6% to 4.7%), management board with a 1.8 p.p. decline (from 3.2% to 1.4%), domestic natural persons with a 1.5 p.p. decrease (from 22.5% to 21%), foreign persons with a 0.8 p.p. fall (from 13.5% to 12.7%) and supervisory board with a 0.7 p.p. drop (from 3.5% to 2.8%). The largest increase in this proportion (of 15.5 p.p.; from 0.5% to 16%) was recorded by other owners.

Chart 58 Share of domestic natural persons in the share issuers' ownership structure from 2015 to 2024



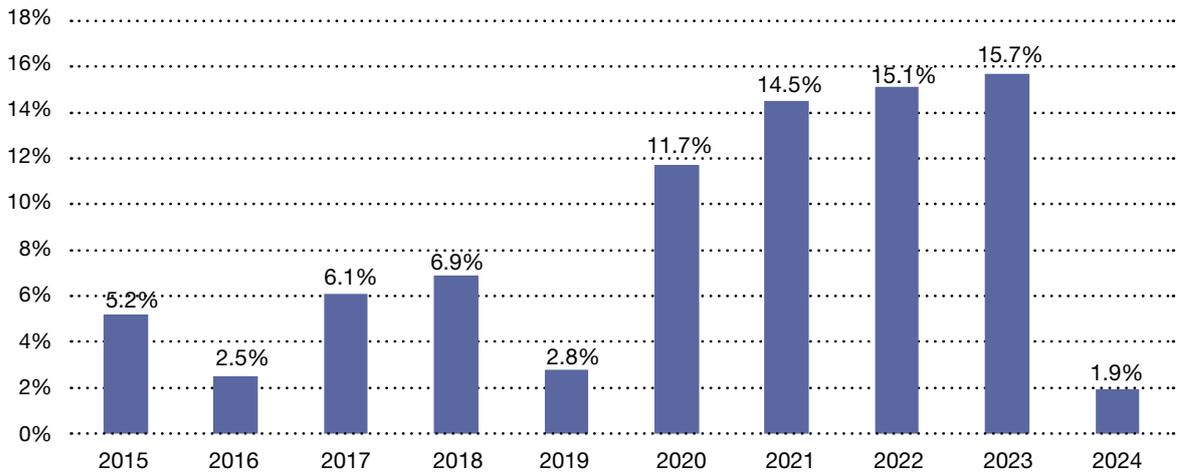
Source: CDCC

Chart 59 Share of financial institutions and companies in the share issuers' ownership structure from 2015 to 2024



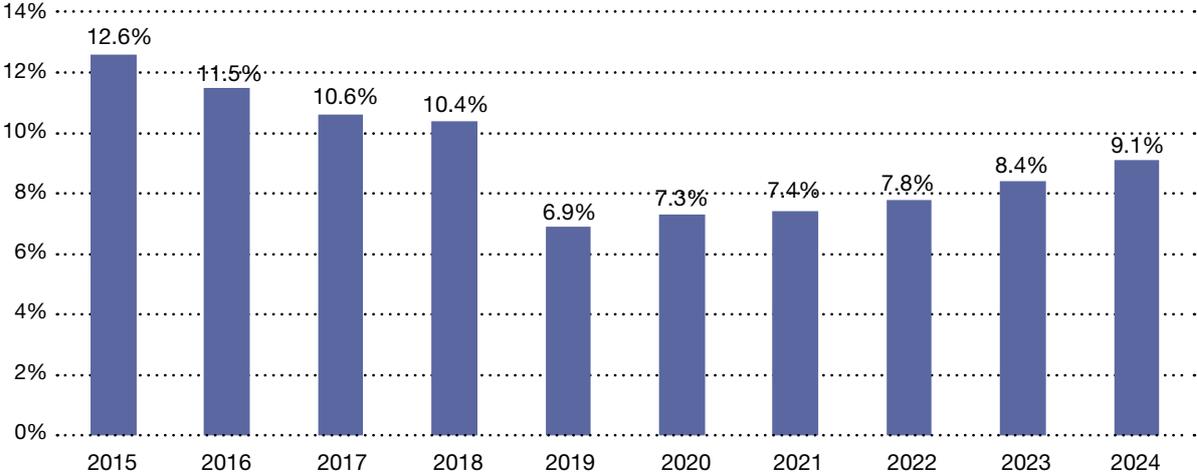
Source: CDCC

Chart 60 Share of funds in the share issuers' ownership structure from 2015 to 2024



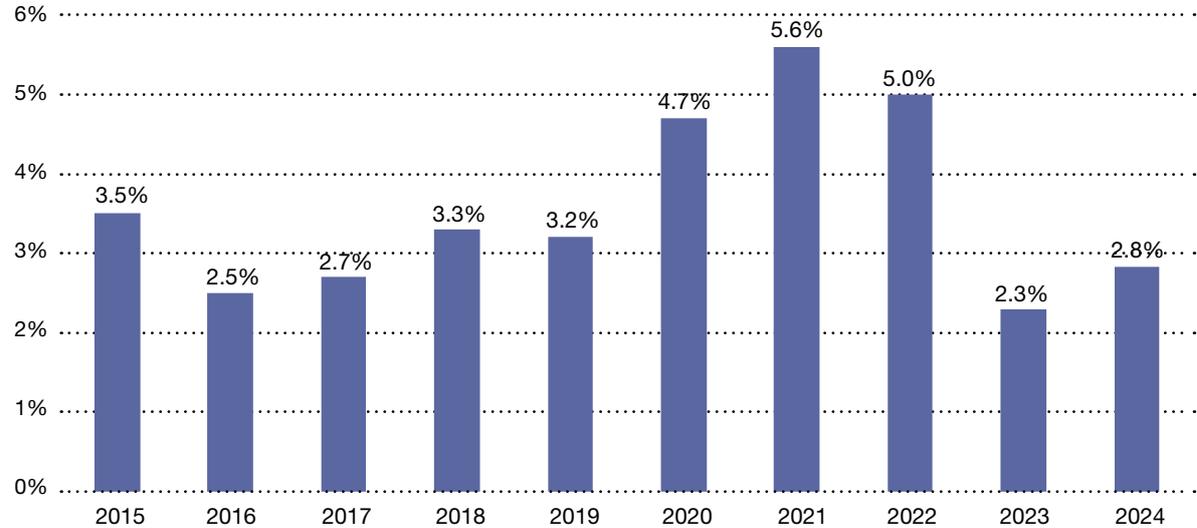
Source: CDCC

Chart 61 Share of the public sector in the share issuers' ownership structure from 2015 to 2024



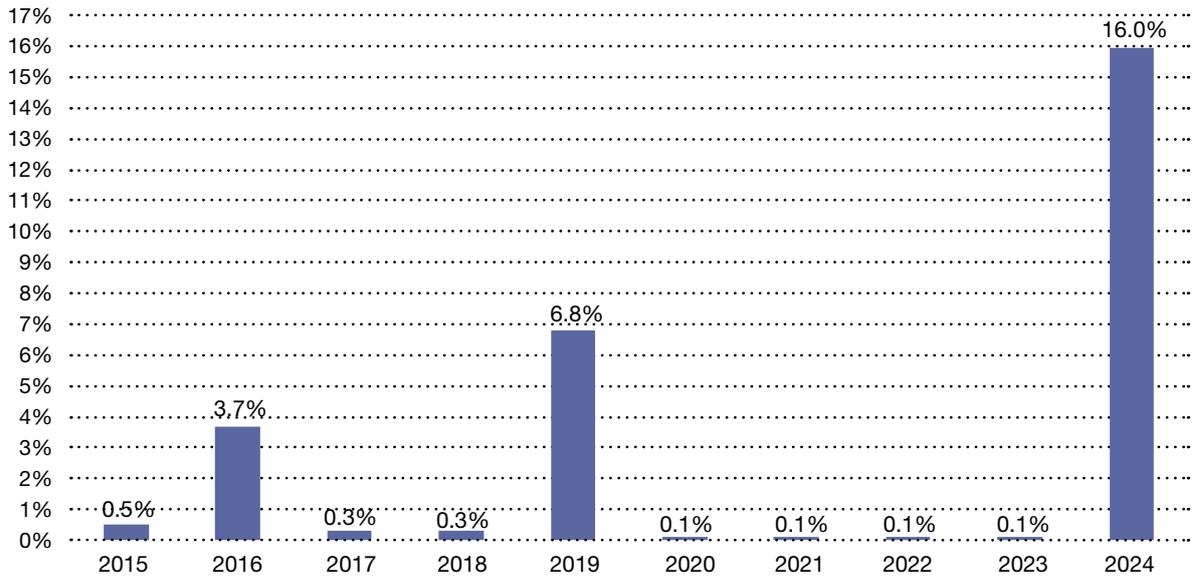
Source: CDCC

Chart 62 Share of supervisory boards in the share issuers' ownership structure from 2015 to 2024



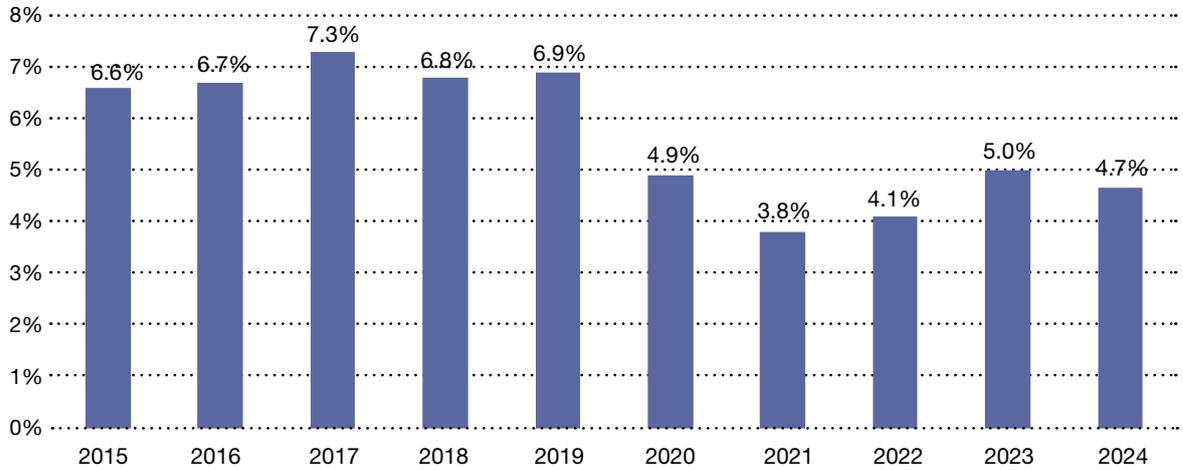
Source: CDCC

Chart 63 Share of other owners in the share issuers' ownership structure from 2015 to 2024



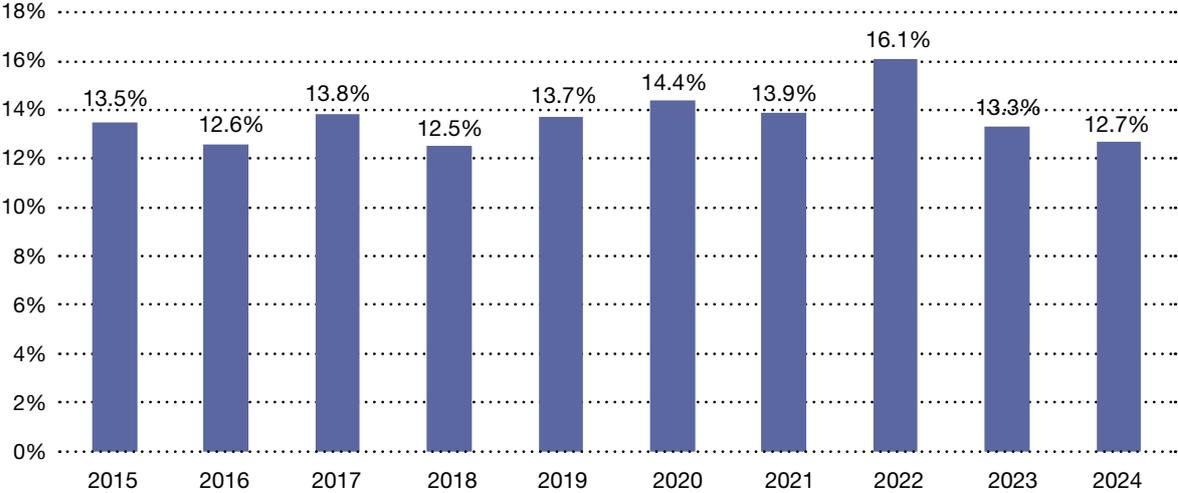
Source: CDCC

Chart 64 Share of custody accounts in the share issuers' ownership structure from 2015 to 2024



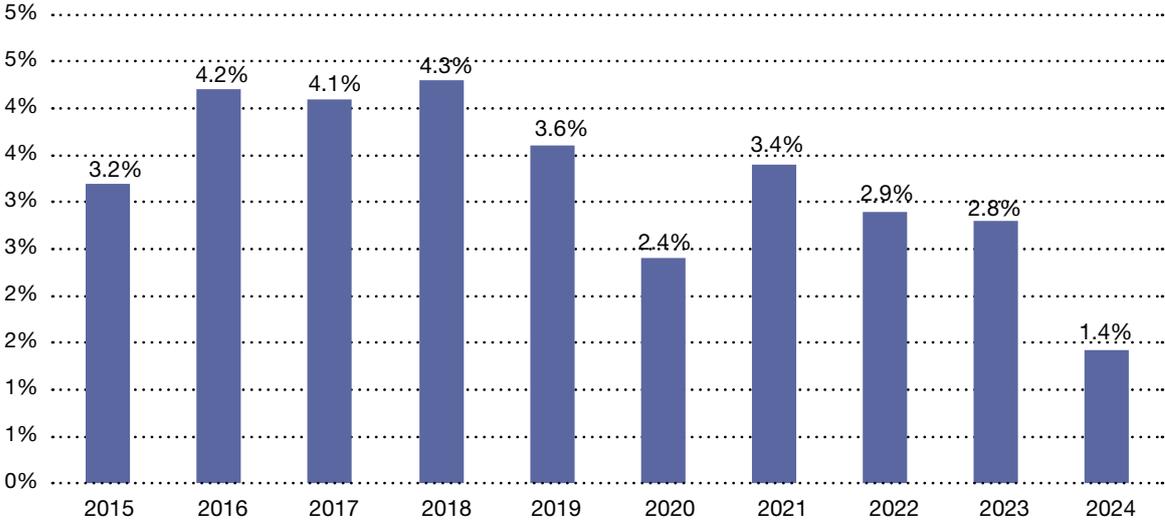
Source: CDCC

Chart 65 Share of foreign persons in the share issuers' ownership structure from 2015 to 2024



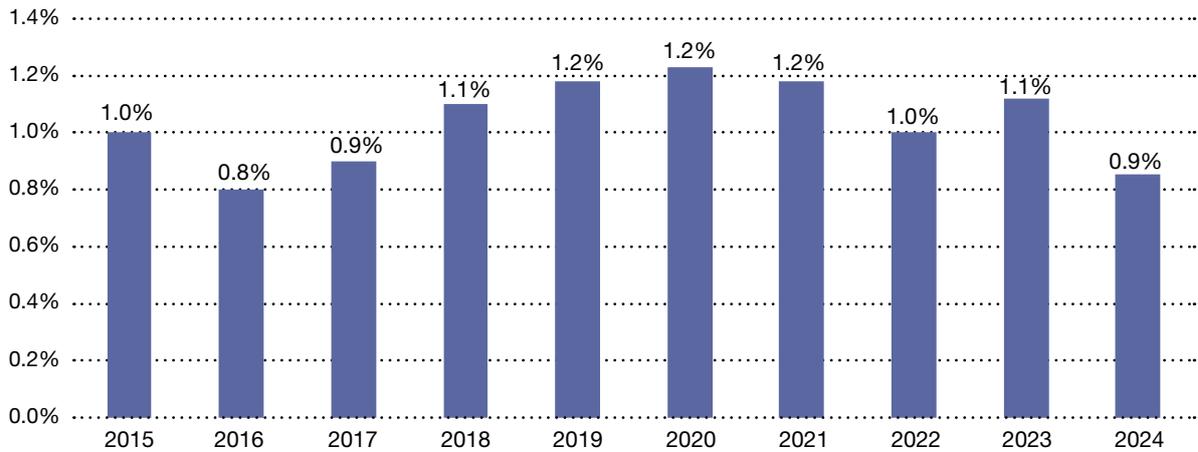
Source: CDCC

Chart 66 Share of management boards in the share issuers' ownership structure from 2015 to 2024



Source: CDCC

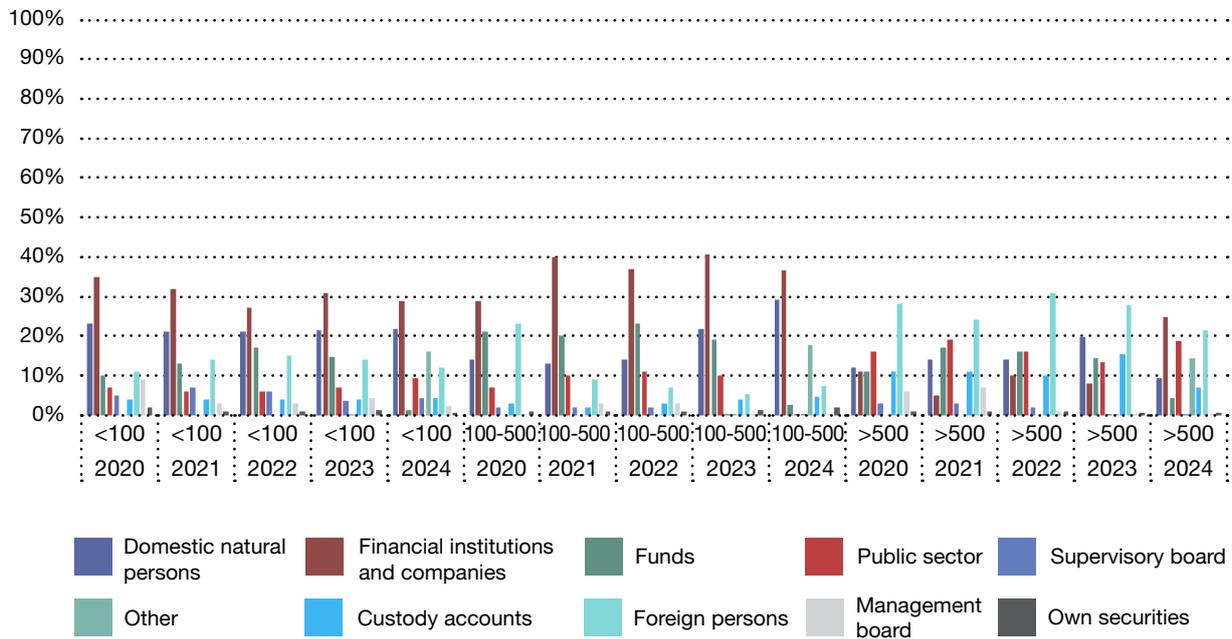
Chart 67 Share of own securities in the share issuers' ownership structure from 2015 to 2024



Source: CDCC

The following chart and table show the share issuers' ownership structure at the end of 2020, 2021, 2022, 2023 and 2024 in relation to market capitalisation.

Chart 68 Share issuers' ownership structure in relation to market capitalisation (in EUR million) as at 31/12/2020, 31/12/2021, 31/12/2022, 31/12/2023 and 31/12/2024



Source: CDCC

Table 16 Share issuers' ownership structure in relation to market capitalisation (in EUR million) as at 31/12/2020, 31/12/2021, 31/12/2022, 31/12/2023 and 31/12/2024

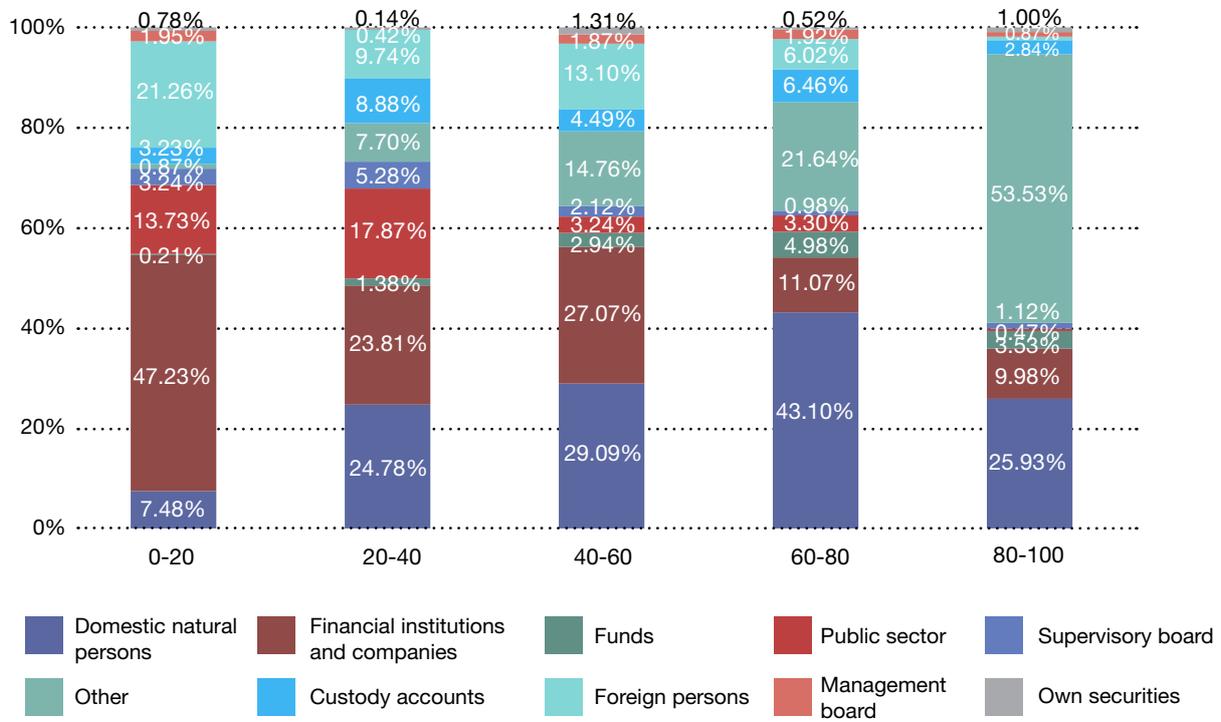
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
	<100	<100	<100	<100	<100	100-500	100-500	100-500	100-500	100-500	>500	>500	>500	>500	>500
Domestic natural persons	23%	21%	21%	22%	22%	14%	13%	14%	22%	29%	12%	14%	14%	20%	9%
Financial institutions and companies	35%	32%	27%	31%	29%	29%	40%	37%	41%	37%	11%	5%	10%	8%	25%
Funds	10%	13%	17%	15%	1%	21%	20%	23%	19%	3%	11%	17%	16%	14%	4%
Public sector	7%	6%	6%	7%	9%	7%	10%	11%	10%	0%	16%	19%	16%	13%	19%
Supervisory board	5%	7%	6%	4%	4%	2%	2%	2%	0%	0%	3%	3%	2%	0%	0%
Other	0%	0%	0%	0%	16%	0%	0%	0%	0%	18%	0%	0%	0%	0%	14%
Custody accounts	4%	4%	4%	4%	4%	3%	2%	3%	4%	5%	11%	11%	10%	15%	7%
Foreign persons	11%	14%	15%	14%	12%	23%	9%	7%	5%	7%	28%	24%	31%	28%	21%
Management board	9%	3%	3%	4%	2%	0%	3%	3%	0%	0%	6%	7%	1%	0%	0%
Own securities	2%	1%	1%	1%	1%	1%	1%	1%	1%	2%	1%	1%	1%	1%	0%

Source: CDCC

- As at 31 December 2024, the ownership structure of share issuers with a market capitalisation larger than EUR 500m changed compared to the period observed: financial institutions and companies and foreign persons held the largest share in the ownership structure (25% and 21% respectively); however, unlike in the previous years when they were followed by funds, they were now followed by other owners with a 14 p.p. rise (from 0% to 14%) and the public sector with an increase of 3 percentage points (from 16% to 19%). The supervisory board, the management board and own securities still made up the smallest share, as in the previous years (from 0% to 3%); in 2024, they were joined by funds with a 4% share.
- As at 31 December 2024, the ownership structure of share issuers with a market capitalisation between EUR 100m and 500m was dominated (just as in the previous years, but with a significant increase relative to 2020) by financial institutions and companies (from 29% to 37%) and domestic natural persons (from 14% to 29%), followed by other owners (from 0% to 18%) and custody accounts (from 3% to 5%), whereas a smaller share was accounted for by the public sector, the supervisory board, the management board, own securities and funds (from 0% to 3%).
- As in the previous years, the largest share (with a slight 6 p.p. decrease) in the ownership structure of issuers with a market capitalisation of up to EUR 100m was accounted for by financial institutions and companies (29%) and domestic natural persons (22%), followed by other owners (16%) and foreign persons (12%), which recorded an increase relative to 2020. The smallest share was made up by funds, own securities, the management board, the supervisory board and custody accounts (from 1% to 4%).

The following chart shows the share issuers' ownership structure in relation to free float as at 31 December 2024, whereas the table shows the share issuers' ownership structure in relation to free float as at 31 December 2020, 2021, 2022, 2023 and 2024.

Chart 69 Share issuers' ownership structure in relation to free float as at 31/12/2024



Source: CDCC

- The ownership structure of share issuers in relation to free float is dominated by other, financial institutions and companies and domestic natural persons, followed by foreign persons and public sector.
- As at 31 December 2024, the ownership structure of share issuers with a free float of up to 20% was dominated by financial institutions and companies (a 47% share), followed by foreign persons with a 21% share. Domestic natural persons dominated the ownership structure of share issuers with a free float ranging from 20% to 40% (a 25% share), from 40% to 60% (a 29% share) and from 60% to 80% (a 43% share), whereas other dominated the ownership structure of share issuers with a free float ranging between 80% and 100% (a 54% share). The smallest share was accounted for by public sector, foreign persons, board members, funds and own securities (a share ranging from 0% to 4%).

Table 17 Share issuers' ownership structure in relation to free float as at 31/12/2020, 31/12/2021, 31/12/2022, 31/12/2023 and 31/12/2024

	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
	0-20	0-20	0-20	0-20	0-20	20-40	20-40	20-40	20-40	20-40	40-60	40-60	40-60	40-60	40-60	60-80	60-80	60-80	60-80	60-80	80-100	80-100	80-100	80-100	80-100
Domestic natural persons	7%	6%	5%	5%	7%	22%	22%	23%	26%	25%	29%	25%	30%	32%	29%	40%	38%	39%	41%	43%	35%	30%	23%	30%	26%
Financial institutions and companies	51%	49%	44%	47%	47%	29%	24%	20%	28%	24%	21%	22%	20%	23%	27%	15%	16%	13%	18%	11%	10%	9%	7%	11%	10%
Funds	1%	1%	1%	1%	0%	9%	8%	6%	6%	1%	15%	21%	18%	18%	3%	23%	25%	26%	19%	5%	42%	51%	62%	51%	4%
Public sector	10%	10%	10%	13%	14%	12%	15%	17%	16%	18%	4%	2%	3%	3%	3%	1%	1%	1%	4%	3%	4%	2%	2%	0%	0%
Supervisory board	4%	6%	3%	1%	3%	4%	8%	12%	5%	5%	7%	4%	4%	3%	2%	6%	6%	5%	2%	1%	2%	2%	2%	1%	1%
Other	0%	0%	0%	0%	1%	0%	0%	0%	0%	8%	0%	0%	0%	1%	15%	1%	1%	1%	0%	22%	0%	0%	0%	0%	54%
Custody accounts	5%	4%	3%	2%	3%	5%	4%	5%	9%	9%	4%	5%	5%	7%	4%	5%	4%	7%	7%	6%	3%	3%	2%	3%	3%
Foreign persons	21%	22%	28%	24%	21%	14%	12%	13%	9%	10%	13%	12%	12%	11%	13%	5%	5%	5%	7%	6%	1%	1%	1%	1%	1%
Management board	1%	1%	1%	4%	2%	3%	6%	4%	4%	0%	5%	7%	6%	1%	2%	3%	3%	3%	2%	2%	1%	1%	0%	0%	1%
Own securities	1%	1%	1%	0%	1%	1%	1%	0%	0%	0%	2%	1%	2%	1%	1%	1%	2%	0%	0%	1%	1%	1%	1%	2%	1%

Source: CDCC

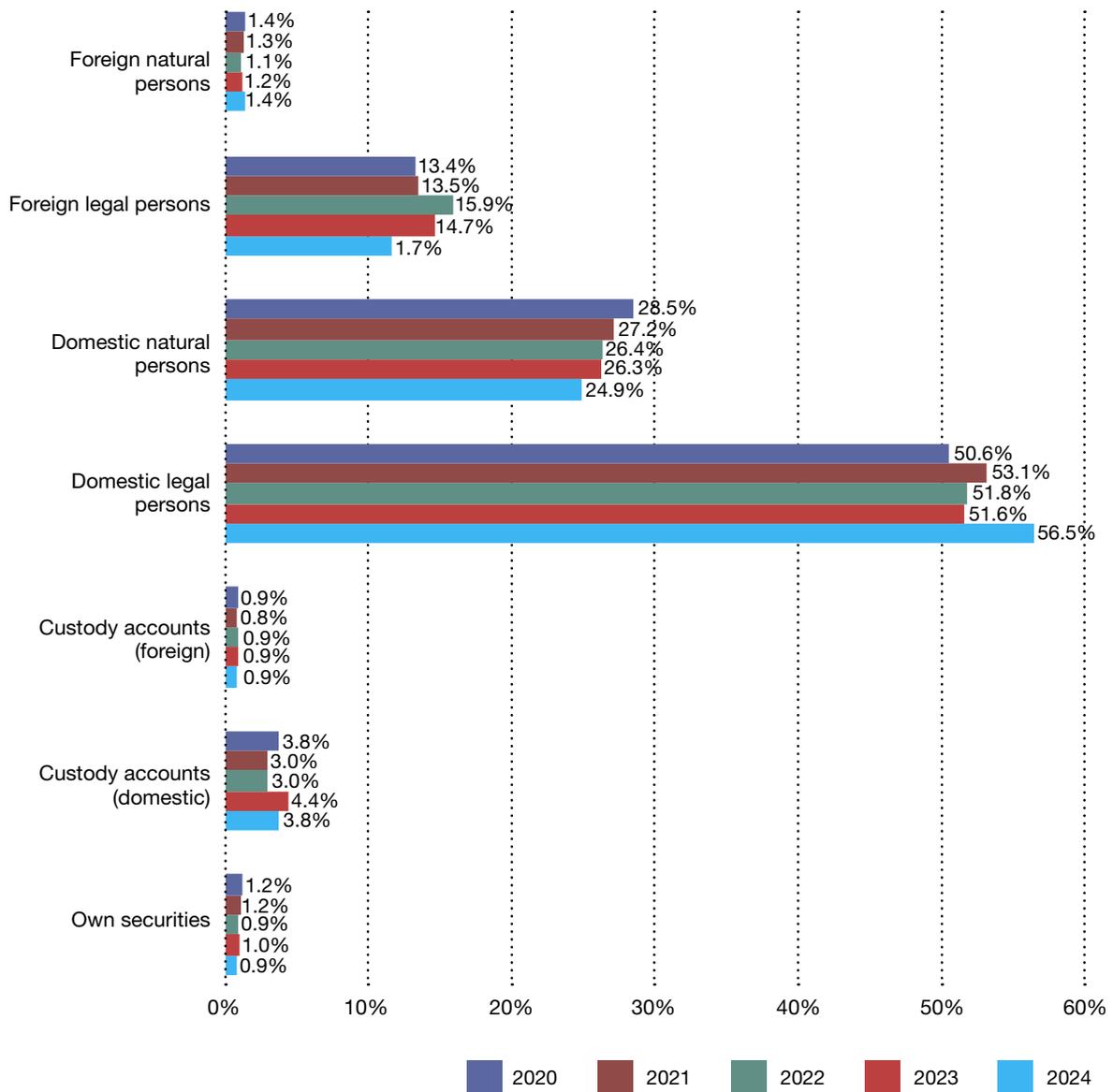
- In 2024, the ownership structure of share issuers showed some changes compared to previous years. The share of financial institutions and companies in the ownership structure of share issuers with a free float of up to 20% went from 51% to 47%. The share of funds in the ownership structure of share issuers with a free float from 80% to 100% also decreased, from 42% to 4%. At the same time, the share of public sector in the ownership structure of share issuers with a free float of up to 20% increased from 10% to 14%. As regards domestic natural persons, there were no significant changes between 2020 and 2022 in share issuers with a free float from 20% to 40%, where the share was stable, around 22%, while in 2024 this share rose to 25%. For issuers with a free float from 40% to 60%, the share of other persons increased from 0% to 15% in 2024, for those with a free float from 60% to 80% this share increased to around 22%, while for those with a free float from 80% to 100% it increased to over 50%.

## Origin of share issuers' capital

Chart 70 shows the ownership of shares in the period from 2020 to 2024 by capital origin according to the following categories: own securities, custody accounts (domestic),

custody accounts (foreign), domestic legal persons, domestic natural persons, foreign legal persons and foreign natural persons.

Chart 70 Origin of share issuers' capital at the end of 2020, 2021, 2022, 2023 and 2024



Source: CDCC

- In the period from 2020 to 2024, the origin of capital and shares of individual capital categories in share ownership did not change significantly. As in the previous years, as at 31 December 2024, the largest proportion in the share ownership was accounted for by domestic legal persons (50.6% to 56.5%), while the smallest proportion was made up by foreign custody accounts and own securities (0.9%).
- The 2020-2024 period saw a decline in the proportion of domestic capital, namely domestic natural persons, by 3.6 percentage points (from 28.5% to 24.9%), and foreign capital in the foreign legal persons category (from 13.3% to 11.7%), and a slight rise in the proportion of natural persons (a 1.4% increase, from 14.7% to 13.3%).

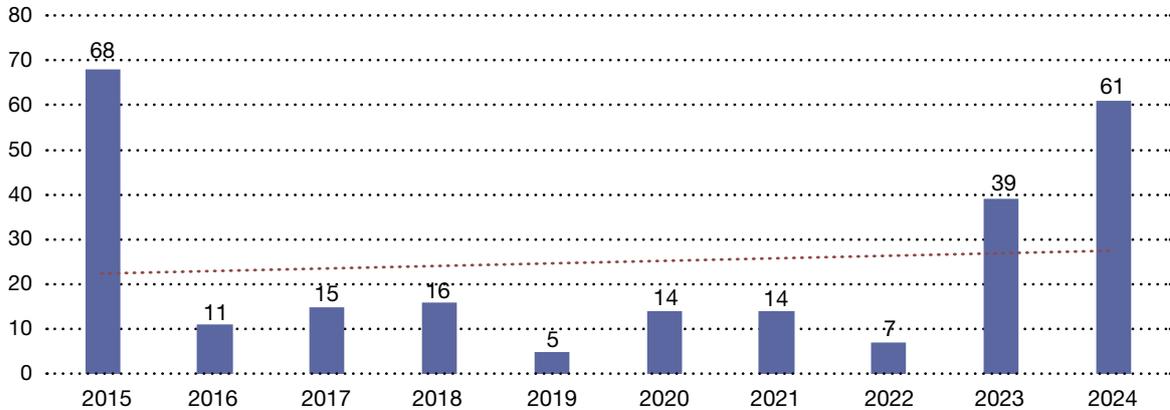
# DUTIES AND RESPONSIBILITIES OF BOARD MEMBERS

## Conflicts of interest

Conflicts of interest arise if a member of the management or supervisory board or board of directors is not impartial with respect to the subject under consideration or if their relationship to the subject under consideration leads to the assumption that their interests might differ from interests of the company, which may affect their decision-making process.

- In 2024, 61 conflicts of interest were reported by 3 issuers whose shares are admitted on the Official Market and Regular Market, and the persons involved abstained from voting on entering related party transactions in all of these cases.
- In 2023, 39 conflicts of interest were reported by 5 issuers whose shares are admitted on the Official Market and Regular Market, and the persons involved abstained from voting on entering related party transactions in all of these cases.
- In 2022, 7 conflicts of interest were reported by 4 issuers whose shares are admitted on the Official Market, and the persons involved abstained from voting on entering related party transactions in all of these cases.
- In 2021, there were 14 reported conflicts of interest: 8 of them were reported by 2 issuers admitted on the Official Market, 2 of them were reported by an issuer admitted on the Prime Market and 4 of them were reported by an issuer admitted on the Regular Market. All the persons involved abstained from voting on entering related party transactions.
- In 2020, 14 conflicts of interest were reported by 2 issuers whose shares are admitted on the Official Market, and the persons involved abstained from voting on entering related party transactions.

Chart 71 Number of cases of conflicts of interest reported during the year in the period from 2015 to 2024



Source: Governance practices questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, Annual Report on Corporate Governance for 2015, 2016, 2017 and 2018

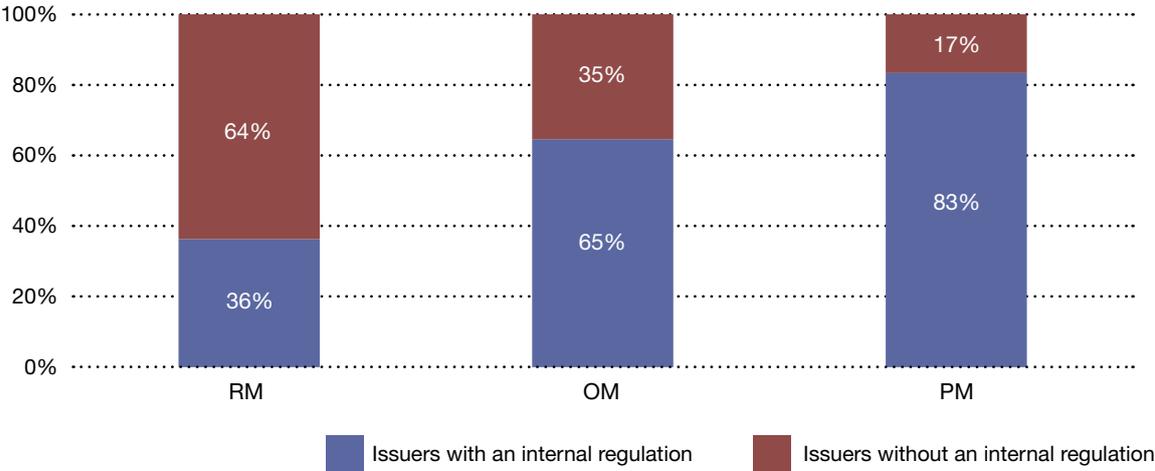
Out of the 61 conflicts of interest reported in 2024, 6 were reported by the senior management, 27 by the management board and 28 by the supervisory board (39 conflicts of interest reported in 2023, 4 were reported by the senior management, 12 by the management board and 23 by the supervisory board).

### Related party transactions

Pursuant to the Code, the supervisory board should ensure that procedures are in place for approving and publicly reporting related party transactions that comply with legal provisions and financial reporting standards.

- Compared to 2023, there was no significant difference as regards related party transactions (according to the data from the governance practices questionnaire), given that in 2024, 47% of issuers had internal rules of procedure in cases of related party transactions (41% of them in 2023), meaning that the majority of issuers (53%) still did not have internal rules of procedure in cases of related party transactions (59% in 2023).

Chart 72 Share issuers that reported having/hot having an internal regulation for cases of related party transactions in 2024 by regulated market segments



Source: Governance practices questionnaire 2024

Table 18 sets out the average value of reported transactions concluded by the issuer in the period from 2015 to 2024 with the following stakeholders: shareholders with more than 5% of the initial capital of the issuer, management and supervisory board members of the issuer, senior management of the issuer and within the group the issuer belongs to or is its parent.

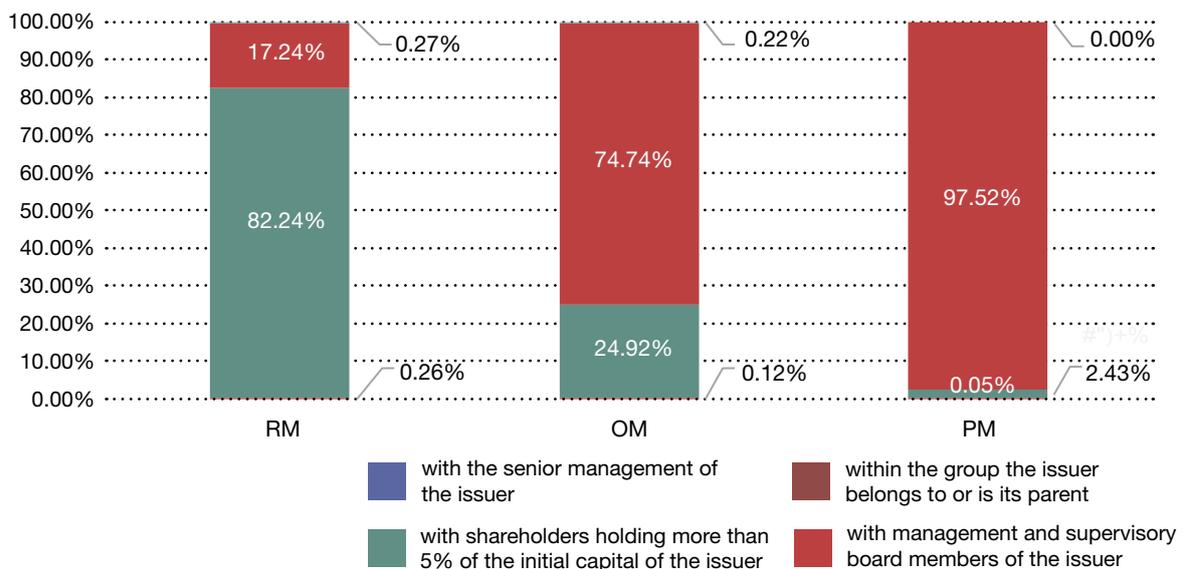
Table 18 Average value of reported related party transactions from 2015 to 2024

		with shareholders holding more than 5% of the initial capital of the issuer	with management and supervisory board members of the issuer	with the senior management of the issuer	within the group the issuer belongs to or is its parent
2024	Number of issuers having reported the transaction	30	19	10	40
	Average transaction value per issuer	75,915,390	415,122	923,810	41,463,113
2023	Number of issuers having reported the transaction	33	17	9	45
	Average transaction value per issuer	63,908,026	300,906	694,703	32,713,450
2022	Number of issuers having reported the transaction	34	18	10	46
	Average transaction value per issuer	47,840,196	300,184	668,130	62,387,482
2021	Number of issuers having reported the transaction	39	18	10	49
	Average transaction value per issuer	33,908,284	259,887	989,957	42,681,991
2020	Number of issuers having reported the transaction	38	22	13	46
	Average transaction value per issuer	26,133,415	371,151	1,244,512	36,809,514
2019	Number of issuers having reported the transaction	38	21	10	49
	Transaction value	30,703,956	431,451	906,840	42,459,888
2018	Number of issuers having reported the transaction	40	20	10	45
	Average transaction value per issuer	24,543,658	635,164	652,179	42,868,701
2017	Number of issuers having reported the transaction	34	19	8	45
	Average transaction value per issuer	21,394,758	651,797	1,174,796	31,199,719
2016	Number of issuers having reported the transaction	36	22	12	46
	Average transaction value per issuer	33,496,825	1,687,670	947,629	48,200,046
2015	Number of issuers having reported the transaction	37	19	9	50
	Average transaction value per issuer	36,042,364	1,346,344	746,340	54,238,055

Source: Governance practices questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, Annual Report on Corporate Governance for 2015, 2016, 2017 and 2018

- The average gross value of transactions with shareholders holding more than 5% of the initial capital of the issuer, with management and supervisory board members of the issuer and with senior management was higher than in 2023, as was the average gross value of related party transactions within the group the issuer belongs to or is its parent.

Chart 73 Share of individual types of related party transactions in the total amount of related party transactions per regulated market segment in 2024



Source: Governance practices questionnaire 2024

- Issuers' transactions within the group the issuer belongs to or is its parent account for the largest share of related party transactions in each market segment (17.24% on the Regular Market, 74.74% on the Official Market and 97.52% on the Prime Market). They are followed by transactions with shareholders holding more than 5% of the initial capital of the issuer. Transactions with the senior management and transactions with management and supervisory board members of the issuer account for less than 1% of total transactions by market.

### Code of conduct for management and supervisory board members and participation in the decision-making process

- Supervisory boards of 72% of the issuers gave their consent to the code of conduct or another internal regulation establishing rules of conduct to be followed by supervisory and management board members, employees and other persons acting on behalf of the company (66% in 2023).

Chart 74 Agreed codes of conduct for management and supervisory board members, employees and other persons acting on behalf of the company in 2024



Source: Compliance questionnaire 2024

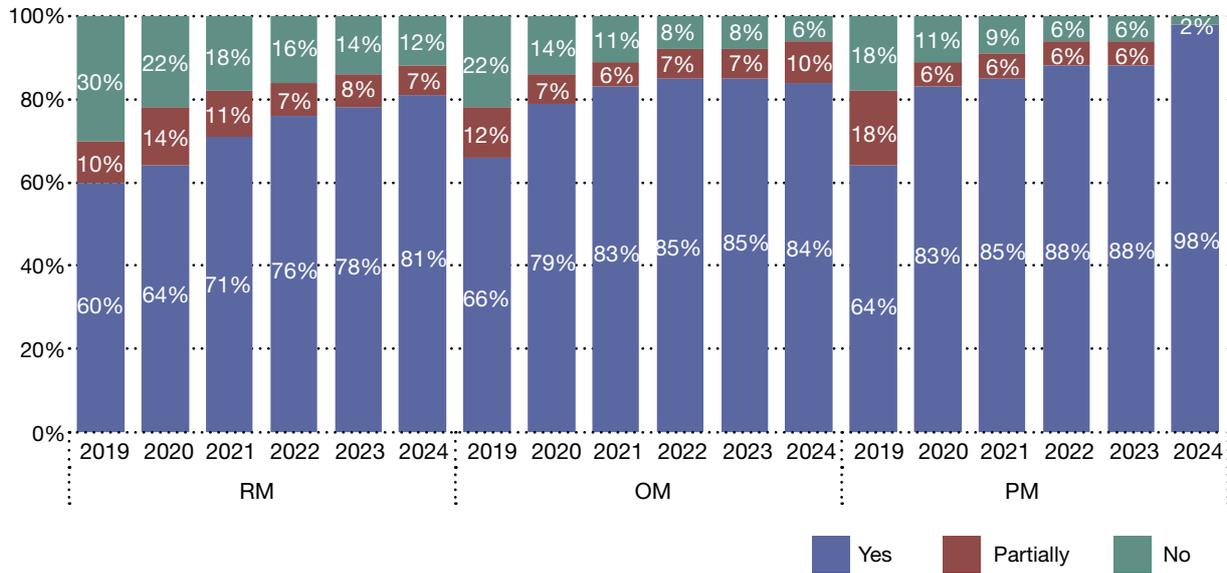
- A total of 71% of issuers published their codes of conduct for management and supervisory board members on their websites (61% in 2023).
- A total of 100% of issuers whose shares are admitted to trading on the Prime Market reported having published their codes of conduct for management and supervisory board members on their websites, available free of charge (100% of issuers in 2023, as well).
- A total of 76% of issuers whose shares are admitted to trading on the Official Market reported having published their codes of conduct for management and supervisory board members, employees and other persons acting on behalf of the company on their websites, available free of charge.
- A total of 64% of issuers whose shares are admitted to trading on the Regular Market reported having published their codes of conduct for management and supervisory board members on their websites, available free of charge. Compared to 2023, there is a visible improvement regarding the issuers whose shares are admitted to trading on the Regular Market, as in that year 54% of issuers whose shares were admitted to trading on the Regular Market had the agreed codes of conduct for management and supervisory board members, employees and other persons acting on behalf of the company available on their websites free of charge.

Pursuant to the Code, the issuers should lay down the prohibition on the participation in the decision-making processes which give rise to conflicts of interest for management and supervisory board members.

### The issuers' compliance with the Code in the area relating to leadership

The chart below shows the share issuers' compliance with the section "Leadership" in 2024 relative to 2019, 2020, 2021, 2022 and 2023.

Chart 75 Share issuers' compliance with the section "Leadership" in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market



Source: Compliance questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, internal calculation

- The level of compliance with the section "Leadership" achieved by the issuers whose shares are admitted to trading on the Prime Market averaged 84%.
- The issuers whose shares are admitted to trading on the Official Market and Regular Market recorded compliance reaching 80% and 72% respectively.

In 2024, the issuers whose shares are admitted to trading on the Regular Market, Official Market and Prime Market showed greater compliance with the provisions of the Code relating to the section "Leadership" in comparison with previous years. The compliance of share issuers is on the rise on all three segments of the regulated market in the observed period.

## SUPERVISORY BOARD AND ITS COMMITTEES

The supervisory board must have enough members in order to be able to fulfil its duties and duties of its committees efficiently. It also needs to develop a supervisory board's profile which defines the minimum number of its members, as well as a combination of skills, knowledge and qualifications, including professional and practical experience required for membership in the supervisory board.

Pursuant to the Code, every five years the supervisory board should define a target percentage of female supervisory board members to be achieved within the next five years. Each goal must be published in the annual report and include an explanation as to why it has been set and a plan for its achievement, while the progress made towards the goal must be disclosed every year.

In addition, pursuant to the Code, the majority of supervisory board members should be independent and must not have any business, family or other relationships with the company, majority shareholder or group of majority shareholders or with members of the management board or supervisory board of the company or of the majority shareholder. The chair or deputy chair of the supervisory board should be independent. Independent supervisory board members ensure the adoption of objective decisions relating to management board members, the company itself and its shareholders, such as decisions on remuneration, new appointments, substantial changes in the ownership structure, anti-takeover measures, and audit function.

The function of a management board in a two-tier governance system is the management and representation of the company, and its members are appointed by the supervisory board. In a one-tier governance system, this function is performed by executive directors of the company, appointed by the general meeting.

- Out of 74 issuers whose shares were admitted to trading on the regulated market as at 31 December 2024, 69 issuers submitted the governance practices questionnaire. 2 of them reported having a one-tier governance system, while the remaining 67 issuers reported having a two-tier governance system.
- Out of 83 issuers whose shares were admitted to trading on the regulated market as at 31 December 2023, all of them submitted the governance practices questionnaire. Two of them reported having a one-tier governance system, while the remaining 81 issuers reported having a two-tier governance system.

Data relating to executive directors and the chief executive director of issuers with a one-tier governance system are analysed along with data on management board members, while data relating to non-executive directors, deputy chair and chair of the board of directors are analysed along with data on members of the supervisory board of issuers with a two-tier governance system.

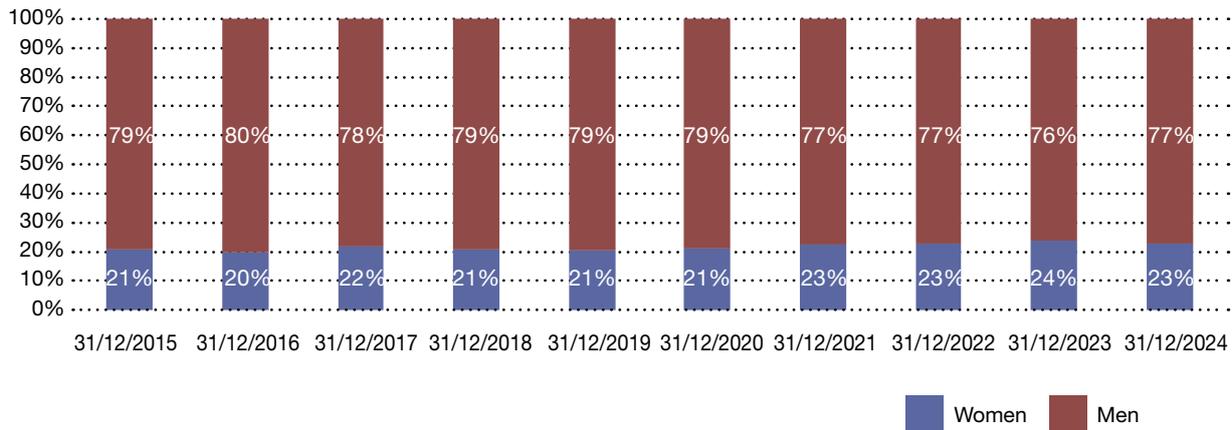
The following analysis covers all share issuers admitted to the regulated market of the ZSE as at 31 December 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023 and 2024 according to the data from the court register, except one issuer that failed to submit the corporate governance questionnaire for 2024 within the set deadline.

### **Number of members and composition of the supervisory board**

- At the end of 2024, supervisory boards of the share issuers consisted of 5 members on average (as in 2023).
- At end-2024, the proportion of women on supervisory boards (86 women) was about 2.5 times higher than the proportion of women on management boards (39 women). At end-2023, the proportion of women on supervisory boards was about 3 times higher than the proportion of women on management boards.

The following chart shows the proportion of women and men on supervisory boards of share issuers in the period from 2015 to 2024.

Chart 76 Share issuers' supervisory board gender structure in the period from 2015 to 2024

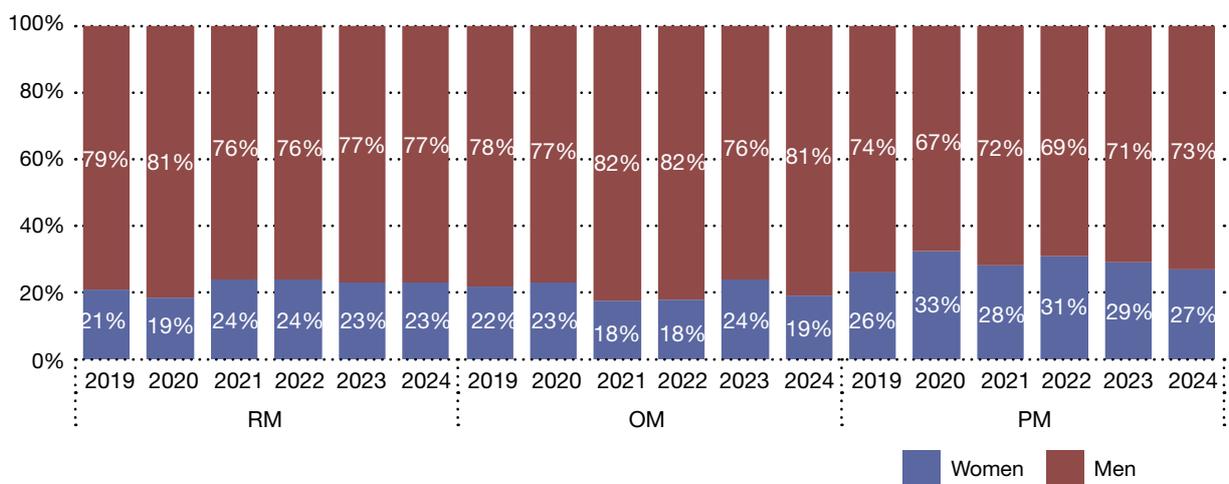


Source: court register<sup>7</sup>

- At the end of 2024, the share of women on supervisory boards of issuers decreased by one percentage point (23%) compared to the previous year.
- Broken down by segments of the regulated market in 2024:
  - the share of women on supervisory boards of the issuers on the Regular Market was 23%
  - the share of women on supervisory boards of the issuers on the Official Market was 19%
  - the share of women on supervisory boards of the issuers on the Prime Market was 27%.

Chart 77 shows the representation of supervisory boards' female members in relation to the total number of the issuers' supervisory board members in 2024 by segments of the regulated market.

Chart 77 Share issuers' supervisory board gender structure by segments of the regulated market as at 31/12/2019, 31/12/2020, 31/12/2021, 31/12/2022, 31/12/2023 and 31/12/2024

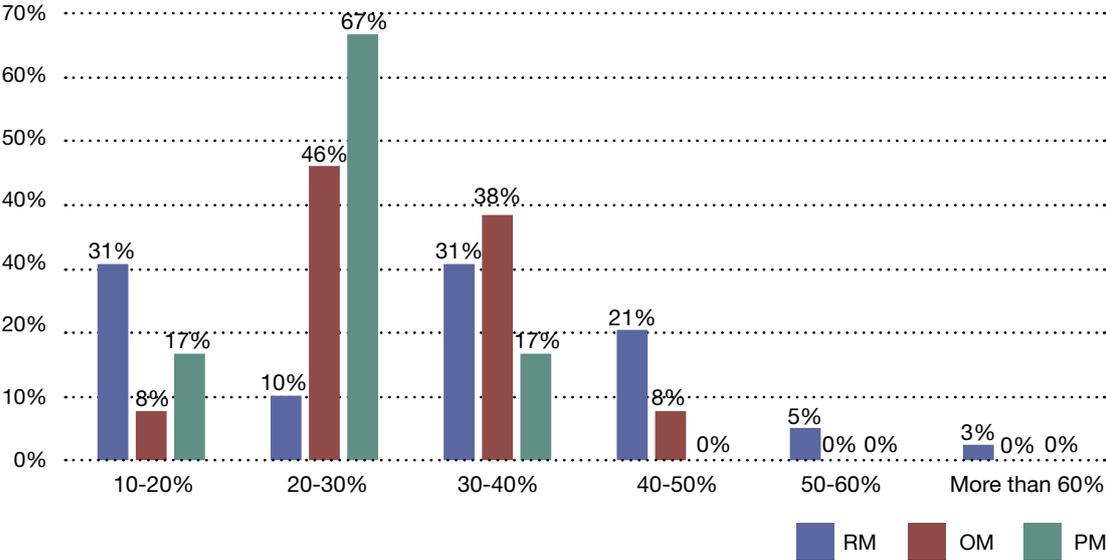


Source: court register<sup>7</sup>

<sup>7</sup> Data on the number and gender of supervisory board members have been analysed based on the data from the court register in order to encompass all of the supervisory board members. It should be pointed out that there might be certain discrepancies in the numbers in cases where some issuers failed to report changes to the court register in a timely manner.

- The chart shows a change in the shares relative to the previous year on the Prime Market, where the proportion of women decreased from 29% to 27%, while the proportion of men increased from 71% to 73%. The proportion of women on the Official Market decreased from 24% to 19%. As for the Regular Market, there is a slight decline in the share of women in the total structure from 24% to 23%.
- The average proportion of women on supervisory boards in the 2019-2024 period amounted to 23%.
- The governance practices questionnaire showed that 13% of female members had a PhD (10% in 2023).
- As at 31 December 2024, the majority of supervisory board members (40%) were over 56 years old (same percentage as in 2023); 35% of them were between 46 and 55 years old (same as in 2023); 22% of them were between 36 and 45 years old (20% in 2023), while only 4% of supervisory board members were younger than 35 years of age (4% in 2023 as well).
- As at 31 December 2024, the majority of supervisory board members (79%) had a university degree (93% in 2023), while 13% of supervisory board members had a PhD (13% in 2023 as well).
- As at 31 December 2024, 18% of supervisory board members were foreign citizens (19% at the end of 2023).
- Supervisory boards of 73% of share issuers evaluated their effectiveness in the previous 12 months (65% of issuers in 2023), of which in 100% of share issuers the evaluation was led by the chair or deputy chair of the supervisory board (in 2023, this share reached 96%).
- At the end of 2024, the average duration of supervisory board membership was 6 years (the same as in 2023).
- A total of 43 issuers (61%) had employee/trade union representatives in supervisory boards in 2024 (50 issuers, or 60%, in 2023).
- Supervisory boards of 13 issuers, i.e., 19%, set a target percentage of female supervisory board members.

Chart 78 Share issuers that set a target percentage of female supervisory board members in 2024



Source: Governance practices questionnaire 2024

*Broken down by segments of the regulated market, the target percentage of female supervisory board members was set by 58 issuers (83%), i.e.:*

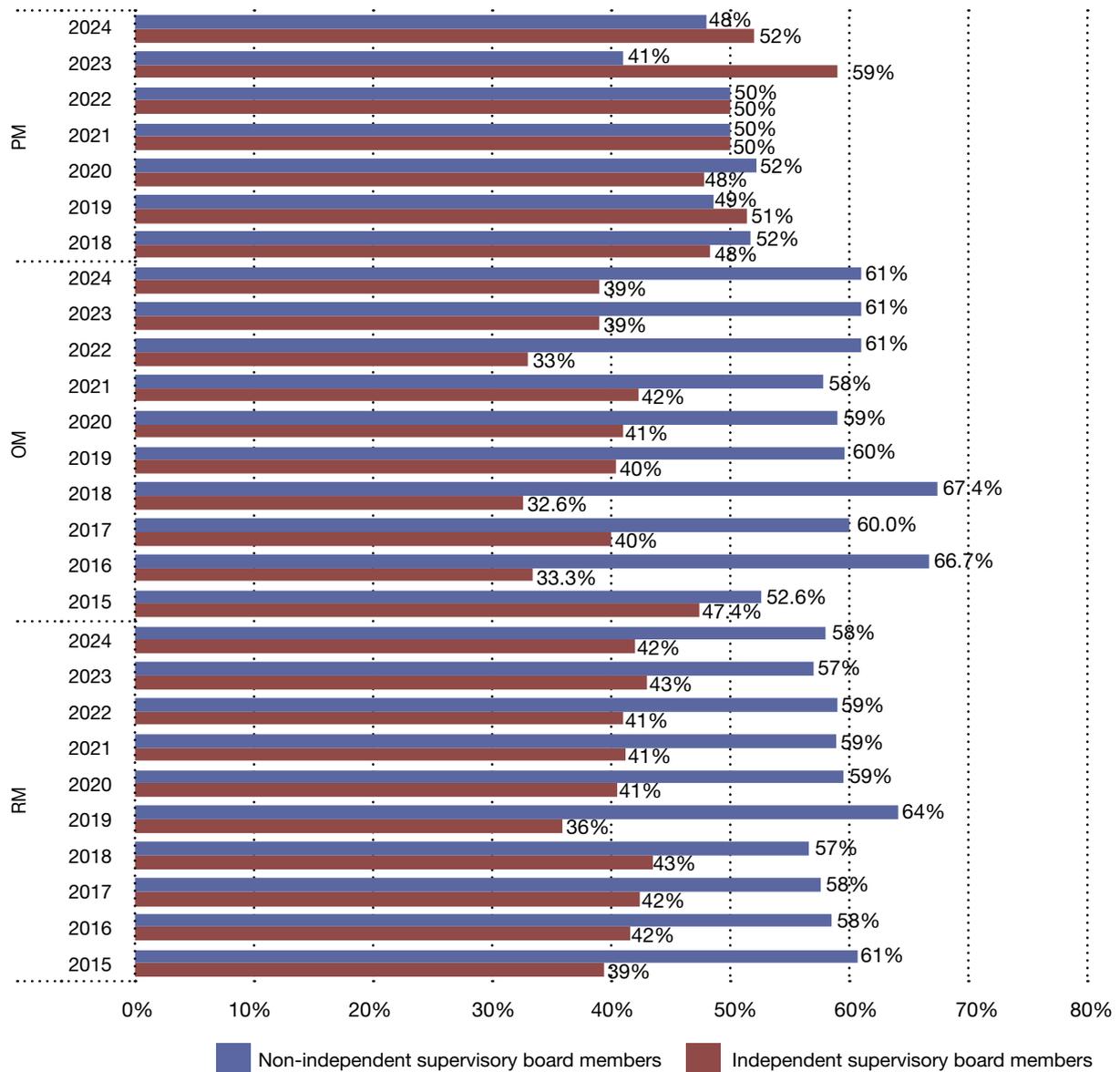
- 6 issuers on the Prime Market
- 13 issuers on the Official Market, and
- 39 issuers on the Regular Market.
- Out of the total number the issuers on the Prime Market that set a target percentage of female supervisory board members in 2024, 67% of them set a target percentage ranging between 20% and 30%, 17% set a target percentage ranging between 10% and 20%, and the remaining 17% set a target percentage between 30% and 40%.
- In 2024, the issuers whose shares are admitted to trading on the Official Market, and that set a target percentage of female supervisory board members, distributed the percentages as follows:
  - 46% of the issuers set the target percentage between 20% and 30%
  - 38% between 30% and 40%
  - 8% between 10% and 20%, and 40% and 50%
  - no issuers set the target percentage between 50% and 60%, and over 60%.
- In 2024, the issuers whose shares are admitted to trading on the Regular Market, and that set a target percentage of female supervisory board members, distributed the percentages as follows:
  - 31% of the issuers set the target percentage between 10% and 20%, and 30% and 40%
  - 21% between 40% and 50%
  - 10% between 20% and 30%
  - 5% between 50% and 60%
  - 3% above 60%.

## Independence of supervisory board members

- According to the data from the governance practices questionnaire, at end-2024 there were 42% of independent supervisory board members (44% of independent members at end-2023).
- In 2024, 51% of issuers had an independent chair or deputy chair of the supervisory board (same as in 2023).
- At the end of 2024, supervisory boards of each of the issuers had 3 independent members on average (2 in 2023).

The chart below shows the proportion of independent supervisory board members in the total number of supervisory board members by segments of the regulated market of the ZSE.

Chart 79 Share of independent supervisory board members in the total number of supervisory board members by market segment, from 2019 to 2024



Source: Governance practices questionnaire for 2019, 2020, 2021, 2022, 2023 and 2024

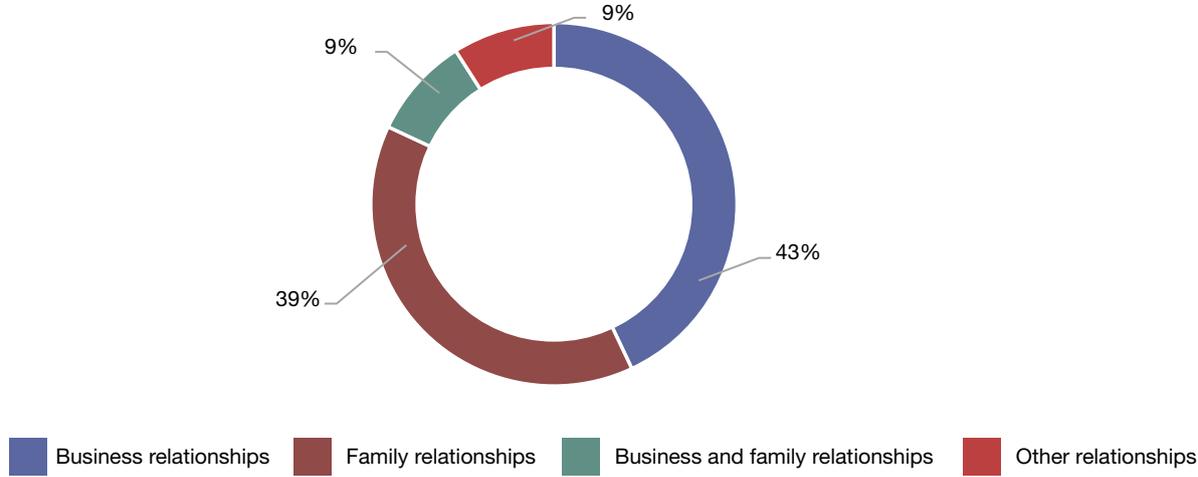
The average of independent supervisory board members in all segments of the regulated market from 2015 to 2024 amounted to 42%, i.e., the average of supervisory board members who are not independent stood at 58%.

- All issuers (6) whose shares are admitted to trading on the Prime Market had at least one independent supervisory board member, with a total of 52% of independent board members. Out of the total number of supervisory board members of issuers whose shares are admitted to trading on the Official Market 39% were independent. Out of the total number of supervisory board members of issuers whose shares are admitted to trading on the Regular Market 43% were independent.
- Analysing each segment of the regulated market of the ZSE, it is evident that on 31 December 2024, the Prime Market had the largest number of independent supervisory board members.

### Supervisory board members' relationship with management board members and other supervisory board members

- The governance practices questionnaire showed that 14 supervisory board members of 11 issuers were related to management board members in 2024 (29 supervisory board members of 21 issuers in 2023).
- The most common type of relationship was business relationship (43%), followed by family relationship (39%), business and family relationship (9%) and other types of relationships (9%) (in 2023, business relationships accounted for 62%, family relationships 21%, business and family relationships 14%, and other types of relationships 3%).

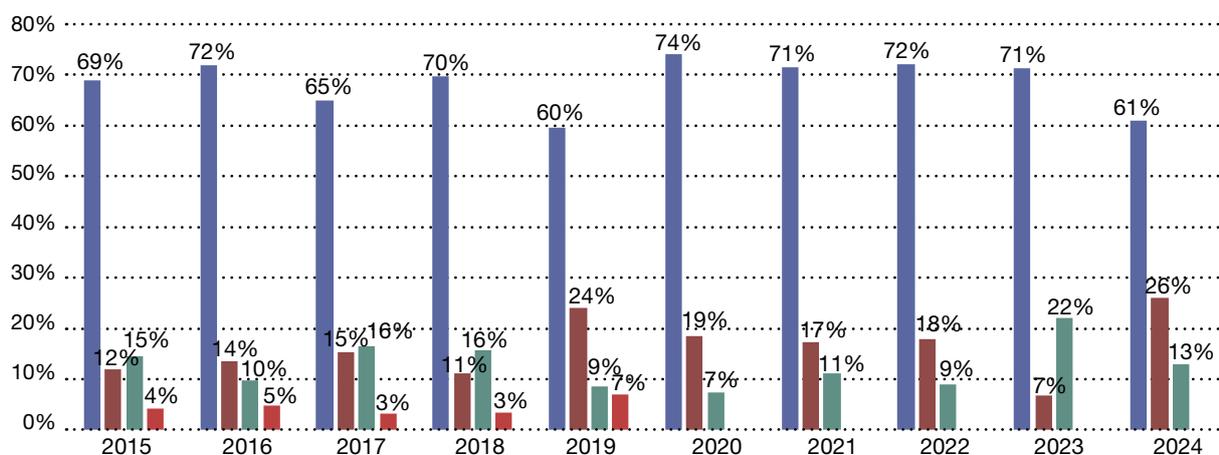
Chart 80 Relationship between the issuers' supervisory board members and management board members in 2024



Source: Governance practices questionnaire 2024

- In 2024, 46 supervisory board members of 18 issuers were related to other supervisory board members (59 supervisory board members of 22 issuers in 2023).
- The majority of them were related by business relationships (61%), followed by family relationships (26%) and business and family relationships (13%) (in 2023, business relationships accounted for 71%, family relationships 7%, and business and family relationships 22%).

Chart 81 Relationship between supervisory board members and other supervisory board members from 2015 to 2024



Source: Governance practices questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, Annual Report on Corporate Governance for 2015, 2016, 2017 and 2018

## Supervisory board meetings

- In 2024, the number of supervisory board meetings ranged between 3 and 75, with the average number of the issuers' supervisory board meetings held during the year amounting to 11 (10 meetings in 2023). All supervisory boards held at least 3 meetings in 2024 (during 2023, they held at least 1 meeting).
- Meetings of supervisory boards of 68 issuers (97%) were held at least once in three months (74 issuers (94%) in 2023).
- A total of 54 issuers (77%) reported having a schedule of meetings of supervisory board for 2024 (59 issuers, i.e., 71%, in 2023).
- A total of 68 issuers (93%) reported having an internal regulation on supervisory board activities (74 issuers, i.e., 89% in 2023); 10 issuers (15%) reported changes in the regulation during the year (14 issuers (17%) reported this in 2023).

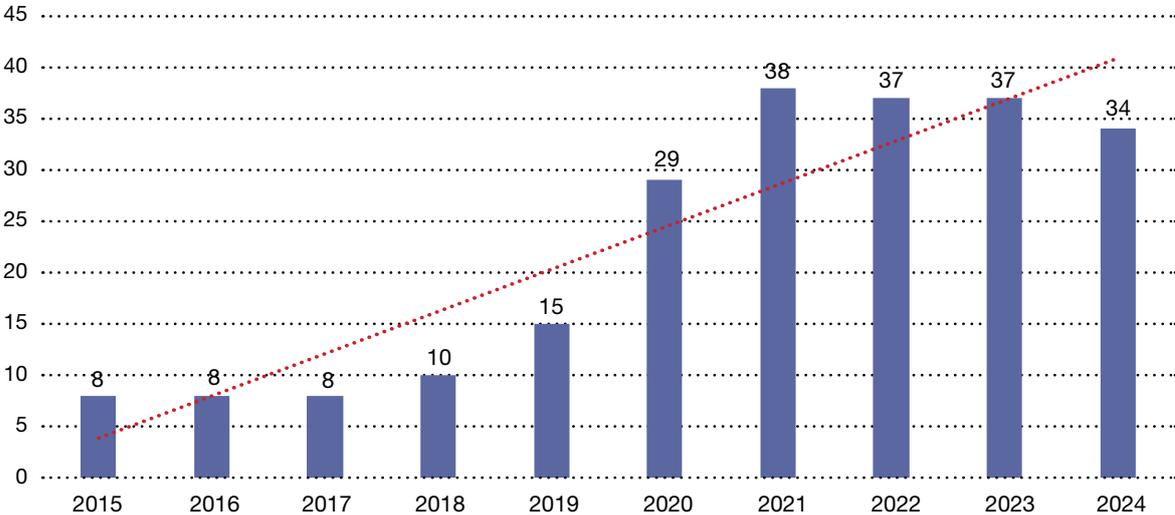
## Supervisory board committees

Pursuant to the Code, the supervisory board should establish at least an audit committee, a nomination committee and a remuneration committee. The supervisory committee should define the mandate and activities of each of the committees. Each supervisory board committee should have at least three members, and the majority of the members of each committee should be independent. The chair of the board should be an independent supervisory board member. Management board members may not be members of supervisory board committees. The supervisory board should ensure that members of each of its committees possess an appropriate level of education, knowledge, skills, and professional and practical experience to perform the tasks of the committee effectively.

- A total of 34 issuers (49%) reported having established all the three supervisory board committees: nomination committee, remuneration committee and audit committee (37 issuers, or 45%, in 2023).
- Broken down by segments of the regulated market, all the three supervisory board committees were established by:
  - 6 issuers (out of 6) on the Prime Market
  - 10 issuers (out of 17) on the Official Market and
  - 18 issuers (out of 47) on the Regular Market.

The chart below shows the number of share issuers with all the three supervisory board committees (nomination committee, remuneration committee and audit committee) in place from 2015 to 2024.

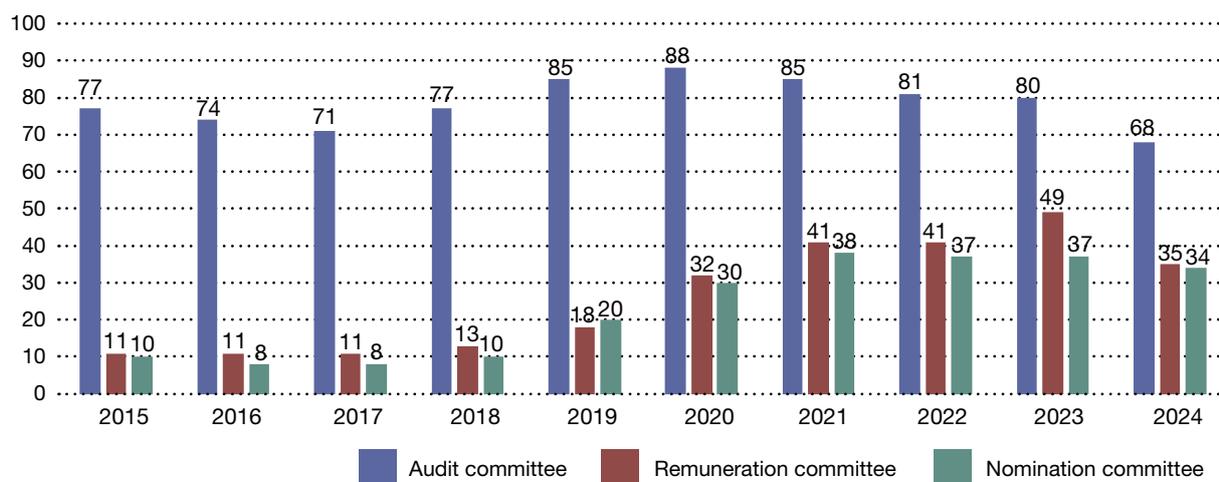
Chart 82 Number of share issuers with all the three supervisory board committees in place in the 2015-2024 period



Source: Governance practices questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, Annual Report on Corporate Governance for 2015, 2016, 2017 and 2018

- Broken down by individual supervisory board committees, 68 issuers (97%) reported having established an audit committee, 35 issuers (50%) reported having established a remuneration committee, while 34 issuers (49%) reported having established a nomination committee (in 2023, 80 issuers (96%) had an audit committee, 49 issuers (47%) had a remuneration committee, while 37 issuers (45%) had a nomination committee).

Chart 83 Number of issuers with supervisory board committees in place in the 2015-2024 period



Source: Governance practices questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, Annual Report on Corporate Governance for 2015, 2016, 2017 and 2018

Broken down by individual supervisory board committees:

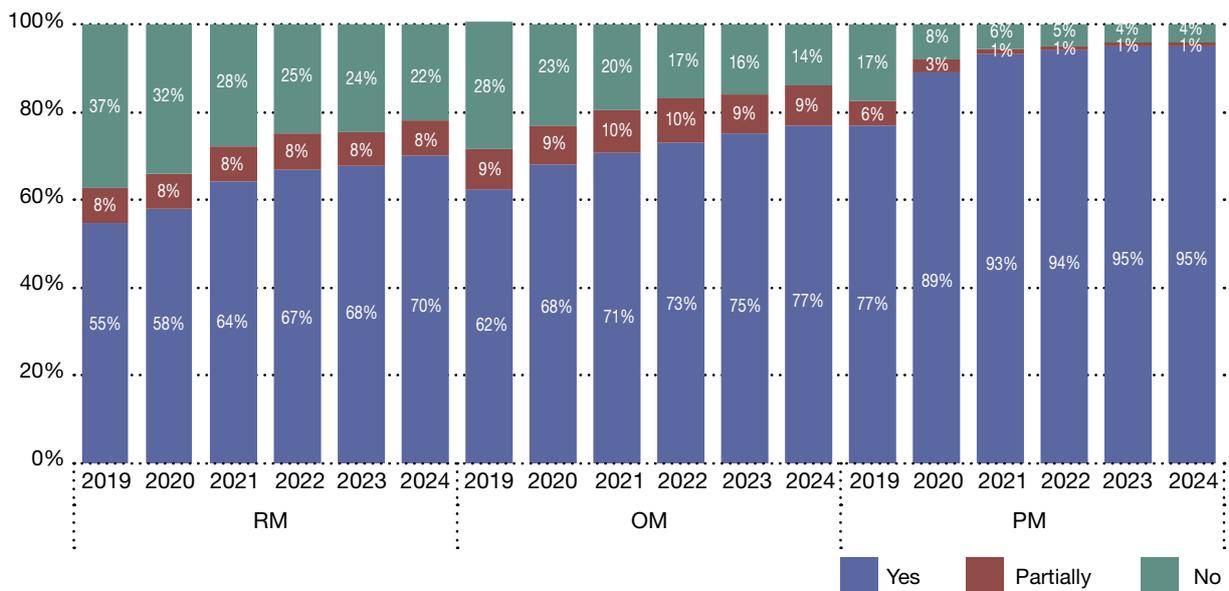
- 149 supervisory board members (39%) were audit committee members
  - 37 supervisory board members (12%) were remuneration committee members
  - 43 supervisory board members (11%) were nomination committee members
  - 145 supervisory board members (38%) were not members of any of the basic committees pursuant to the Code.
- In 2024, 20% of share issuers had an additional committee in place (12% in 2023).
  - The three supervisory board committees had 3 members each on average (as in 2023). One member of each of the committees was independent on average (as in 2023).
  - A total of 54 out of 68 issuers (79%) that had an audit committee in place also reported having established its internal working procedures; 49 of them (91%) reported the preparation of reports on the work of the audit committee, with 21 (43%) of the reports being available to the public (in 2023, out of 80 issuers with the audit committee in place, 59 of them reported having established its internal working procedures, while all issuers (100%) reported the preparation of reports on the work of the audit committee, with 44% of the reports being available to the public).
  - A total of 30 issuers (of 35), i.e. 86%, that had a remuneration committee in place also reported having established its internal working procedures, while 24 of them (69%) reported the preparation of reports on the work of the remuneration committee, with 75% of the reports being available to the public (in 2023, out of 39 issuers with a remuneration committee in place, all of them reported having established its internal working procedures, while 29 issuers (74%) reported the preparation of reports on the work of the remuneration committee, with 69% of the reports being available to the public).
  - A total of 30 issuers (of 34), i.e., 88%, with the nomination committee in place also reported having established its internal working procedures (in 2023, out of 37 issuers with the nomination committee in place 32 issuers (86%) reported having established its internal working procedures).

- In 2024, audit committees held 4 meetings on average (as in 2023), remuneration committees held 3 meetings on average (as in 2023) and nomination committees held 2 meetings on average (3 meetings in 2023).
- Supervisory boards of 94% of issuers ensured that members of each of their committees possessed an appropriate level of education, knowledge, skills, and professional and practical experience to perform the tasks of the committee effectively (89% in 2023).
- Supervisory board committees of 92% of share issuers met as often as necessary to perform their tasks effectively and reported to the supervisory board regularly on their activities (89% in 2023, as well).

### Issuers' compliance with the Code in the area relating to the supervisory board and its committees

The chart below shows the share issuers' compliance with the section "Supervisory board and its committees" in 2019, 2020, 2021, 2022, 2023 and 2024.

Chart 84 Share issuers' compliance with the section "Supervisory board and its committees" in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market



Source: Compliance questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, internal calculation

- In 2024, the issuers whose shares are admitted to the Prime Market reached the level of compliance with the section "Supervisory board and its committees" amounting to 91% on average.
- The issuers whose shares are admitted to the Official Market reached the level of compliance with the section "Supervisory board and its committees" amounting to 71% on average.
- The issuers whose shares are admitted to the Regular Market reached the level of compliance with the section "Supervisory board and its committees" amounting to 64% on average.

The issuers whose shares are admitted to trading on the Prime Market, Official Market and Regular Market showed greater compliance with the section "Supervisory board and its committees" relative to the observed period.

## MANAGEMENT BOARD

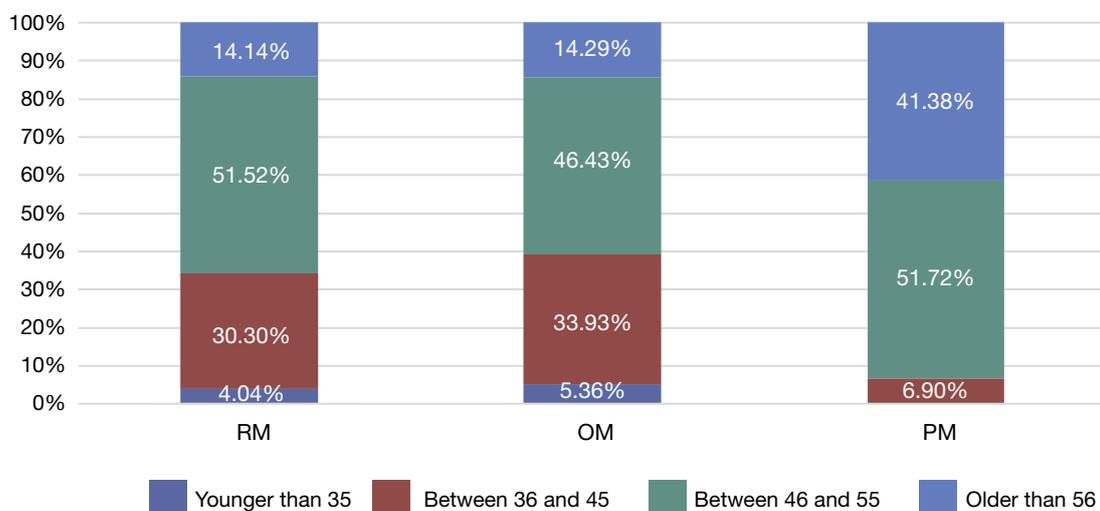
The management board has the primary responsibility for the company’s operations, for meeting its targets and strategic objectives set, and for maintaining its reputation as a responsible and trustworthy company.

The following text presents the analysis of the data delivered in the 2024 governance practices questionnaire and compliance questionnaire.

### Number of members and composition of the management board

- According to the governance practices questionnaire, as at 31 December 2024, the majority of management board members (90%) had a university degree (82% in 2023), while 4% of them had a PhD (5% in 2023).
- As at 31 December 2024, 7% of management board members were foreign citizens (8% in 2023).
- As at 31 December 2024, the management board of the issuers consisted of 3 members on average (2 members in 2023).
- Out of the total number of female management board members (39), three (8%) had a PhD (3% in 2023).
- According to the data from the governance practices questionnaire, as at 31 December 2024, the majority of management board members (50%) were between 46 and 55 years old (48% in 2023), 28% of them were between 36 and 45 years old (same as in 2023), 18% of them were over 56 years of age (19% in 2023), while 4% of them were younger than 35 years of age (5% in 2023).

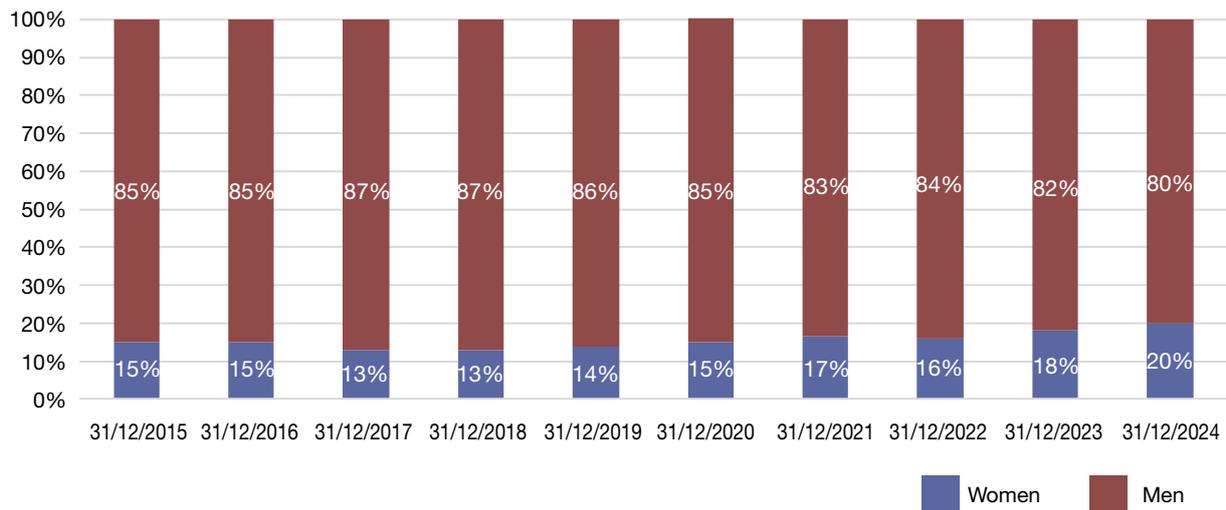
Chart 85 Management board age structure as at 31/12/2024 by segments of the regulated market



Source: Governance practices questionnaire 2024

- The majority of management board members aged from 46 to 55 sat on management boards of issuers whose shares are admitted to trading on the Prime Market (52%), a share higher compared to the Official Market, where the percentage totalled 46%, and almost equal to the Regular Market, where it stood at 51%.
- There were no members younger than 35 on management boards of issuers whose shares are admitted to trading on the Prime Market.

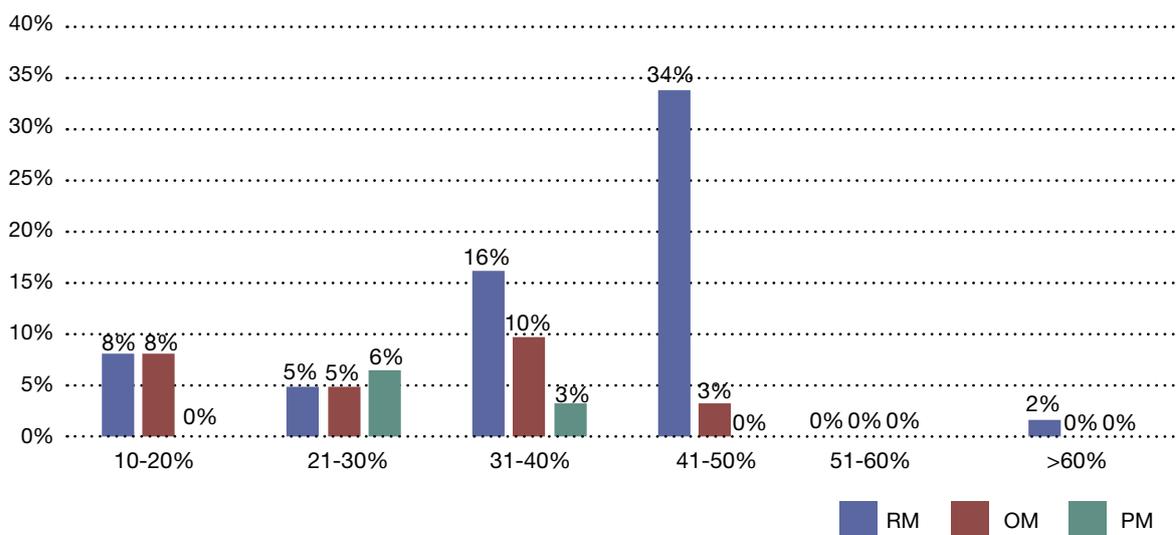
Chart 86 Share issuers' management board gender structure from 2015 to 2024



Source: court register<sup>8</sup>

- Management board gender structure did not change significantly during the observed period. The share of women on the share issuers' management boards at the end of 2024 slightly increased relative to 2023.

Chart 87 Share issuers that set a target percentage of female management board members in 2024



Source: Governance practices questionnaire 2024

<sup>8</sup> Data on the number and gender of management board members have been analysed based on the data from the court register in order for all issuers to be encompassed by the analysis (including those that failed to deliver the questionnaire). It should be pointed out that there might be certain discrepancies in the numbers in cases where some issuers failed to report changes to the court register in a timely manner.

- According to the corporate governance practices questionnaire, 62 issuers set a target percentage of female management board members (63 issuers in 2023).
- The largest number of issuers (23, i.e., 34%) set a target percentage of female management board members ranging between 41% and 50%, while a target percentage of female management board members ranging between 51% and 60% was set by the smallest number of issuers (0, i.e., 0%).
- Broken down by individual segments of the market:
  - the largest number of issuers on the Regular Market set a target percentage of female management board members ranging between 41% and 50%; this percentage was set to range between 51% and 60% by the smallest number of these issuers
  - the largest number of issuers on the Official Market set a target percentage of female management board members ranging between 31% and 40%; this percentage was set to range between 51% and 60% by the smallest number of these issuers
  - 4 issuers on the Prime Market (67%) set a target percentage of female management board members ranging between 21% and 30%, while the remaining 2 issuers (33%) set a target percentage of female management board members ranging between 31% and 40%.

## Meetings of the management board

- In 2024, the number of management board meetings held ranged from 0 to 197 (the number of meetings held by one issuer on the Regular Market), while the average number of management board meetings held during the year was 274 (in 2023, the number of management board meetings held ranged from 0 to 195 (the number of meetings held by one issuer on the Regular Market, too, while the average number of the meetings held during the year was 22).
- In 2024, 35 issuers (50%) reported having a schedule of meetings of the management board (37 issuers or 45% in 2023).
- A total of 56 issuers (80% of all issuers) reported having an internal regulation on management board activities (rules of procedure of the management board), while 18 issuers (32%) reported changes in this regulation having occurred during the year (in 2023, 62 issuers (75%) reported having an internal regulation on management board activities, while 17 of them (27%) reported changes in this regulation having occurred during the year).

## Terms of office and duration of management board membership

Members and the chair of the management board are appointed by the supervisory board of the issuer for a maximum period of five years, and may be reappointed.

- At the end of 2024, the average duration of management board membership was 6 years (in 2023 it was 5 years).
- As at 31 December 2024, the average number of terms of office of management board members was 2.41 (2.23 in 2023). In 2024, the largest number of consecutive terms of office (ten) was reported by 2 management board members (in 2023, the largest

number of consecutive terms of office (ten) was reported by 2 management board members).

- In 2024, a total of 42 issuers reported new appointments (first term of office - 74 newly appointed members). (In 2023, 15 issuers reported a total of 24 newly appointed management board members).
- Out of the 74 newly appointed management board members in 2024, 18 (24%) were women (in 2023, out of the 24 newly appointed management board members, 7 (29%) were women).

### Resignations of management board members

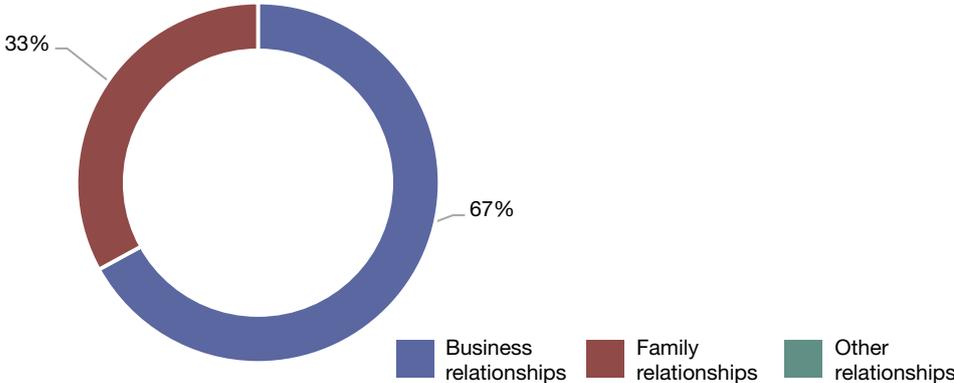
Resignations of management board members are submitted in writing.

- In 2024, a total of 16 management board members resigned prior to the expiry of their terms, mostly due to personal reasons (5 management board members due to same reasons in 2023).

### Management board members’ relationship with members of the management/supervisory board within the issuer and with other companies

Chart 88 shows the proportion of management board members related to other management board members in 2024, with respect to the type of relationship.

Chart 88 Relationship between management board members and other management board members in 2024

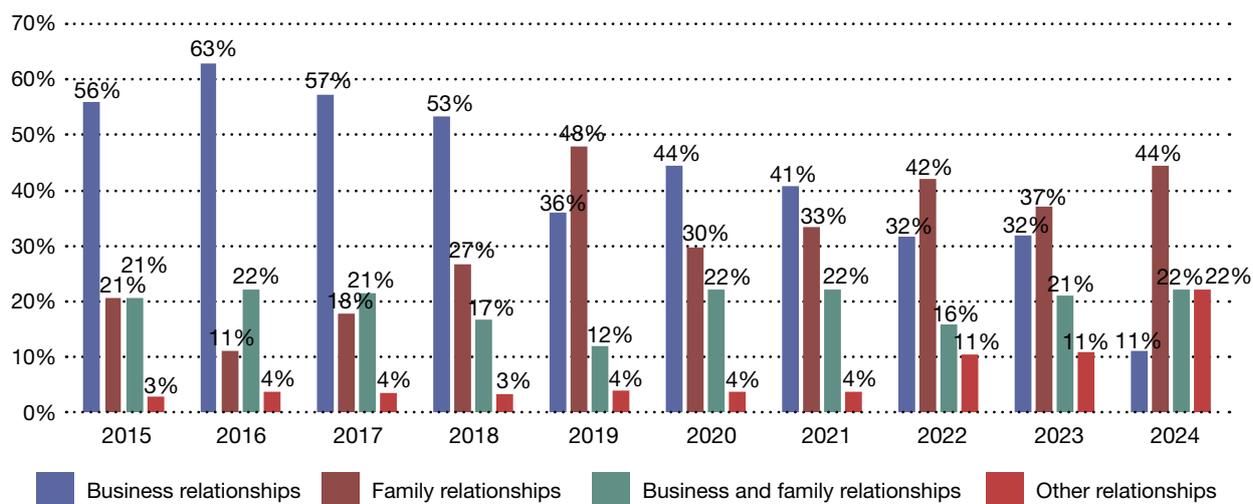


Source: Governance practices questionnaire 2024

- In 2024, 9 supervisory board members of 4 issuers were related to other supervisory board members. The majority of management board members (6 of them, i.e., 67%) were related by family relationships, followed by other relationships (3, i.e., 33%). In the previous year, a total of 19 management board members in 8 issuers were related with other management board members. The majority of management board members (9 of them, i.e., 47%) were related by business relationships, followed by family relationships (7, i.e., 37%) and other relationships (3 members, i.e., 16%).

The chart below shows the relationship between management board members and supervisory board members from 2015 to 2024, by types of relationships.

Chart 89 Relationship between management board members and supervisory board members from 2015 to 2024



Source: Governance practices questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, Annual Report on Corporate Governance for 2015, 2016, 2017 and 2018

In the period observed, the majority of management board members were related to supervisory board members by family relationships (44% on average), while 22% of management board members on average were related to supervisory board members by other relationships.

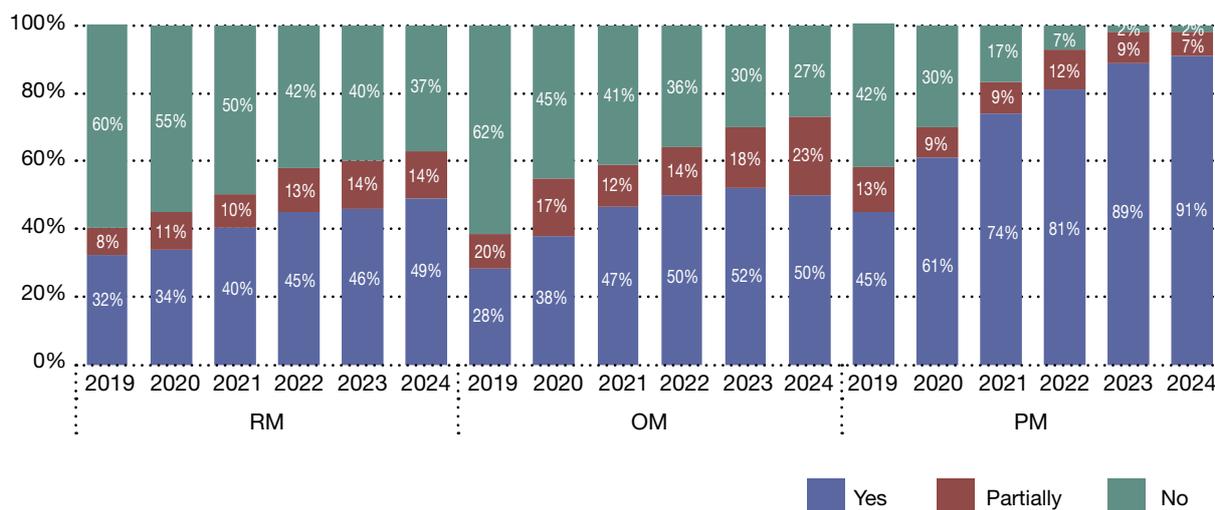
- In 2024, a total of 9 management board members in 6 issuers were related to supervisory board members. The majority of them were related by family relationships (4 management board members, or 44%), followed by business and family relationships and other types of relationships (2 management board members each, or 22%) and business relationships (1 management board member, or 11%). In 2023, a total of 19 management board members in 14 issuers were related to supervisory board members; the majority of them were related by family relationship.
- In 2024, a total of 63 management board members were at the same time management board members in 3 other companies on average, of which 0.20 on average were issuers on the regulated market, and 1.89 on average were a related company within the meaning of Article 473 of the Companies Act (in 2023, 77 management board members were at the same time management board members in 3 other companies on average, of which 0.4 on average were issuers on the regulated market, and 1.84 on average were a related company).
- In 2024, a total of 54 management board members were at the same time supervisory board members in 2 other companies on average, of which 1.98 on average were a related company within the meaning of Article 473 of the Companies Act (in 2023, 73 management board members were at the same time supervisory board members in 2 other companies on average, of which 1.7 on average were a related company within the meaning of Article 473 of the Companies Act).
- In 2024, a total of 65% of share issuers reported having in place rules of procedure of the management board adopted by the supervisory board which defines the division of responsibilities and cooperation among management board members (62% in 2023).

- Supervisory boards of 63% of share issuers ensured that the management board was defined by a minimum number of members and a combination of members who possessed an appropriate level of education, skills, knowledge and professional and practical experience (94% in 2023).
- Supervisory boards of 84% of share issuers evaluated the effectiveness of the arrangements for cooperation between the supervisory and management board in the past 12 months (82% in 2023).

### Issuers' compliance with the Code in the area relating to the supervisory board and management board

The chart below shows the compliance of the share issuers with the provisions of the section "Appointment of board members" by segments of the regulated market.

Chart 90 Share issuers' compliance with the section "Appointment of board members" in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market

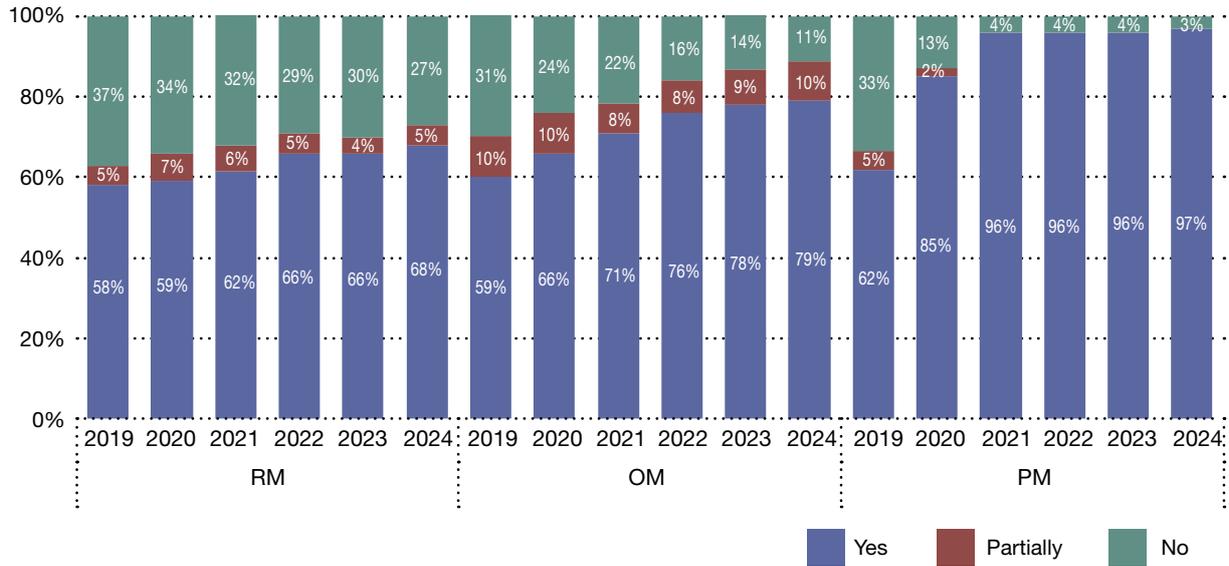


Source: Compliance questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, internal calculation

- In 2024, the issuers whose shares are admitted to the Prime Market reached the level of compliance with the section "Appointment of board members" of 91% on average.
- During the observed period, the average level of compliance of issuers on the Official Market and Regular Market with the section "Appointment of board members" reached 44% and 41% respectively.

In 2024, issuers whose shares are admitted to trading on the Prime Market, Official Market and Regular Market showed greater compliance with the provisions of the Code relating to the section "Appointment of board members" relative to the observed period.

Chart 91 Share issuers' compliance with the section "Leadership" in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market

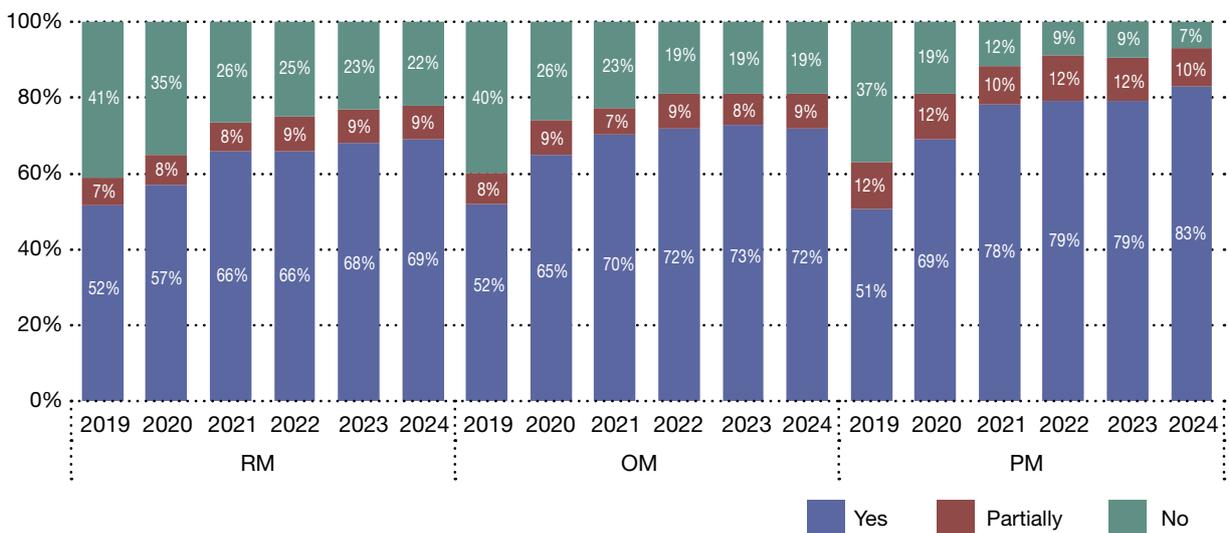


Source: Compliance questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, internal calculation

- In 2024, the issuers whose shares are admitted to trading on the Prime Market recorded the level of compliance with the section "Management board" of 96% on average.
- The level of compliance with this section achieved by the issuers whose shares are admitted to trading on the Official Market and Regular Market reached 79% and 68% respectively.

Issuers whose shares are admitted to trading on the Prime Market, Official Market and Regular Market show a steady growth of compliance with the section "Management board" in comparison with the observed period.

Chart 92 Share issuers' compliance with the section "Duties of board members" in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market



Source: Compliance questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, internal calculation

- Issuers whose shares are admitted to the Prime Market reached the level of compliance with the section “Duties of board members” of 83% on average.
- The level of compliance recorded by issuers whose shares are admitted to trading on the Official Market and Regular Market reached 72% and 69% respectively.

## REMUNERATION OF BOARD MEMBERS

The supervisory board of the issuer is responsible for the adoption of decisions on the remuneration of management and supervisory board members, which should be in line with the long-term interests of the issuer, as well as its shareholders. It is considered a good governance practice to ensure a transparent relationship between the governance and remuneration policies and performance of the company, for the purpose of which issuers should publicly disclose a remuneration statement and allow shareholders to express their views on the remuneration policy.

### Remuneration of management board members

The amount of remuneration of management board members is determined by the supervisory board. Pursuant to the Code, when determining the aggregate income of each management board member (salary, profit participation, reimbursement of expenses, payment of insurance premiums, commissions and all other benefits), the supervisory board should ensure that the aggregate income is appropriate to the work done by that management board member and to the financial position of the company.

Pursuant to the Code, the remuneration of management board members consists of the following elements:

- fixed remuneration, which is invariable and does not depend on the performance of the company (salary, reimbursement of travel and other expenses, payments of life and health insurance premiums, additional retirement premiums, etc.)
- variable remuneration, which is linked to the performance of the company in a particular business year (profit participation, commission, royalties)
- share options and similar instruments with the effect of long-term incentives.

Table 19 shows the average gross amount of fixed and variable remuneration paid to management board members, the average amount of other benefits paid to management board members and the average value of options given to management board members in the period from 2015 to 2024. The amounts shown in Table 19 are average amounts paid to the entire management board (not to a single management board member).

Table 19 Remuneration paid to share issuers' management board members in the 2015-2024 period

		Average gross amount of remuneration (in EUR)		Average amount of options held by management board members (in EUR)	Average amount of other remuneration (in EUR)
		Fixed remuneration	Variable remuneration		
2024	Number of issuers	65	44	1	38
	Amount	386,692	192,857	403,232	78,659
2023	Number of issuers	77	46	1	35
	Amount	319,404	245,750	232,527	93,100
2022	Number of issuers	80	35	1	37
	Amount	336,807	120,412	243,270	56,463
2021	Number of issuers	84	35	2	32
	Amount	273,764	176,383	236,483	39,155
2020	Number of issuers	86	36	3	31
	Amount	276,371	79,991	475,849	49,632
2019	Number of issuers	84	39	2	31
	Amount	299,595	269,678	147,863	109,227
2018	Number of issuers	73	19	3	1
	Amount	330,148	308,684	1,628,522	158,976
2017	Number of issuers	69	16	2	14
	Amount	288,700	252,079	1,700,329	157,421
2016	Number of issuers	72	19	3	7
	Amount	296,828	232,583	1,577,589	179,116
2015	Number of issuers	85	20	4	7
	Amount	254,569	377,693	1,416,649	61,568

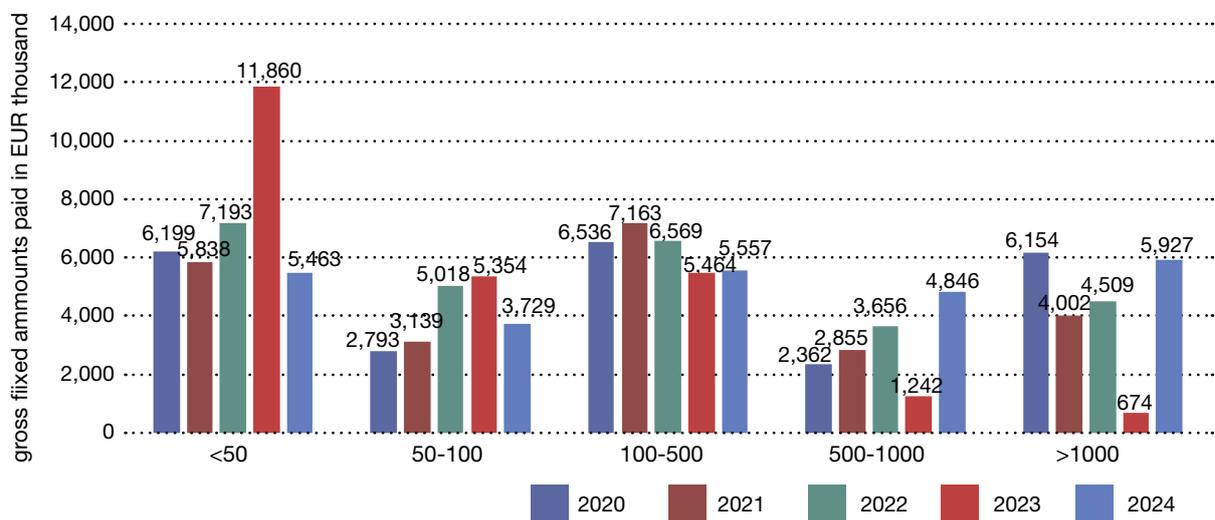
Source: Governance practices questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, Annual Report on Corporate Governance for 2015, 2016, 2017 and 2018

- In 2024, 65 share issuers paid a gross fixed amount of remuneration to management board members totalling EUR 25,521,683 (in 2023, 77 share issuers paid a gross fixed amount of remuneration to management board members totalling EUR 24,594,105).
- The average gross fixed amount of remuneration paid to management board members in 2024 is higher compared to the previous observed periods.
- The gross fixed amount of remuneration paid to management board members in 2024 ranged from EUR 25 thousand to EUR 2m (in 2023, it ranged from EUR 14.7 thousand to EUR 2.3m). As in the previous year, the highest gross amounts of fixed remuneration were paid to management board members of issuers from the banking sector, while the lowest gross amounts of fixed remuneration were paid in the management activities of holding companies.
- 44 issuers paid gross variable remuneration to management board members reaching EUR 12,728,560 (in 2023, the amount totalling EUR 11,304,491 was paid by 46 issuers).

- The gross amounts of variable remuneration paid to management board members in 2024 reached EUR 192,857 on average (EUR 245,750 in 2023).
- The gross variable amount of remuneration paid to management board members in 2024 ranged from EUR 10 thousand to EUR 2.3m (from EUR 756 to EUR 1.5m in 2023).
- In 2024, the highest gross amount of variable remuneration was paid to management board members of an issuer from the telecommunications industry, while the lowest amount was paid by an issuer engaged in the financial and insurance activities (in the previous period, the highest amount was paid in the telecommunications industry, and the lowest in the accommodation and food service activities).
- One issuer from the food industry granted options to management board members in the amount of EUR 403,232 (in 2023, also one issuer from the food industry, and the amount stood at EUR 232,527).
- 38 issuers paid other benefits to management board members reaching EUR 2,989,050 (in 2023, the amount totalling EUR 3,258,512 was paid by 35 issuers). The amounts of other benefits paid to management board members in 2024 ranged from EUR 841 to EUR 1.1m (in 2023, they ranged from EUR 287 to EUR 1.1m).
- In 2024, a total of 66 issuers submitted the annual management board remuneration report to the general meeting (74 issuers in 2023).

The chart below shows a comparative overview of the total gross fixed remuneration paid to management board members (in EUR thousand) in relation to the market capitalisation of issuers for 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023 and 2024.

Chart 93 Total gross amounts of fixed remuneration paid to management board members (in EUR m) in relation to market capitalisation of issuers (in EUR m) in 2020, 2021, 2022, 2023 and 2024

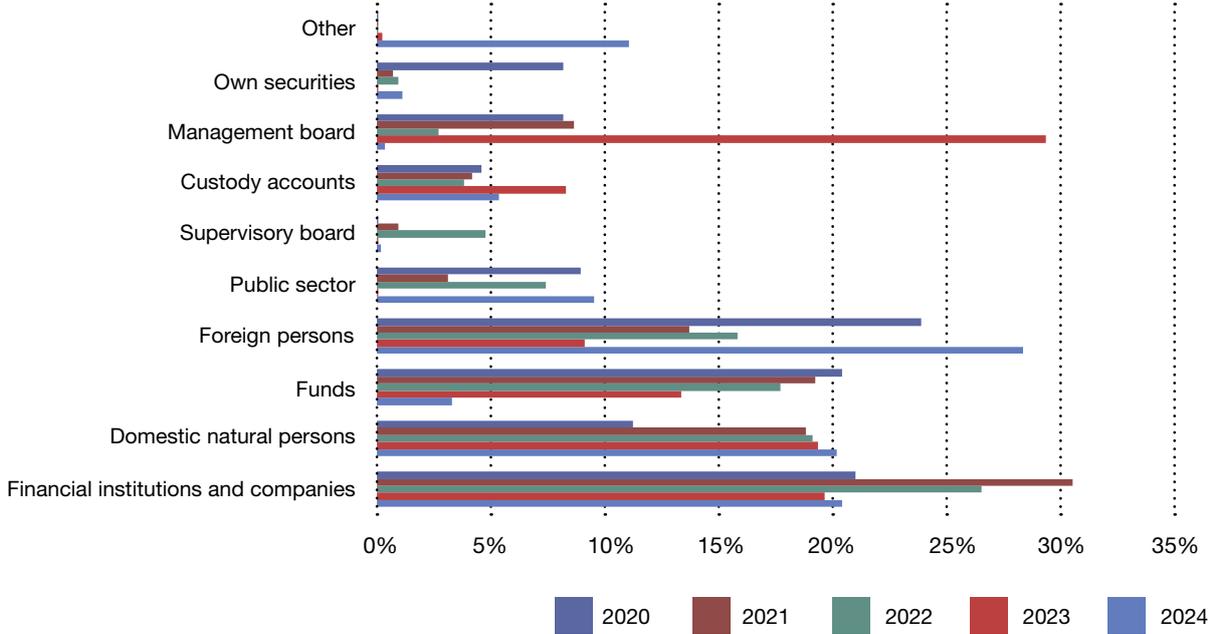


Source: Governance practices questionnaire for 2020, 2021, 2022, 2023 and 2024, ZSE

- In 2024, management board members were paid gross fixed remuneration in the amount reaching EUR 25,521,682.85 (in 2023, the amount totalled EUR 24,594,105.86).
- The largest amount of gross fixed remuneration reaching EUR 1,989,347.86 was paid to management board members by issuers with the market capitalisation in the amount > EUR 1000m, while the smallest amount of gross fixed remuneration reaching EUR 24,963.44 was paid to management board members by issuers with their market capitalisation < EUR 50m.

- Compared to 2023, the greatest difference in total gross fixed remuneration paid to management board members is evident among issuers with the market capitalisation > EUR 1000m (an 89% increase), followed by those with the market capitalisation of EUR 500 – 1000m (a 74% increase), and those with the market capitalisation < EUR 50m (a 114% decrease).

Chart 94 Ownership structure of share issuers that paid gross fixed remuneration to management board members totalling more than EUR 500 thousand in 2020, 2021, 2022, 2023 and 2024



Source: Governance practices questionnaire for 2020, 2021, 2022, 2023 and 2024, CDCC

- The ownership structure of share issuers that paid gross fixed remuneration to management board members totalling more than EUR 500 thousand in 2024 was dominated by foreign persons (28%), followed by financial institutions and companies (20%) and domestic natural persons (also 20%) (in 2023, the ownership structure of share issuers that paid gross fixed remuneration to management board members totalling more than EUR 500 thousand was dominated by management board with a 29% share and financial institutions and companies with a 20% share).

### Management board remuneration policy

Article 247a of the Companies Act prescribes the obligation to decide on the system of remuneration of members of the management board and supervisory board by adopting a remuneration policy.

Article 272r of that Act stipulates that the management and supervisory board, or executive directors and the board of directors of the company whose shares are admitted to trading on the regulated market once a year prepare a clear and comprehensible report on all remuneration paid or committed to be paid by the company, or another

company belonging to the same group, to each current and former member of the management board and supervisory board, or to the executive director and a member of the board of directors during the previous financial year.

Contents of the report on remuneration paid to management and supervisory board members are prescribed by Article 272r(1) and (2) of the Companies Act.

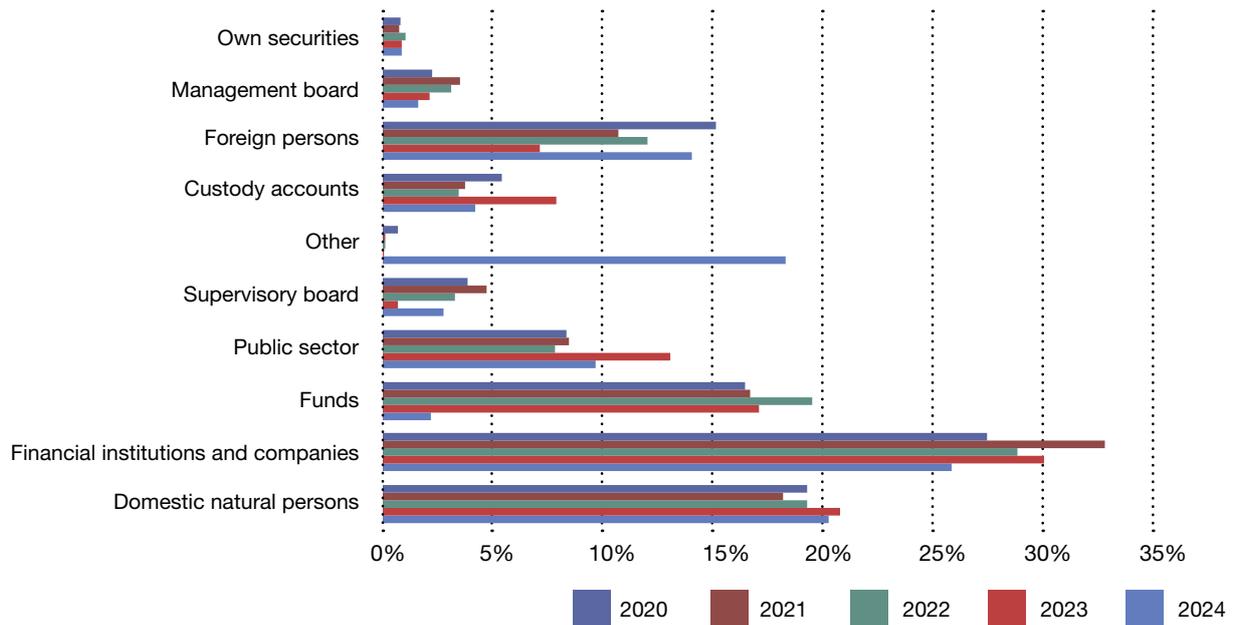
Pursuant to provisions 51 and 52 of the Code, the supervisory board should determine annual remuneration paid to each member of the management board, based on recommendations from the remuneration committee and in line with the approved remuneration policy, while the policy should be prepared in accordance with relevant legal requirements. The remuneration of management board members and key performance indicators taken into account when determining performance-based part of remuneration should be at an adequate, level taking account of the strategy agreed, risk appetite, economic environment the company is operating in, and pay and working conditions of the company's employees.

Furthermore, provision 53 of the Code stipulates that, where shares are awarded to a management board member as part of the remuneration package, the management board member should not dispose of those shares for at least two years following the day on which they were awarded the shares. Where a member of the management board is awarded options to buy shares as part of the remuneration package, the management board member should not exercise the options prior to the expiry of two years following the day on which they were awarded the options. The remuneration policy should include provisions specifying circumstances in which part of the management board member's remuneration would be withheld or recovered.

- In 2024, 93% of the share issuers reported having in place a remuneration policy for management board members, of which 6 issuers on the Prime Market, 16 issuers on the Official market and 43 issuers on the Regular Market (in 2023, 91% of the issuers reported having in place a remuneration policy, of which 6 issuers on the Prime Market, 18 issuers on the Official Market and 50 issuers on the Regular Market).
- A total of 88% out of 65 issuers who had in place a remuneration policy for management board members publicly disclosed their policy (in 2023, 95% out of 73 issuers with a remuneration policy in place publicly disclosed their policy).
- The remuneration policy was approved by shareholders at the general meeting of 91% of the issuers (in 2023, this percentage reached 88%).
- The remuneration policy of 9% of the issuers included provisions specifying in more detail circumstances in which part of the management board member's remuneration would be withheld or recovered (49% in 2023).
- A total of 97% of the issuers reported that the level of remuneration paid to their management board members took account of the strategy agreed, risk appetite, economic environment the company is operating in, and pay and working conditions of the company's employees (94% of the issuers in 2023).

The ownership structure of the share issuers that reported having in place a remuneration policy for management board members in 2020, 2021, 2022, 2023 and 2024 is shown in the following chart.

Chart 95 Ownership structure of share issuers with a remuneration policy for management board members in place in 2020, 2021, 2022, 2023 and 2024



Source: Governance practices questionnaire for 2020, 2021, 2022, 2023 and 2024, CDCC

- Issuers that reported having in place a remuneration policy for management board members at the end of 2024 were mostly owned by financial institutions and companies (with a 26% share) and domestic natural persons (20% share) (in 2023, they were mostly owned by financial institutions and companies (30%) and funds (21%)).

## Severance allowance for management board members

- In 2024, 13% of the issuers reported having agreed the amount of severance allowance for management board members totalling EUR 4,901,452 (in 2023, 8% of the issuers reported having agreed the amount of severance allowance for management board members totalling EUR 3,928,611).
- In 2024, the amounts of severance allowance agreed ranged from EUR 9 thousand to EUR 1.8m (from EUR 9.7 thousand to EUR 1.7m in 2023).
- A total of 4% of the issuers paid severance allowance to management board members in 2024 (5% of the issuers in 2023).

## Remuneration of supervisory board members

Pursuant to Article 269 of the Companies Act (in force since 1 May 2020), members of the supervisory board may receive remuneration for their services that may be defined as the participation by the supervisory board member in the profit of the issuer. The remuneration is determined by articles of association or by the decision of the general meeting of the issuer. It should be in line with activities carried out by the supervisory board member and with the financial position of the issuer.

Furthermore, companies whose shares are admitted to trading on the regulated market should adopt a decision on the remuneration of supervisory board members at least every four years.

Pursuant to the Code, the level of remuneration of the chair and other members of the supervisory board should reflect the time commitment and responsibilities of their roles, including those in supervisory board committees. Moreover, the remuneration of supervisory board members should not include variable or other elements relating to business performance.

- In 2024, 73% of the issuers reported having in place a remuneration policy for supervisory board members (6 issuers on the Prime Market, 13 issuers on the Official Market and 32 issuers on the Regular Market), of which 45 issuers (88%) reported having publicly disclosed the policy).

*Table 20 Manner of determining the level of remuneration for supervisory board members in 2020, 2021, 2022, 2023 and 2024*

	2020	2021	2022	2023	2024
General meeting	76%	90%	80%	80%	86%
Articles of association	16%	8%	15%	14%	7%
Other	6%	2%	5%	6%	7%

Source: Governance practices questionnaire for 2020, 2021, 2022, 2023 and 2024

- In 2024 (as in previous periods), the level of remuneration for supervisory board members was most often determined by the general meeting (86% of the issuers), followed by articles of association (7% of the issuers) and other manners of determining the level of remuneration for supervisory board members of the issuers (also 7% of the issuers).
- In 2023, fixed amounts of remuneration totalling EUR 6,346,093 were paid to supervisory board members by 84% of the issuers (the amount of EUR 6,833,985 was paid by 83% of the issuers in 2022).

The following table shows the amounts of remuneration paid to supervisory board members in the period from 2015 to 2024.

*Table 21 Remuneration paid to supervisory board members in the 2015-2024 period*

		Average gross amount of remuneration (in EUR)		Average amount of other remuneration (in EUR)
		Fixed remuneration	Variable remuneration	
2024	Number of issuers	66	/	18
	Amount	98,201	/	46,994
2023	Number of issuers	70	/	19
	Amount	90,658	/	55,032
2022	Number of issuers	72	/	20
	Amount	94,916	/	57,706

2021	Number of issuers	72	/	17
	Amount	73,723	/	114,313
2020	Number of issuers	79	/	18
	Amount	67,335	/	136,020
2019	Number of issuers	75	/	12
	Amount	67,818	/	38,905
2018	Number of issuers	78	7	1
	Amount	63,377	33,109	424
2017	Number of issuers	71	4	0
	Amount	57,312	38,715	0
2016	Number of issuers	78	5	0
	Amount	53,999	102,846	0
2015	Number of issuers	89	5	0
	Amount	51,911	63,679	0

Source: Governance practices questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, Annual Report on Corporate Governance for 2015, 2016, 2017 and 2018

- In 2024, 66 share issuers paid remuneration to supervisory board members in the total amount of EUR 6,481,866, while 18 issuers paid other benefits to supervisory board members in the total amount of EUR 845,895.
- In 2024, fixed amounts of remuneration paid to supervisory board members ranged from EUR 4.3 thousand to EUR 617.1 thousand (from EUR 3.4 thousand to EUR 580.8 thousand in 2023).
- A total of 87% of the issuers reported having submitted the annual supervisory board remuneration report to the general meeting (80% of the issuers in 2023).
- Levels of remuneration of the chair and members of the supervisory board of the majority of the issuers (79%) reflected the time commitment and responsibilities of their roles (72% of the issuers in 2023).
- Remuneration policies and/or internal regulations of 74% of the issuers prohibit the inclusion of variable or other elements relating to business performance in the remuneration of supervisory board members (64% in 2023).
- A total of 85% of the issuers reported having included data on the remuneration of individual supervisory board members in the annual remuneration report (83% of the issuers in 2023).

## Remuneration paid to the senior management

- In 2023, 75% of the issuers paid fixed remuneration to their senior management in the total amount of EUR 46,519,398, with single amounts of the remuneration ranging from EUR 5.6 thousand, reported by an issuer engaged in the production of textiles, clothing, leather and related products, to EUR 5.4m, reported by an issuer from the financial and insurance activities sector (in 2022, 75% of the issuers paid fixed remuneration to their senior management in the total amount of EUR 45,800,954, with single amounts of the remuneration ranging from EUR 12.5 thousand, reported by an issuer engaged in management activities of holding companies, to EUR 4.9m, reported by an issuer from the insurance sector).

Table 22 Remuneration paid to the issuers' senior management in the 2020-2024 period

		Average gross amount of remuneration (in EUR)		Average amount of other remuneration (in EUR)
		Fixed remuneration	Variable remuneration	
2023	Number of issuers	53	36	31
	Amount	965,225	338,024	107,013
2023	Number of issuers	62	36	26
	Amount	798,700	273,162	58,785
2022	Number of issuers	65	36	26
	Amount	704,630	139,416	63,816
2021	Number of issuers	65	27	20
	Amount	754,953	278,346	76,847
2020	Number of issuers	67	29	19
	Amount	753,675	111,360	61,004

Source: Governance practices questionnaire for 2020, 2021, 2022, 2023 and 2024

- In 2024, 36 issuers paid variable remuneration to their senior management in the total amount of EUR 12,168,879, with single amounts of variable remuneration ranging from EUR 4.7 thousand, reported by an issuer from the food, beverages and tobacco manufacturing industry, to EUR 2.1m, reported by an issuer engaged in the wholesale and retail trade – repair of motor vehicles and motorcycles (in 2023, 36 issuers paid variable remuneration to their senior management in the total amount of EUR 9,833,814, with single amounts of variable remuneration ranging from EUR 2.9 thousand, reported by an issuer from the research and development sector, to EUR 2m, reported by an issuer engaged in the wholesale and retail trade – repair of motor vehicles and motorcycles).
- Other benefits in the average amount of EUR 107,013 were paid to the senior management by 31 issuers (in 2023, other benefits in the average amount of EUR 58,785 were paid to the senior management by 26 issuers).
- One issuer granted options to the senior management in the total amount of EUR 305,832 (one issuer in 2023 as well, with the total amount reaching EUR 305,832).

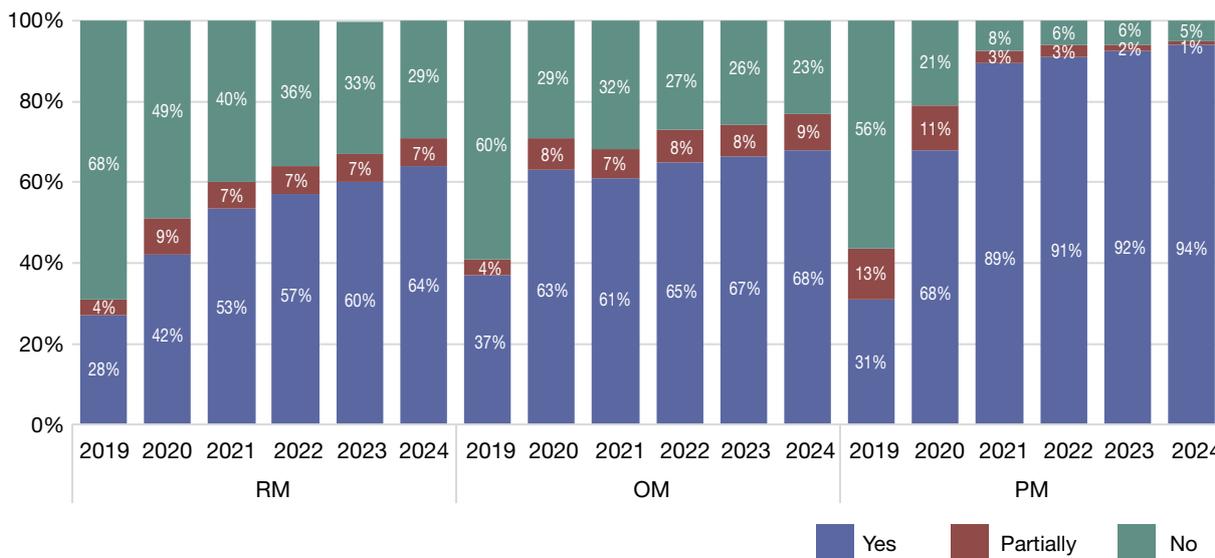
## Severance allowance for the senior management

- In 2024, 11 share issuers agreed the amount of severance allowance for their senior management in the total amount of EUR 3,636,440, with single amounts ranging from EUR 22.9 thousand to EUR 1.8m (in 2023, 9 issuers agreed the amount of severance allowance for their senior management in the total amount of EUR 5,472,982, with single amounts ranging from EUR 9.4 thousand to EUR 1.8m).
- In 2024, severance allowance in the total amount of EUR 746,324 was paid to the senior management by 11 issuers, with single amounts of the severance allowance ranging from EUR 21.6 thousand to EUR 472.2 thousand (in 2023, severance allowance in the total amount of EUR 782,068 was paid to the senior management by 9 issuers, with single amounts of the severance allowance ranging from EUR 3.2 thousand to EUR 260.3 thousand).

## Issuers' compliance with the Code in the area relating to the remuneration of management and supervisory board members

The following chart shows the compliance of the issuers with the section “Remuneration of board members” by segments of the regulated market according to the data submitted in the compliance questionnaire for 2019, 2020, 2021, 2022, 2023 and 2024.

Chart 96 Share issuers' compliance with the section “Remuneration of board members” in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market



Source: Compliance questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, internal calculation

- The average level of compliance with the section “Remuneration of board members” achieved by issuers whose shares are admitted to trading on the Prime Market reached 94%.
- The average level of compliance recorded by issuers whose shares are admitted to trading on the Official Market and Regular Market reached 68% and 64% respectively.

In 2024, issuers whose shares are admitted to trading on the Prime Market, Official Market and Regular Market showed greater compliance with the provisions of the Code relating to the section “Remuneration of board members” in comparison with the observed period.

## RISKS, INTERNAL CONTROL AND AUDIT

Risk management and internal control are an integral part of the company’s success, and the ability to determine and deliver strategic objectives, to seize new opportunities and to ensure its long-term survival depends on the company being able to identify and deal with the risks it faces.

The basic principle of the Code relating to risks, internal control and audit is the fact that the supervisory board should ensure that effective structures, policies and procedures

are in place aimed at identifying, reporting, managing and monitoring significant risks the company faces and that it should ensure the independence and effectiveness of the internal and external audit function.

- In 2024, 43% of the issuers reported having a person in charge of risk management (39% of the issuers in 2023):
  - 5 issuers on the Prime Market (5 issuers on the Prime Market in 2023)
  - 7 issuers on the Official Market (7 issuers on the Official Market in 2023) and
  - 18 issuers on the Regular Market (20 issuers on the Regular Market in 2023).
- Out of the 30 issuers that reported having a person in charge of risk management in 2024, the majority (10) were from the financial sector, same as in 2023.
- The most frequent risk faced by the issuers in 2024 was macroeconomic environment risk, same as in 2023.
- The most frequent risks faced by issuers in 2024 were:
  - macroeconomic environment risk (reported by 25 issuers)
  - other risks (reported by 21 issuers)
  - operational risk (reported by 11 issuers)
  - liquidity risk (reported by 7 issuers), and
  - credit risk (reported by 6 issuers).
- In 2024, 54% of share issuers reported maintaining an effective risk management system that ensures reliable risk identification, measurement and monitoring (94% of the issuers in 2023).

## Internal control and audit

Risk management and internal control should not be seen as compliance functions that can be performed adequately at a junior level within the company. Instead, these functions should be incorporated in the company's strategy, business model and governance processes, starting from the supervisory and management board.

## Internal control system

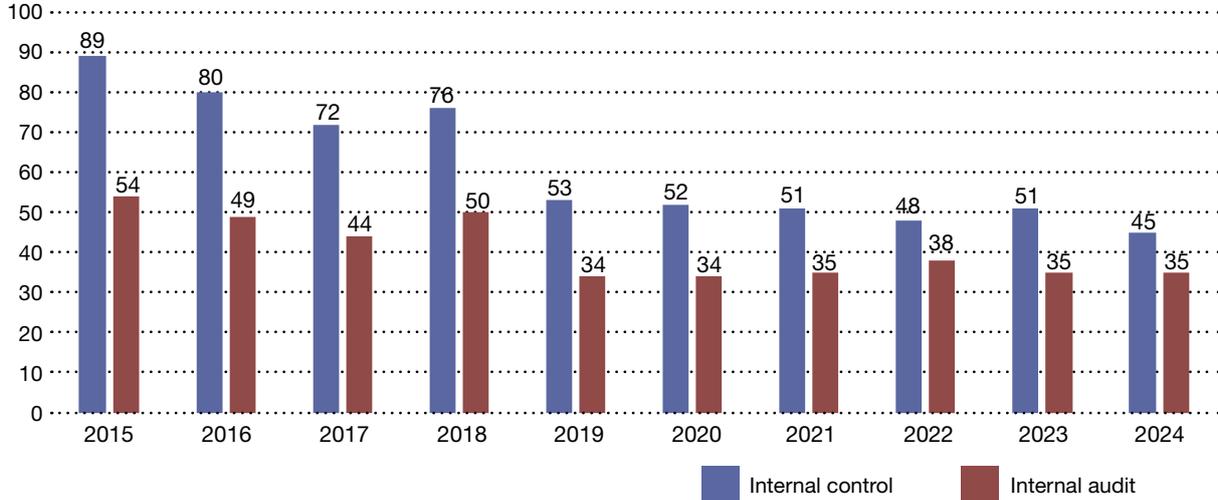
- In 2024, 64% of the issuers reported having in place an internal control system (61% of the issuers in 2023). Broken down by segments of the regulated market, this system was established by:
  - 6 issuers on the Prime Market (6 issuers on the Prime Market in 2023)
  - 13 issuers on the Official Market (13 issuers on the Official Market in 2023)
  - 26 issuers on the Regular Market (32 issuers on the Regular Market in 2023).
- In 2024, there were on average 15 employees in each internal control system (16 in 2023).
- The majority of the issuers that reported having in place an internal control system in 2024 were from the financial sector (10 issuers), followed by 9 issuers from the tourism industry, 5 issuers from the transportation and storage sector, as well as food, beverages and tobacco manufacturing industry (also 5 issuers), and finally 3 issuers engaged in the manufacture of electrical equipment (in 2023, the majority of the issuers that reported having in place an internal control system were from the tourism industry (13 issuers), followed by 11 issuers from the financial sector and 5 issuers from the transportation and storage sector).

### Internal audit system

- In 2024, 50% of the issuers reported having in place an internal audit system (42% of the issuers in 2023). Broken down by segments of the regulated market, such a system was established by:
  - 6 issuers on the Prime Market (5 issuers on the Prime Market in 2023)
  - 12 issuers on the Official Market (13 issuers on the Official Market in 2023)
  - 17 issuers on the Regular Market (17 issuers on the Regular Market in 2023).
- In 2024, there were 4 employees in each internal audit system on average, as in 2023.
- The majority of the issuers that reported having in place an internal audit system in 2024 were from the financial sector (9 issuers), followed by 6 issuers from the tourism industry and 3 issuers engaged in legal, accounting, management, architectural and engineering activities, technical testing and analysis activities, and transportation and storage activities (the majority of the issuers that reported having in place an internal audit system in 2023 were from the financial sector (10 issuers), followed by 6 issuers from the tourism industry and 3 issuers engaged in manufacture of electrical equipment and transportation and storage activities).
- The audit committee of 41% of the issuers that reported not having in place an internal audit system in 2024 assessed the need for this function within the framework of internal control system assessment once in the previous 12 months (41% of the issuers in 2023 as well).
- The audit committee of 48% of the issuers that reported having in place an internal audit system received the internal auditor’s reports and supervised the implementation of their recommendations (46% of the issuers in 2023).
- Market capitalisation of shares of 35 issuers that had in place an internal audit system in 2024 amounted to EUR 25.3m as at 31 December 2024 (market capitalisation of shares of 35 issuers that had in place an internal audit system in 2023 amounted to EUR 18.8m as at 31 December 2023).

The following chart shows the number of the issuers that reported having in place internal audit and control systems in the period from 2015 to 2024.

Chart 97 Number of share issuers with internal audit and control systems in place in the 2015-2024 period

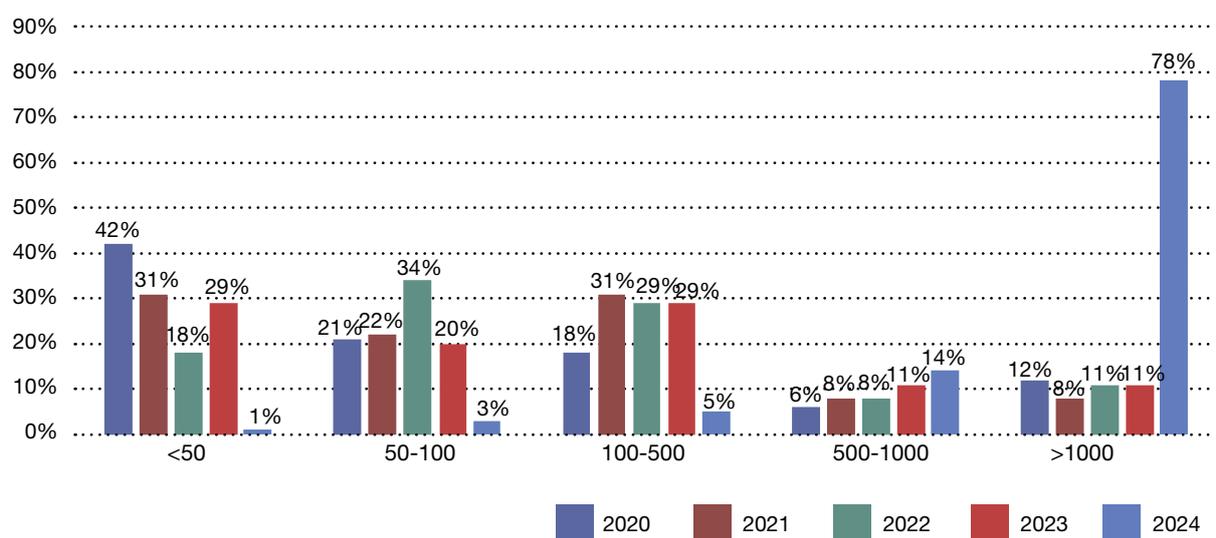


Source: Governance practices questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, Annual Report on Corporate Governance for 2015, 2016, 2017 and 2018

- All the 6 issuers with their shares admitted to the Prime Market in 2024 reported having an internal control system and an internal audit system in place (in 2023, 5 issuers had in place an internal audit system (83%).
- Out of 17 issuers on the Official Market, 76% had in place an internal control system, whereas 71% had in place an internal audit system (in 2023, out of 19 issuers on the Official Market, 68% had in place an internal control system and an internal audit system).
- Out of 47 issuers on the Regular Market, 55% had in place an internal control system, while 36% of them had in place an internal audit system (in 2023, out of 62 issuers on the Regular Market, 51% had in place an internal control system, while 27% of them had in place an internal audit system).

The following chart shows the share of the issuers who had in place an internal audit system in 2024 in relation to their market capitalisation.

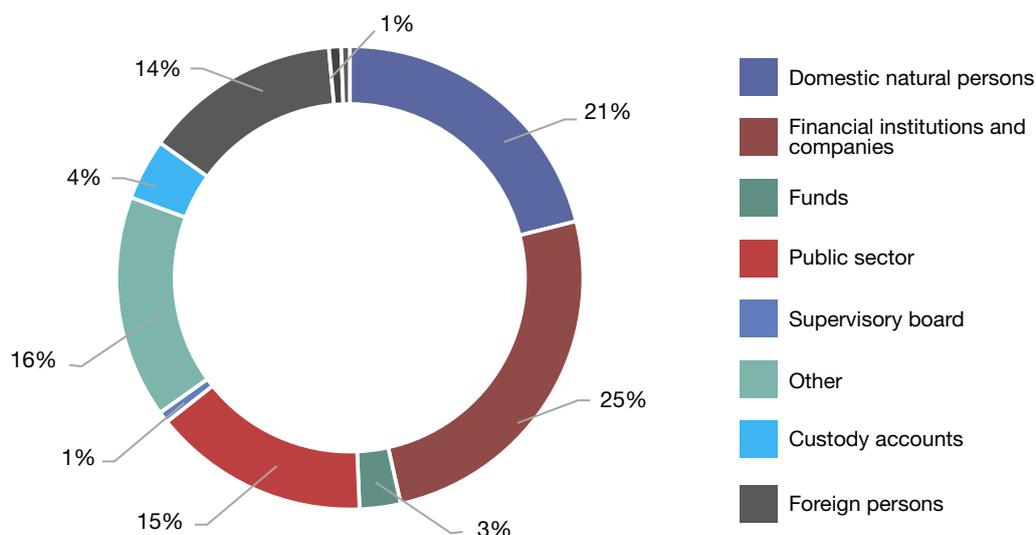
Chart 98 Share of issuers having in place an internal audit system in 2019, 2020, 2021, 2022, 2023 and 2024, in relation to their market capitalisation (in EUR million)



Source: Governance practices questionnaire for 2019, 2020, 2021, 2022, 2023 and 2024, ZSE

- The chart shows that in 2023 and 2022, the share of issuers with an internal audit system in place is equally present in the higher market capitalisation classes, whereas in 2024, this share rose significantly in the class with a market capitalisation of over EUR 1 million.

Chart 99 Ownership structure of share issuers with an internal audit system in place in 2024



Source: Governance practices questionnaire 2024, CDCC

- The largest share in the ownership structure of issuers with an internal audit system in place in 2024 was accounted for by financial institutions and companies (25%), while the share of domestic natural persons amounted to 21% (the largest share in the ownership structure of issuers with an internal control system in place in 2023 was also accounted for by financial institutions and companies (27%), while the share of domestic natural persons amounted to 19%).

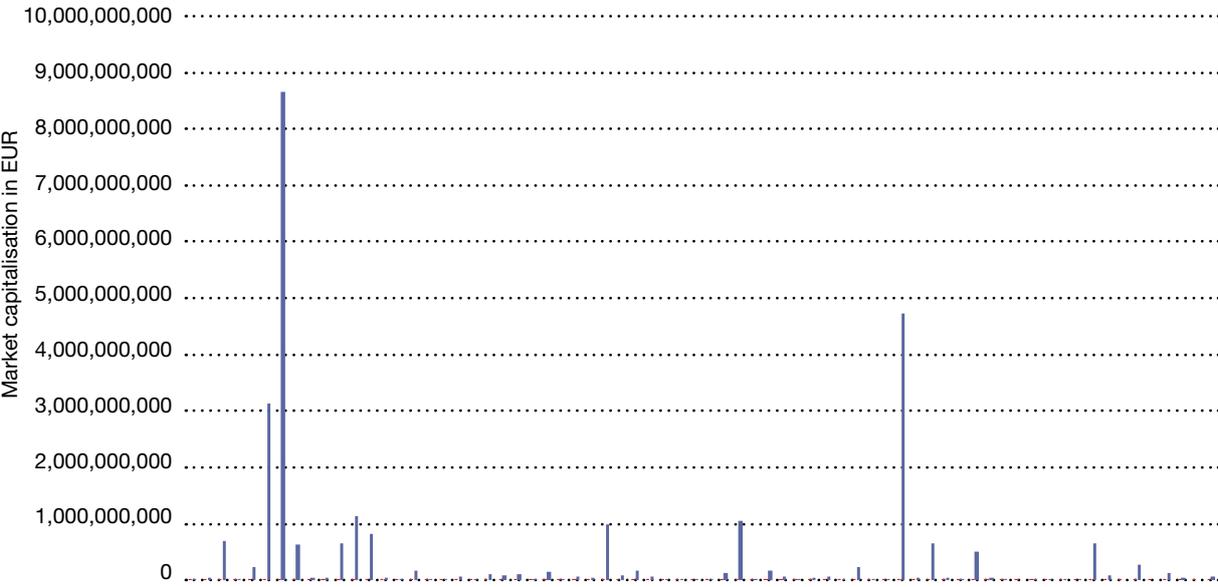
## External audit

The process of selecting the external auditor is overseen by the audit committee, which makes recommendations to the supervisory board on the selection of the external auditor and the terms of their appointment. In accordance with the Code and legal requirements, the company should have an external auditor, whose main function is to ensure that financial statements of the company adequately reflect its current financial position. Independent external auditors are not related through ownership or other interests with the company. In 2024, 66% of the issuers received financial statement audit services from one of the four largest audit firms.

- Broken down by segments of the regulated market, financial statement audit services were provided in 2024 by one of the four largest audit firms for:
  - 6 issuers on the Prime Market (6 issuers on the Prime Market in 2023)
  - 14 issuers on the Official Market (13 issuers on the Official Market in 2023)
  - 20 issuers on the Regular Market (23 issuers on the Regular Market in 2023).
- The majority of issuers (10) that received financial statement audit services from one of the four largest audit firms belonged to the tourism industry (in 2023, the majority of issuers (13) that received financial statement audit services from one of the four largest audit firms also belonged to the tourism industry).

- At end-2024, market capitalisation of the share issuers that used services provided by the largest audit firms totalled EUR 24.4bn and accounted for 84% of total market capitalisation of shares admitted to trading on the regulated market as at 31 December 2024 (at end-2023, market capitalisation of the issuers that used services provided by the largest audit firms totalled EUR 16.5bn and accounted for about 71% of total market capitalisation of shares admitted to trading on the regulated market as at 31 December 2023).
- A total of 9 issuers had been using services of the same audit firm for 7 years or longer (2 issuers on the Prime Market, 4 issuers on the Official Market and 3 issuers on the Regular Market). (In 2023, 4 issuers had been using services of the same audit firm for 7 years or longer: 3 issuers on the Prime Market and 1 issuer on the Regular Market.)
- The average length of time during which share issuers used services of the same audit firm was 4 years (4 years as well in 2023).
- The average length of time during which share issuers used services of the same certified auditor in the same audit firm was 4 years (4 years as well in 2023).
- The average gross amount paid to an audit firm for audit services provided in 2024 reached EUR 96.2 thousand (EUR 64.7 thousand in 2023), with the amounts ranging between EUR 4.7 thousand and EUR 706.4 thousand (between EUR 4.6 thousand and EUR 696.6 thousand in 2023).
- In 2024, audit firms provided services other than audit services to 17 issuers, with the average gross amount paid to an audit firm for other services during the year amounting to EUR 72.3 thousand (in 2023, other services were provided by audit firms to 22 issuers, with the average gross amount paid to an auditor for other services totalling EUR 32.7 thousand).

Chart 100 Gross amount paid to audit firms for audit services provided during 2024 in relation to issuers' market capitalisation



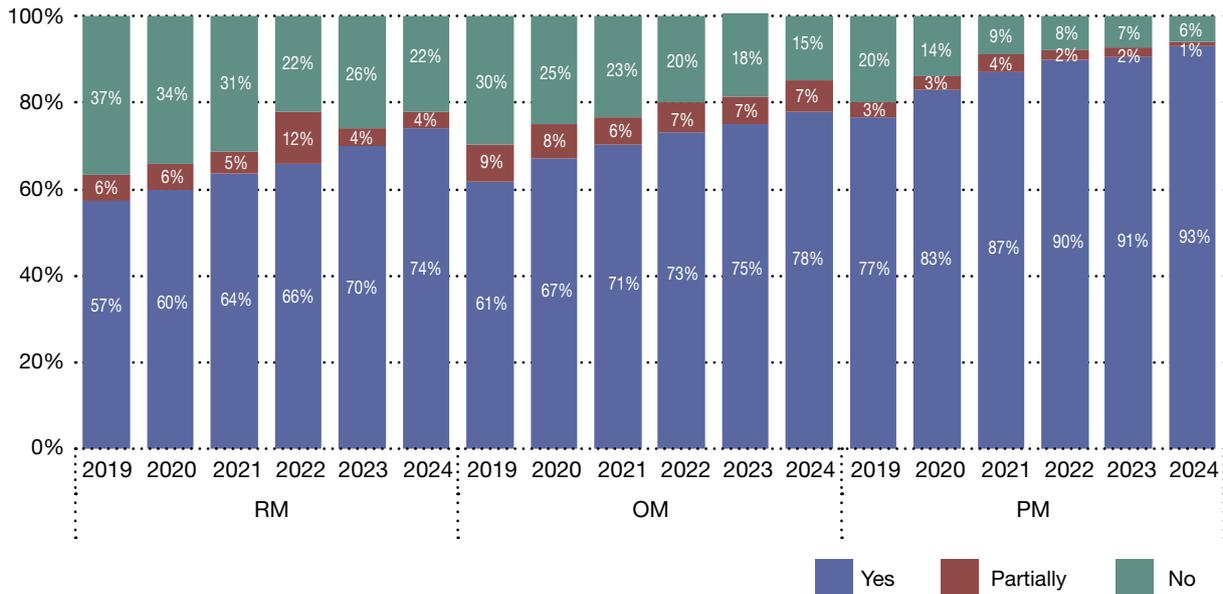
Source: Governance practices questionnaire 2024, ZSE

The correlation between the gross amount paid to external audit firms for audit services provided during 2024 and issuers' market capitalisation was 0.77056 (in 2023, it stood at 0.68124).

## Issuers' compliance with the Code in the area relating to risks, internal control and audit

The following chart shows the compliance of share issuers with the section “Risks, internal control and audit” by segments of the regulated market according to the data submitted in the compliance questionnaire for 2019, 2020, 2021, 2022, 2023 and 2024.

Chart 101 Share issuers' compliance with the section “Risks, internal control and audit” in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market



Source: Compliance questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, internal calculation

- The average level of compliance with the section “Risks, internal control and audit” achieved by the issuers whose shares are admitted to trading on the Prime Market reached 93%.
- The level of compliance with this section achieved by the issuers whose shares are admitted to trading on the Official Market and Regular Market reached 78% and 74% respectively.

In 2024, the issuers whose shares are admitted to trading in all segments of the regulated market showed improved compliance with the section “Risks, internal control and audit” in relation to the observed period.

## GENERAL MEETING

The obligation to act in the best long-term interest of the company instead of in the interest of certain individuals or entities requires management and supervisory board members to take account of the impact of their decisions on all shareholders during the decision-making process. It is therefore important to ensure that all shareholders, irrespective of the size of their holdings, have equal opportunity to participate in the discussion with the company and to express their opinions at the general meeting.

## Internal rules of procedure of the general meeting

- In 2024, 43% of the issuers reported having in place internal rules of procedure of the general meeting, of which 5 issuers on the Prime Market, 7 issuers on the Official Market and 18 issuers on the Regular Market (in 2023, 43% of the issuers reported having in place internal rules of procedure of the general meeting, of which 4 issuers on the Prime Market, 8 issuers on the Official Market and 24 issuers on the Regular Market).
- Out of the 30 issuers that had in place internal rules of procedure of the general meeting, 3 issuers reported changes in their rules of procedure during the year (5 issuers in 2023).

## Participation in the general meeting

The basic principle of the Code as regards shareholders and the general meeting of issuers is the fact that the company should take measures to ensure equal treatment of all shareholders in order to ensure their access to the company and full participation in the general meeting, removing any barriers to their participation.

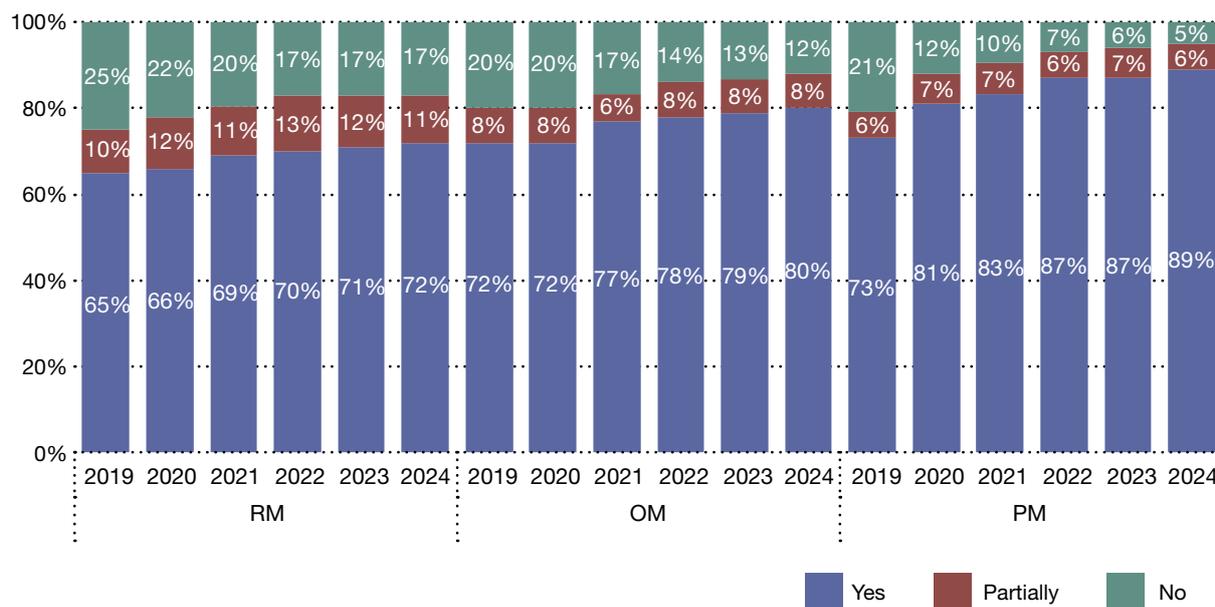
- In 2024, a total of 91 general meetings were held (108 general meetings in 2023).
- According to the data from the governance practices questionnaire, 51 issuers reported having held only 1 general meeting in 2024, 13 issuers held 2 general meetings, 2 issuers held 3 general meetings, and 1 issuer held 4 general meetings (in 2023, 60 issuers reported having held only 1 general meeting, 18 issuers held 2 general meetings, 4 issuers held 3 general meetings, and 1 issuer held 4 general meetings).
- According to data from the governance practices questionnaire, the largest number of shareholders that participated in the general meeting was reported by an issuer on the Regular Market, and the number totals 387,280. Excluding this issuer, that represents a significant deviation from the average, the average number of shareholders that participated in the general meeting amounts to 26 (18 in 2023).
- Only 40% of the issuers allowed their shareholders, on the basis of their articles of association or another internal regulation, to vote online without limitations (36% of the issuers in 2023).
- In 2024, 99% of the issuers published a notice of the general meeting not later than 30 days prior to the date of its convention, and 99% of them ensured that the agenda, decisions and other materials for the general meeting were available on their websites free of charge (in 2023, 96% of the issuers published a notice of the general meeting not later than 30 days prior to the date of its convention, while 90% of them ensured that the agenda, decisions and other materials for the general meeting were available on their websites free of charge).
- A total of 46% of the issuers ensured that all documents required for the general meeting were available in Croatian and English (39% of them in 2023).

- The chair and deputy chair of the supervisory board, chairs of supervisory board committees and all management board members attended general meetings of 53% of the issuers (of 56% of the issuers in 2023).
- External auditors attended general meetings of 65% of the issuers at which financial statements were presented (60% in 2023).
- The chair and deputy chair of the supervisory board, chairs of supervisory board committees and all management board members attended general meetings of 56% of the issuers (of 59% of the issuers in 2023).

### Issuers' compliance with the Code in the area relating to shareholders and the general meeting

The following chart shows the compliance of issuers with the section “Shareholders and the general meeting” by segments of the regulated market according to data submitted in the compliance questionnaire for 2019, 2020, 2021, 2022, 2023 and 2024.

Chart 102 Share issuers' compliance with the section “Shareholders and the general meeting” in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market



Source: Compliance questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, internal calculation

- In 2024, the average level of compliance of issuers on the Prime Market, Official Market and Regular Market with the section “Shareholders and the general meeting” reached 89%, 80% and 72% respectively.

The issuers whose shares are admitted to trading on the Prime Market, Official Market and Regular Market showed greater compliance with the section “Shareholders and the general meeting” in 2024 in comparison with the observed 2019-2023 period.

# TRANSPARENCY AND CORPORATE SOCIAL RESPONSIBILITY

## Investor relations

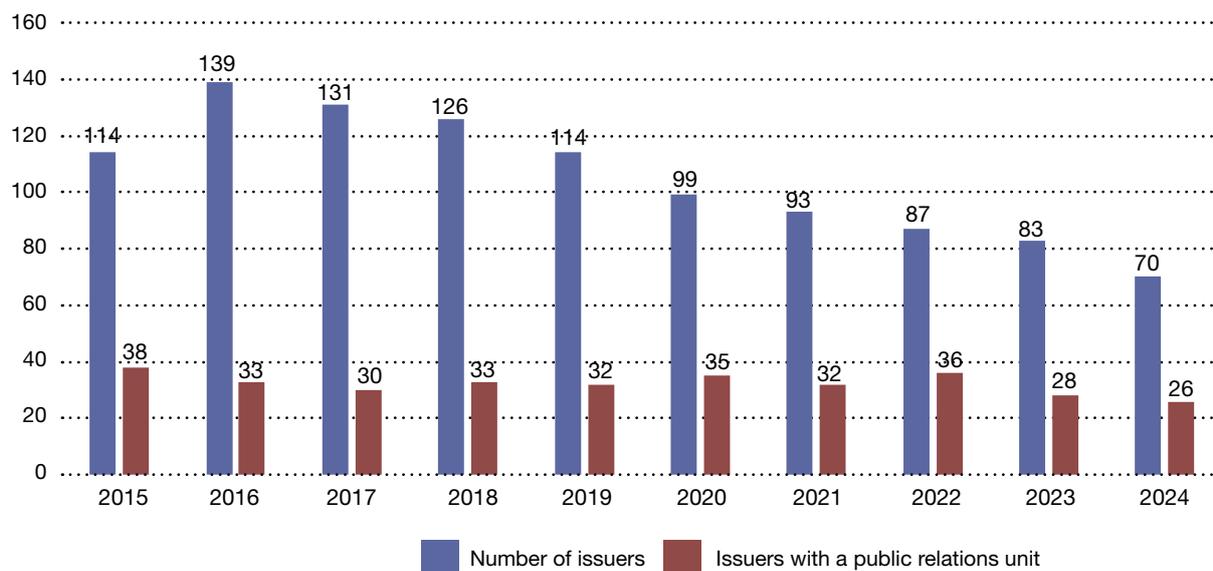
Basic principles in connection with transparency and corporate social responsibility imply that the company shall ensure that shareholders and other stakeholders have easy and non-discriminatory access to information on the company's ownership structure, corporate governance arrangements and financial and operational performance. In addition, supervisory and management boards are jointly responsible for the accuracy and integrity of the financial and other information published by the company.

Issuers are obliged to ensure an efficient and practical information exchange via their websites. For the purpose of equal treatment of all shareholders, irrespective of the country of the company's registered office, all the information published by the issuer on its website must be provided both in Croatian and English.

- In 2024, 99% of the issuers had a Croatian website, of which 84% had an English website as well (in 2023, 99% of the issuers had a Croatian website, of which 84% had an English website as well).
- In 2024, 100% of the issuers made sure that the information published on their websites was up-to-date and published within deadlines prescribed by law and regulations (95% of the issuers in 2023).
- In 2024, 37% of the issuers had a separate organisational unit or employees in charge of investor relations exclusively (34% of the issuers in 2023). Broken down by segments of the regulated market, a separate organisational unit or employees in charge of investor relations were reported by:
  - 5 issuers on the Prime Market (5 issuers in 2023)
  - 11 issuers on the Official Market (10 issuers in 2023) and
  - 10 issuers on the Regular Market (13 issuers in 2023).
- A separate organisational unit or employees in charge of public (investor) relations were reported mostly by issuers from the tourism industry (5) (6 issuers from the tourism industry in 2023).

The following chart shows the number of the issuers that had a separate organisational unit or employees in charge of investor relations in the period from 2015 to 2024.

Chart 103 Number of issuers with a separate organisational unit or employees in charge of investor relations in the period from 2015 to 2024



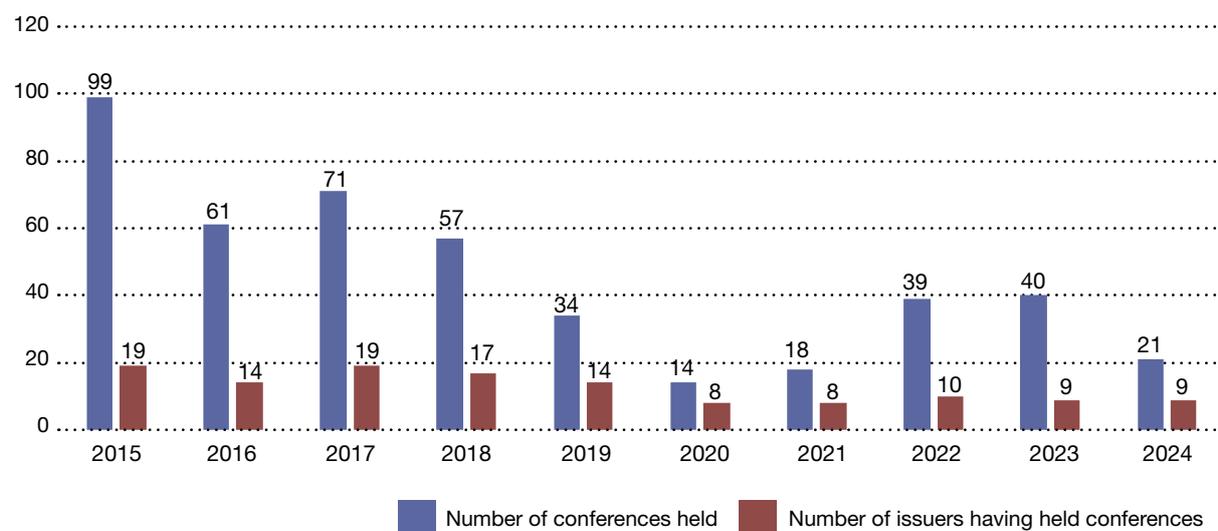
Source: Governance practices questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, Annual Report on Corporate Governance for 2015, 2016, 2017 and 2018

The above chart shows that, while the number of issuers decreased over the observed period, the number of issuers with an organisational unit or employees exclusively in charge of public relations did not fluctuate to a large extent; however, in 2024 it was higher than in the previous year.

- A total of 13% of the issuers (11% of the issuers in 2023) had an institution in charge of monitoring the position of issuers on the capital market (drawing up market position analyses, etc.).
- In 2024, 40% of the issuers (35% of them in 2023) reported having published the calendar of significant events on their websites:
  - 6 issuers on the Prime Market (6 issuers in 2023)
  - 12 issuers on the Official Market (11 issuers in 2023) and
  - 10 issuers on the Regular Market (12 issuers in 2023).
- A total of 10% of the issuers (11% in 2023) reported having held one or more press conferences in 2024, of which 3 issuers on the Prime Market, 1 issuer on the Official Market and 3 issuers on the Regular Market (5 issuers on the Prime Market, 1 issuer on the Official Market and 3 issuers on the Regular Market in 2023).
- The largest number of press conferences held in 2024 was reported by 1 issuer on the Regular Market (5 conferences) (in 2023, the largest number of press conferences (20) was reported by 1 issuer on the Official Market).

The following chart shows the number of the issuers that held press conferences in the period from 2015 to 2024 and the number of the conferences held in that period.

Chart 104 Number of the issuers that held press conferences and the number of the conferences held in the 2015-2024 period



Source: Governance practices questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, Annual Report on Corporate Governance for 2015, 2016, 2017 and 2018

The largest number of press conferences held (99) was reported in 2015. 2024 saw a decrease in the number of press conferences held compared to 2023.

- The most common reasons for convening press conferences in 2024 were presentations of significant activities and investments (4 issuers) and presentations of business results (4 issuers). The most common reasons for convening press conferences in 2023 were also presentations of significant activities and investments (3 issuers) and presentations of business results (4 issuers).

## Dividend payments

Ownership of shares entitles shareholders to receive dividends. A decision on dividend payment is adopted by the general meeting upon the proposal of the management board. Dividends are in general paid out in cash, but may also be paid out in stock. In addition, the management board may, subject to the consent of the supervisory board, adopt a decision on advance dividend payment.

- In 2024, a decision on the payment of dividend out of profits generated in 2023 was adopted by 56% of the issuers (in 2023, a decision on dividend payment was made by 45% of the issuers), of which:
  - 5 issuers on the Prime Market (5 issuers in 2023)
  - 11 issuers on the Official Market (9 issuers in 2023) and
  - 23 issuers on the Regular Market (23 issuers in 2023).
- In 2024, the largest number of the issuers (10) that adopted a decision on the payment of dividend or advance dividend out of profits generated in 2023 belonged to the financial and insurance sector and the tourism industry (7 issuers from the same sectors in 2023).

- The total market capitalisation of the issuers that adopted a decision on the end-of-year dividend payment in 2024 reached EUR 26.2bn (in 2023, it stood at EUR 22.9bn).
- Among these issuers, the largest market capitalisation was reported by an issuer engaged in financial and insurance activities (EUR 8.6bn) (in 2023, an issuer from the petroleum products manufacturing sector with the market capitalisation reaching EUR 5bn), and the smallest by an issuer engaged in legal, accounting, management, architectural and engineering activities, technical testing and analysis activities (EUR 1.2m) (in 2023, an issuer engaged in financial and insurance activities with the market capitalisation reaching EUR 6m).
- The average amount of dividend per stock paid out in 2024 totalled EUR 18 (EUR 11.97 in 2023). The largest amount was paid out by an issuer engaged in financial and insurance activities, and it totalled EUR 268.

## Corporate Governance Code

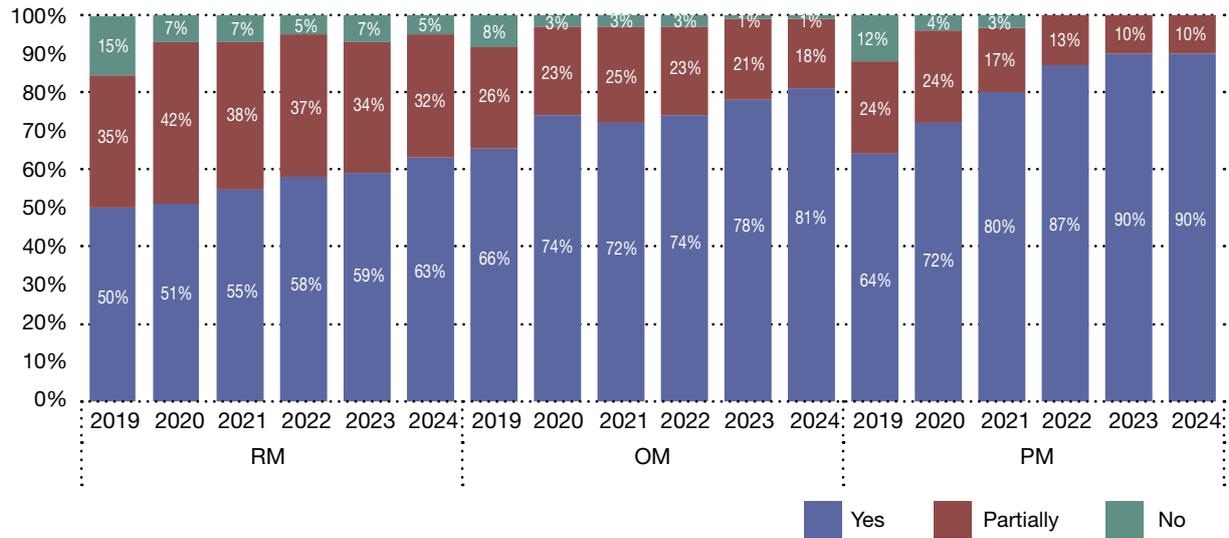
- A total of 89% of the issuers (6 issuers on the Prime Market, 17 issuers on the Official Market and 39 issuers on the Regular Market) published their compliance questionnaire for 2023 on their websites (84% of the issuers in 2023).
- 39% of the issuers (31% of them in 2023) complied with another corporate governance code in addition to the Code (3 issuers on the Prime Market, 7 issuers on the Official Market and 17 issuers on the Regular Market).

Out of the total of 27 issuers that complied with another corporate governance code in addition to the Code in 2024, 19 issuers complied with an internal code, 4 issuers complied with the Code of Corporate Governance of Companies in which the Republic of Croatia Holds Shares, 3 issuers complied with other codes, while 1 issuer complied with a code applied in the industry the issuer belongs to (in 2023, 26 issuers complied with another corporate governance code, mostly with an internal code of the issuer).

## Issuers' compliance with the Code in the area relating to disclosure and transparency

The following chart shows the compliance of the issuers with the section "Disclosure and transparency" by segments of the regulated market according to data submitted in the compliance questionnaire for 2019, 2020, 2021, 2022, 2023 and 2024.

Chart 105 Share issuers' compliance with the section "Disclosure and transparency" in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market

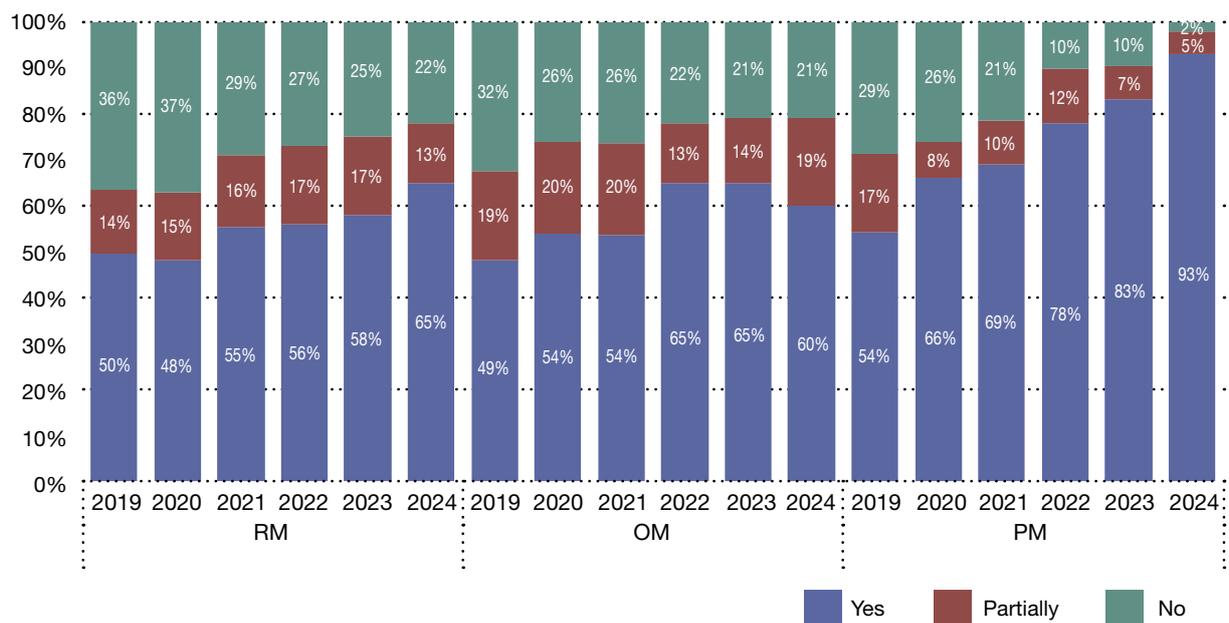


Source: Compliance questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, internal calculation

- The level of compliance with the section "Disclosure and transparency" achieved by the issuers whose shares are admitted to trading on the Prime Market averaged 90%.
- The level of compliance with this section achieved by the issuers whose shares are admitted to trading on the Official Market and Regular Market reached 81% and 63% respectively.

The issuers whose shares are admitted to trading on the Prime Market, Official Market and Regular Market showed greater compliance with the section "Disclosure and transparency" relative to the observed period.

Chart 106 Share issuers' compliance with the section "Stakeholders and corporate social responsibility" in 2019, 2020, 2021, 2022, 2023 and 2024, by segments of the regulated market



Source: Compliance questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, internal calculation

- The level of compliance with the section “Stakeholders and corporate social responsibility” achieved by the issuers whose shares are admitted to trading on the Prime Market averaged 93%.
- The level of compliance with this section achieved by the issuers whose shares are admitted to trading on the Official Market and Regular Market reached 60% and 62% respectively.

As regards this section, the issuers whose shares are admitted to trading on the Prime Market, Official Market and Regular Market showed improvement in compliance relative to the observed period.

# ANNUAL REPORT ON CORPORATE GOVERNANCE FOR BOND ISSUERS

---



## INTRODUCTION

Issuers of corporate bonds admitted to trading on the regulated market of the ZSE are obliged to submit to Hanfa data on corporate governance practices contained in the governance practices questionnaire for bond issuers. Issuers whose bonds and shares are both admitted to trading on the regulated market submit the governance practices questionnaire for share issuers; these data are presented in the previous chapter, that relates to share issuers.

At the end of 2024, there were a total of 13 corporate bonds issued by 11 issuers, of which 11 bonds were admitted to trading on the Official Market and 2 bonds on the Regular Market. Out of the 11 issuers, 7 issuers issued only corporate bonds and were obliged to submit to Hanfa the governance practices questionnaire for bond issuers, while the remaining 4 issuers issued both bonds and shares and were obliged to submit to Hanfa the governance practices questionnaire for share issuers.

Out of the 7 corporate bond issuers obliged to submit to Hanfa the governance practices questionnaire for 2024, all 7 of them (100%) submitted the questionnaire. The following data relate to issuers who submitted to Hanfa their 2024 governance practices questionnaire for bond issuers.

At the end of 2024, the market capitalisation of bonds reached EUR 828m, increasing by 0.9% compared to the end of 2023, when it amounted to EUR 772m.

## CAPITAL AND ITS ORIGIN

### Initial capital

The following table shows data on the initial capital of corporate bond issuers and market capitalisation of corporate bonds in the period from 2020 to 2024.

*Table 23 Initial capital of corporate bond issuers and market capitalisation of corporate bonds from 2020 to 2024*

Number of issuers					Initial capital and market capitalisation	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024
2020	2021	2022	2023	2024						
5	7	7	7	7	Initial capital	683	696	764	762	762
					Market capitalisation (EUR bn)	487	567	770	772	828

Source: court register, ZSE

- The initial capital of corporate bond issuers reached EUR 762m at the end of 2024, as in the previous year.
- The market capitalisation of corporate bonds admitted to trading on the regulated market amounted to EUR 828m, increasing by 0.9% compared to the end of the previous year.

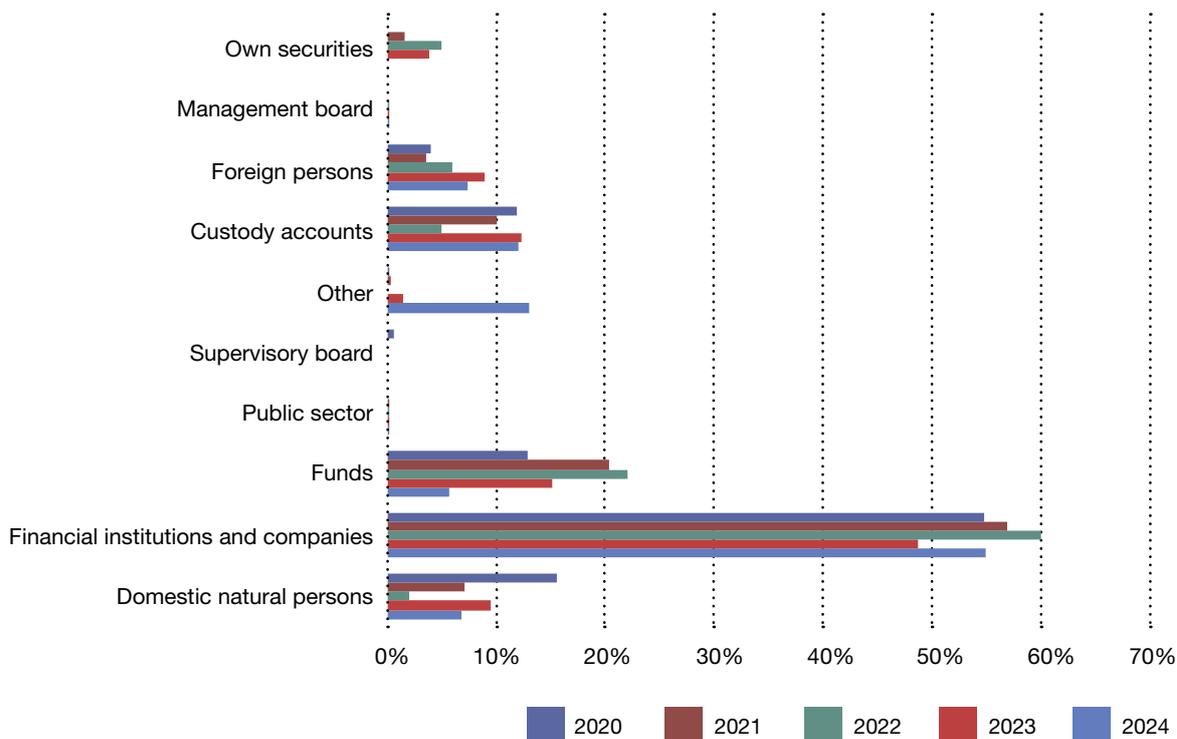
### Ownership structure of corporate bond issuers

Data on the ownership structure of corporate bond issuers have been provided on the basis of information received from the CDCC. The ownership structure has been analysed by groups of holders, with the sum of all groups making 100% of the ownership structure, meaning that one holder can be allocated to a single group only.

The ownership structure of companies is divided into the following groups: own securities, financial institutions and companies, funds (investment and pension funds with their registered offices in the Republic of Croatia), public sector (Republic of Croatia), management board members, supervisory board members, domestic natural persons (other than members of the management and supervisory board), foreign persons (other than members of the management and supervisory board), custody accounts and other owners.

Chart 107 presents the ownership structure of corporate bond issuers as at 31 December 2020, 2021, 2022, 2023 and 2024 by the above-mentioned categories.

Chart 107 Ownership structure of corporate bond issuers as at 31/12/2020, 31/12/2021, 31/12/2022, 31/12/2023 and 31/12/2024



Source: CDCC

- In 2024 (as in the previous years), the ownership structure of corporate bond issuers was dominated by financial institutions and companies with a 55% share, followed by other owners with a 13% share and custody accounts with a 12% share, while the smallest share was accounted for by the public sector and management and supervisory board members (from 0% to 0.1%). Foreign persons and custody accounts made up a minor share in this structure (7% to 12% in 2024); however, an increasing trend is noticeable in the observed period.
- In the period from 2020 to 2024, the ownership structure of corporate bond issuers showed a rise in the share of other owners (13%) and a decline in the share of funds and domestic natural persons (around 7%) in 2024 compared with the previous periods.

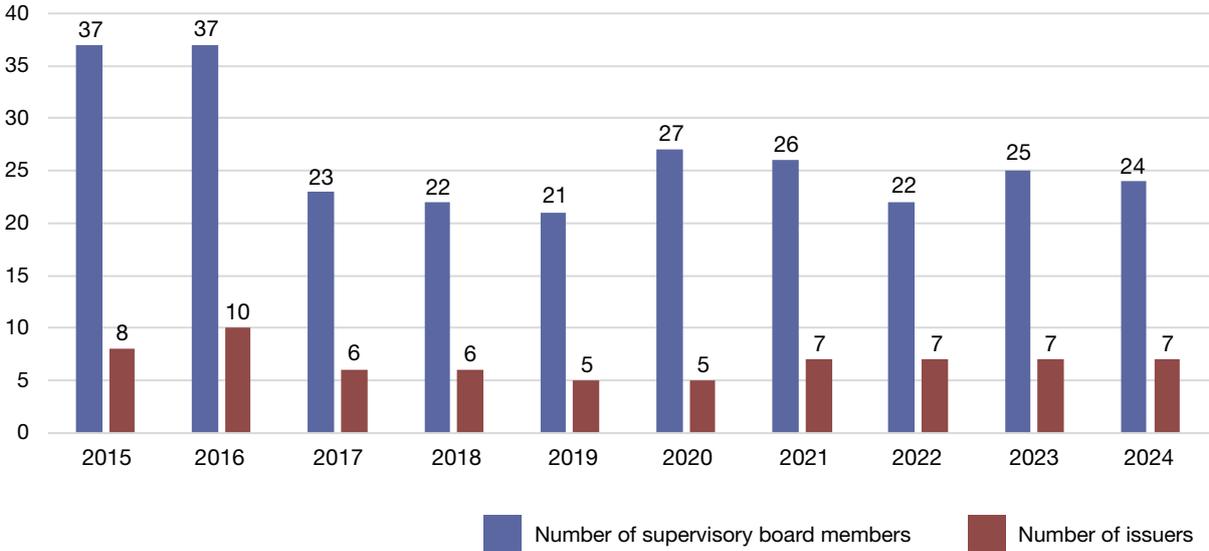
# SUPERVISORY BOARD AND ITS COMMITTEES

## Supervisory board

- At the end of 2024, supervisory boards of corporate bond issuers consisted of 5 members on average (4 members at the end of 2023).
- At end-2024, the proportion of women on supervisory boards of corporate bond issuers was by 16 percentage points larger than the proportion of women on management boards (at the end of 2023, the proportion of women on supervisory boards of corporate bond issuers was by 30 percentage points larger than the proportion of women on management boards).

The following chart shows the number of supervisory board members of corporate bond issuers in the period from 2015 to 2024.

Chart 108 Number of supervisory board members of corporate bond issuers in the 2015-2024 period

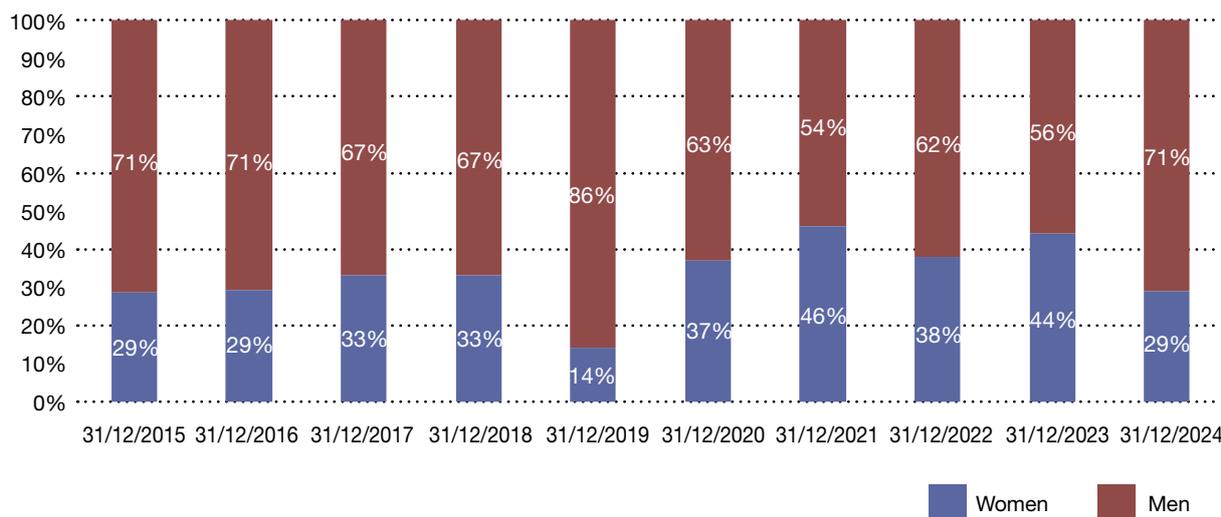


Source: court register

The number of supervisory board members in the observed period ranged from 37 in 2015 to 27 in 2020; after a decrease in the following two periods, it reached 24 in 2024. In 2024, the number of corporate bond issuers remained unchanged compared to 2023, while the number of supervisory board members decreased by 1.

Gender composition of corporate bond issuers' supervisory boards in the period from 2015 to 2024 is shown in the following chart.

Chart 109 Bond issuers' supervisory board gender structure in the 2015-2024 period



Source: court register

- The proportion of women on bond issuers' supervisory boards was lower as at 31 December 2024 than as at 31 December 2023.
- In the observed period, the proportion of women on supervisory boards of corporate bond issuers totalled 33%, exceeding the average number of women on management boards of corporate bond issuers (17%).

Table 24 Age structure of corporate bond issuers' supervisory boards in the 2015-2024 period

Age of supervisory board members	2015	2016	2017	2018	2019	2020	2021	2022	2023	2023
Younger than 35	5%	5%	2%	2%	-	-	-	5%	-	-
Between 36 and 45	30%	35%	36%	27%	24%	22%	19%	18%	27%	27%
Between 46 and 55	25%	27%	26%	37%	29%	26%	35%	41%	42%	27%
Older than 56	40%	33%	36%	34%	47%	52%	46%	36%	31%	47%

Source: Governance practices questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, Annual Report on Corporate Governance for 2015, 2016, 2017 and 2018

- During the period observed, no members of corporate bond issuers' supervisory boards were under 35 years of age. In 2024, the majority of supervisory board members of corporate bond issuers were older than 56 years of age.

- As at 31 December 2024, 47% of supervisory board members of corporate bond issuers were older than 56 years of age, 27% of them were between 46 and 55 years old, while 27% of them were between 36 and 45 years old (as at 31 December 2023, 31% of supervisory board members of corporate bond issuers were older than 56 years of age, 42% of them were between 46 and 55 years old, 27% of them were between 36 and 45 years old, and none were younger than 35).
- As at 31 December 2024, the majority of supervisory board members of corporate bond issuers (87%) had a university degree (85% of supervisory board members at the end of 2023).
- The average number of corporate bond issuers' supervisory board meetings held in 2024 was 9 (8 meetings in 2023).

## Supervisory board committees

- One corporate bond issuer (14%) had in place all three supervisory board committees in 2024 (1 issuer in 2023 as well).
- Broken down by individual committees, 7 issuers (100%) had an audit committee, while one issuer had a remuneration committee and a nomination committee (in 2023, 7 issuers had an audit committee, while one issuer had a remuneration committee and a nomination committee as well).
- Each of the supervisory board committees had a minimum of 3 members (as in 2023).
- Out of the 7 issuers that had in place an audit committee in 2024, 6 issuers (86%) had internal working procedures of that committee, and 1 issuer publicly disclosed working procedures of its audit committee (as in 2023).
- The average number of meetings held by the audit committee during 2024 was 2. The issuer with a remuneration committee in place held 3 meetings in 2024, as did the issuer with a nomination committee (in 2023, 3 meetings of the audit committee were held on average, while the issuer with a remuneration committee and a nomination committee in place held 3 meetings of the remuneration committee and 3 meetings of the nomination committee).

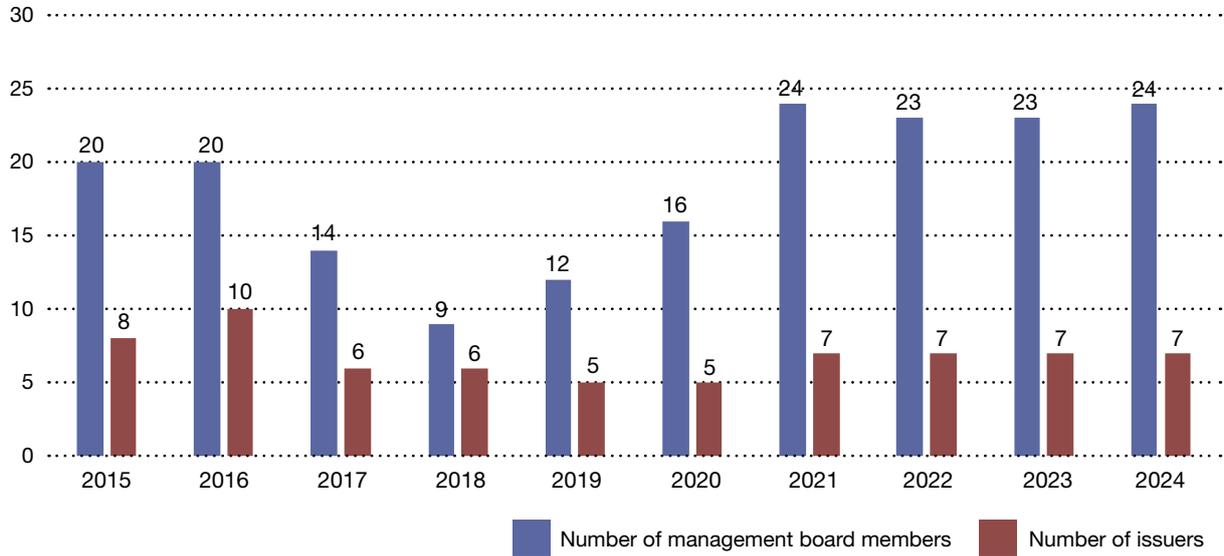
## MANAGEMENT BOARD

The following analysis presents the data on management board members of corporate bond issuers in the 2015-2024 period.

- In 2024, 2 corporate bond issuers (29%) had a one-tier governance system, while 5 issuers (71%) had a two-tier governance system (in 2023, out of 7 corporate bond issuers, one issuer had a one-tier governance system, and 6 issuers had a two-tier governance system).
- At end-2024, management boards of corporate bond issuers consisted of 3 members on average (3 members on average at end-2023 as well).

The number of management board members of corporate bond issuers in the period from 2015 to 2024 is shown in the following chart.

Chart 110 Number of management board members of corporate bond issuers in the 2015-2024 period

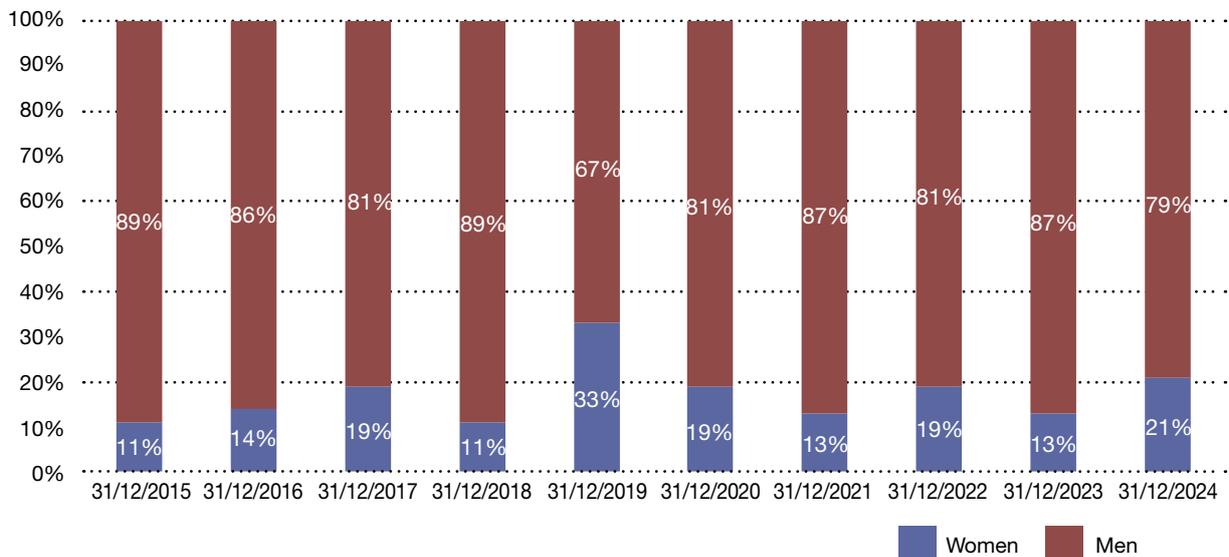


Source: court register

- The number of management board members of bond issuers was decreasing until 2018, when it started showing a rise, that continued in 2024 as well.
- The number of bond issuers remained the same as in the previous period, totalling 7 at the end of 2024.

The following chart shows the share women on management boards of corporate bond issuers in the period from 2015 to 2024.

Chart 111 Share of women on management boards of corporate bond issuers in the 2015-2024 period



Source: court register

In the period observed (2015 - 2024), the average share of women on management boards of corporate bond issuers totalled 17%.

*Table 25 Age structure of management boards of corporate bond issuers in the 2015-2024 period*

Age of management board members	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Younger than 35	5%	5%	-	-	-	-	-	-	-	-
Between 36 and 45	48%	49%	50%	30%	44%	31%	21%	17%	14%	17%
Between 46 and 55	32%	31%	43%	60%	33%	50%	54%	61%	68%	67%
Older than 56	15%	15%	7%	10%	22%	19%	25%	22%	18%	17%

*Source: Governance practices questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, Annual Report on Corporate Governance for 2015, 2016, 2017 and 2018*

- In the period from 2015 to 2017, and in 2019, the majority of management board members were between 36 and 45 years old. In 2018, 2020, 2021, 2022, 2023 and 2024, the majority of management board members were between 46 and 55 years old.
- At the end of 2024, the majority of management board members had an undergraduate university study and a graduate university study degree or an integrated undergraduate university study and a graduate university study degree / undergraduate university study degree (50%) and a postgraduate university scientific study degree and a postgraduate university artistic study - master degree (13%) (at the end of 2023, the majority of management board members had an undergraduate university study and a graduate university study degree or an integrated undergraduate university study and a graduate university study degree / undergraduate university study degree (54%) and a postgraduate university scientific study degree and a postgraduate university artistic study - master degree (9%).
- A total of 5 issuers (71%) reported having an internal regulation on management board activities (rules of procedure of the management board), while none reported having made amendments to that regulation during the year (in 2023, 5 out of 7 bond issuers reported having an internal regulation on management board activities (rules of procedure of the management board), which was amended by one issuer during the year).
- 5 issuers reported having a schedule of meetings of the management board (as in 2023). The average number of corporate bond issuers' management board meetings held in 2024 was 36 (33 meetings in 2023).
- In 2024, no members of the corporate bond issuers' management board resigned before the expiry of their term of office due to personal reasons (in 2023, one member of the corporate bond issuers' management board resigned before the expiry of their term).

## DUTIES AND RESPONSIBILITIES OF BOARD MEMBERS

### Conflicts of interest and related party transactions

- In 2024, 5 issuers (71%) reported having in place an internal regulation for cases of related party transactions (4 issuers in 2023).
- No conflicts of interest were reported in 2024 (as in 2023).

The following table shows the average value of transactions concluded by corporate bond issuers in the period from 2015 to 2024 with shareholders with more than 5% of the initial capital of the issuer, management and supervisory board members, the senior management of the issuer and within the group the issuer belongs to or is its parent.

Table 26 Average value of related party transactions in the period from 2015 to 2024

		Gross value of related party transactions concluded by the issuer			
		with shareholders holding more than 5% of the initial capital of the issuer	with management and supervisory board members of the issuer	with the senior management of the issuer	within the group the issuer belongs to or is its parent
2024	Number of issuers having reported the transaction	2	2	1	6
	Average transaction value in EUR	99,713,707	388,842	9,884,363	110,781,431
2023	Number of issuers having reported the transaction	2	2	1	6
	Average transaction value in EUR	101,276,039	911,891	9,823,472	82,387,949
2022	Number of issuers having reported the transaction	2	2	1	6
	Average transaction value in EUR	407,368,403	877,350	9,622,864	179,744,163
2021	Number of issuers having reported the transaction	3	2	1	6
	Average transaction value in EUR	601,583,198	2,724,639	8,928,932	849,059,134
2020	Number of issuers having reported the transaction	2	1	1	4
	Average transaction value in EUR	188,284,366	1,998,976	6,454,134	126,310,964

2019	Number of issuers having reported the transaction	3	1	1	3
	Average transaction value in EUR	219,638,562	2,358,999	3,977,165	224,795,179
2018	Number of issuers having reported the transaction	2	1	1	2
	Average transaction value in EUR	358,625,11	2,146,489	3,039,980	98,479,080
2017	Number of issuers having reported the transaction	2	1	1	2
	Average transaction value in EUR	890,729,122	1,956,897	3,079,425	198,256,329
2016	Number of issuers having reported the transaction	2	2	1	4
	Average transaction value in EUR	501770259,1	9111820/7,5345	3,950,093	47,960,888
2015	Number of issuers having reported the transaction	2	1	1	4
	Average transaction value in EUR	363,667,803	1,734,110	4,584,512	37,792,611

Source: Governance practices questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, Annual Report on Corporate Governance for 2015, 2016, 2017 and 2018

- In 2024, the highest value of related party transactions was recorded in transactions concluded by issuers within the group the issuers belong to or are its parent (in 2023, the highest value of related party transactions was recorded in transactions concluded by issuers with shareholders holding more than 5% of the initial capital of the issuer), while the lowest value of related party transactions was recorded in transactions concluded by issuers with management and supervisory board members of the issuer (as in 2023).

## REMUNERATION OF BOARD MEMBERS

### Remuneration of management board members

- In 2024, 2 corporate bond issuers (29%) reported having a remuneration policy for management board members, and only 1 issuer (14%) published the remuneration policy for management board members on its website (in 2023, 2 corporate bond issuers reported having a remuneration policy for management board members, and only 1 issuer published the policy on its website as well).

The following table shows the average amount of remuneration paid by corporate bond issuers to management board members in the 2015 – 2024 period.

Table 27 Remuneration paid to corporate bond issuers' management board members in the 2015-2024 period

		Average gross amount of remuneration (in EUR)		Average amount of other benefits (in EUR)	Average value of options held by management board members
		Fixed remuneration	Variable remuneration		
2024	Number of issuers	6	3	2	0
	Amount	556,327	190,086	22,735	0
2023	Number of issuers	6	5	2	0
	Amount	468,496	227,025	21,549	0
2022	Number of issuers	5	4	2	0
	Amount	576,324	270,923	4,712	0
2021	Number of issuers	6	3	2	0
	Amount	453,334	227,431	3,809	0
2020	Number of issuers	4	1	0	0
	Amount	562,162	150,651	0	0
2019	Number of issuers	4	2	0	1
	Amount	454,273	287,112	0	31,477
2018	Number of issuers	6	4	3	1
	Amount	612,869	290,196	26,021	192,400
2017	Number of issuers	7	2	2	1
	Amount	785,122	278,343	57,976	982,968
2016	Number of issuers	11	4	1	1
	Amount	565,920	133,266	636,599	289,536
2015	Number of issuers	11	4	0	1
	Amount	488,007	355,153	0	746,241

Source: Governance practices questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, Annual Report on Corporate Governance for 2015, 2016, 2017 and 2018

- In 2024, 6 corporate bond issuers (86%) paid gross fixed remuneration to management board members in the amount of EUR 3,337,962.43 (6 issuers out of 7 in 2023).
- The gross fixed amount of remuneration paid to management board members in 2024 reached EUR 556,327 on average (EUR 468,496 in 2023).
- The gross fixed amount of remuneration paid to management board members in 2024 ranged from EUR 76.7 thousand to EUR 1.8m (in 2023, it ranged from EUR 26.5 thousand to EUR 1.6m).
- Three corporate bond issuers paid variable remuneration to management board members in the amount of EUR 1,140,516.82 (in 2023, 5 corporate bond issuers paid variable remuneration to management board members in the amount of EUR 1,135,127.21).
- The average amount of gross variable remuneration paid to management board members in 2024 reached EUR 190,086 (EUR 227,025 in 2023).
- Two corporate bond issuers paid other benefits to management board members in 2024, in the total amount of EUR 22.7 thousand (EUR 21.5 thousand in 2023).

- No corporate bond issuers granted options to management board members in 2024 (as in 2023).
- In 2024, 2 issuers granted shares to management board members in the amount totalling EUR 160,249.62 (in 2023, 2 issuers in the amount of EUR 146,559.79).
- In 2024, no issuers agreed severance allowance with management board members (as in 2023).
- In 2024, 1 issuer paid severance allowance in the amount totalling EUR 27 thousand (as in 2023).

## Remuneration of supervisory board members

- In 2024, 2 corporate bond issuers (29%) reported having a remuneration policy for supervisory board members, and only 1 issuer (14%) published the remuneration policy for supervisory board members on its website (in 2023, 2 corporate bond issuers reported having a remuneration policy for supervisory board members, and only 1 issuer published the remuneration policy for supervisory board members on its website as well).

The following table shows the average amount of remuneration paid by corporate bond issuers to supervisory board members in the 2015 - 2024 period.

*Table 28 Remuneration paid to corporate bond issuers' supervisory board members in the 2015-2024 period*

		Average gross amount of remuneration (in EUR)		Average amount of other benefits (in EUR)
		Fixed remuneration	Variable remuneration	
2024	Number of issuers	3	0	1
	Amount	135,117	0	30,773
2023	Number of issuers	3	0	1
	Amount	121,017	0	38,779
2022	Number of issuers	3	0	1
	Amount	405,537	0	17,675
2021	Number of issuers	3	0	1
	Amount	485,540	0	15,133
2020	Number of issuers	3	0	0
	Amount	198,516	0	0
2019	Number of issuers	3	0	0
	Amount	193,261	0	0
2018	Number of issuers	5	0	1
	Amount	51,227	0	1,440
2017	Number of issuers	5	1	1
	Amount	137,700	2,354	594
2016	Number of issuers	9	1	1
	Amount	56,201	2,888	1,315
2015	Number of issuers	9	1	1
	Amount	67,036	3,408	915

Source: Governance practices questionnaire 2019, 2020, 2021, 2022, 2023 and 2024, Annual Report on Corporate Governance for 2015, 2016, 2017 and 2018

- The amount of remuneration for supervisory board members was determined by the general meeting of 3 issuers (as in 2023).
- In 2024, no corporate bond issuers reported having submitted the annual remuneration statement relating to supervisory board members to the general meeting (as in 2023).

## Remuneration of the senior management

- A total of 6 bond issuers paid remuneration to their senior management in 2024, of which 5 issuers paid fixed remuneration only, and 2 issuers paid both fixed and variable remuneration (in 2023, 5 issuers paid fixed remuneration and 3 issuers paid both fixed and variable remuneration).
- The amounts of fixed remuneration paid to the senior management in 2024 ranged from EUR 111 thousand (paid by an issuer from the construction industry) to EUR 3.1m (paid by an issuer from the banking sector) (from EUR 378 thousand (paid by an issuer from the computer, electronic and optical products manufacturing sector) to EUR 2.4m (paid by an issuer from the banking sector) in 2023). The average amount of variable remuneration in 2024 stood at EUR 279 thousand.
- In 2024, no severance packages were agreed with the senior management (as in 2023).
- In 2024, no severance allowance was paid to the senior management (as in 2023).
- In 2024, 3 issuers granted shares to their senior management and 3 issuers paid other benefits to their senior management ranging from EUR 5 thousand to EUR 64 thousand (in 2023, 2 issuers granted shares to their senior management and 2 issuers paid other benefits to their senior management ranging from EUR 44 thousand to EUR 45 thousand).

## RISKS, INTERNAL CONTROL AND AUDIT

### Internal control and audit

- In 2024, 5 issuers had an internal control system in place (4 issuers in 2023).
- There were 25 employees in the internal control system on average, with the most employees in the internal control system having been reported by an issuer from the banking sector (in 2023, there were 30 employees in the internal control system on average, with the most employees in the internal control system having been reported by an issuer from the banking sector as well).
- In 2024, 6 issuers reported having an internal audit system in place (5 issuers in 2023).

## Managing company risks

- 6 issuers (86%) reported having a person in charge of risk management (3 issuers in 2023).
- The most frequent risks faced by corporate bond issuers in 2024 were credit risk, operational risk, liquidity risk, political risk and other risks (in 2023, the most frequent risks were liquidity risk, credit risk, political risk and other risks).

## External audit

- In 2024, 7 corporate bond issuers used services of 8 different external auditors; the number of auditors was higher than the number of issuers as one issuer used services of 2 different auditors that carried out a joint audit (as in 2023).
- 2 issuers used services of the largest audit firms (2 issuers in 2023 as well).
- At the end of 2024, the average length of the time period during which issuers used services of the same external audit firm was 2 years (4 years in 2023).
- All the 7 issuers reported the gross amount paid to the external audit firm for audit services provided in 2024, with the amounts ranging from EUR 16.5 thousand to EUR 266 thousand (from EUR 9.7 thousand to EUR 490 thousand in 2023). External auditors were paid an average of EUR 104 thousand by issuers (EUR 107 thousand in 2023).
- No issuers reported the gross amount paid to the external audit firm for other services provided in 2024 (1 issuer in 2023; the amount totalled HRK 9.9 thousand).

## TRANSPARENCY AND CORPORATE SOCIAL RESPONSIBILITY

- In 2024, 5 issuers had both Croatian and English websites, while 1 issuer had a Croatian website only (as in 2023).
- In 2024, 2 issuers (1 issuer from the computer, electronic and optical products manufacturing sector and 1 issuer from the construction industry) had a separate department or employees in charge of investor relations exclusively (as in 2023).
- 2 issuers published the calendar of significant events on their website, one engaged in real estate activities and one engaged in the manufacture of basic pharmaceutical products and pharmaceutical preparations (as in 2023).
- 2 issuers reported having held press conferences in 2024, of which 1 issuer held 8 press conferences during the year (3 issuers in 2023, of which 1 issuer held 3 press conferences during the year).

## Corporate Governance Code

- In 2024, 3 issuers complied with another corporate governance code in addition to the Code, namely an internal code of the issuer (in 2023, 2 issuers complied with their internal code in addition to the Code).
- The issuers that complied with an internal code in addition to the Code in 2024 were engaged in the manufacture of basic pharmaceutical products and pharmaceutical preparations, in real estate activities, and in financial and insurance activities (the issuers that complied with an internal code in addition to the Code in 2023 were engaged in the manufacture of basic pharmaceutical products and pharmaceutical preparations and in real estate activities).

## LIST OF TABLES

Table 1 Share of the issuers that reached the target percentage of female board members and have a nomination committee in place	18
Table 2 Average number of supervisory board members and average number of independent supervisory board members of share issuers in the 2020-2024 period	20
Table 3 Comparative overview of reported conflicts of interest during the year and prior approvals given by supervisory boards for the conflicts of interest management policy in 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market	23
Table 4 Prime Market issuers' compliance scores by individual sections of the Code for the year 2024	50
Table 5 Official Market issuers' compliance scores by individual sections of the Code for the year 2024	51
Table 6 Regular Market issuers' compliance scores by individual sections of the Code for the year 2024	51
Table 7 List of issuers according to their compliance scores for 2024	53
Table 8 Prime Market issuers' compliance progress scores by individual sections of the Code for the year 2024	66
Table 9 Official Market issuers' compliance progress scores by individual sections of the Code for the year 2024	66
Table 10 Regular Market issuers' compliance progress scores by individual sections of the Code for the year 2024	67
Table 11 List of issuers according to the progress in their compliance with the Code for the year 2024 by segments of the regulated market	69
Table 12 Examples of explanations from the compliance questionnaire for share issuers for the year 2024	70
Table 13 Number of share issuers on the regulated market of the ZSE from 2015 to 2024, as at 31 December	75
Table 14 Classification of issuers by sectors in the period from 2015 to 2024, as at 31 December	78

Table 15 Number of the issuers whose shares are admitted to trading on the regulated market of the ZSE, initial capital and market capitalisation (in EUR bn) from 2015 to 2024	81
Table 16 Share issuers' ownership structure in relation to market capitalisation (in EUR million) as at 31/12/2020, 31/12/2021, 31/12/2022, 31/12/2023 and 31/12/2024	88
Table 17 Share issuers' ownership structure in relation to free float as at 31/12/2020, 31/12/2021, 31/12/2022, 31/12/2023 and 31/12/2024	90
Table 18 Average value of reported related party transactions from 2015 to 2024	94
Table 19 Remuneration paid to share issuers' management board members in the 2015-2024 period	116
Table 20 Manner of determining the level of remuneration for supervisory board members in 2020, 2021, 2022, 2023 and 2024	121
Table 21 Remuneration paid to supervisory board members in the 2015-2024 period	121
Table 22 Remuneration paid to the issuers' senior management in the 2020-2024 period	123
Table 23 Initial capital of corporate bond issuers and market capitalisation of corporate bonds from 2020 to 2024	140
Table 24 Age structure of corporate bond issuers' supervisory boards in the 2015-2024 period	143
Table 25 Age structure of management boards of corporate bond issuers in the 2015-2024 period	146
Table 26 Average value of related party transactions in the period from 2015 to 2024	147
Table 27 Remuneration paid to corporate bond issuers' management board members in the 2015-2024 period	149
Table 28 Remuneration paid to corporate bond issuers' supervisory board members in the 2015-2024 period	150

## LIST OF CHARTS

Chart 1 Overview of women's participation in management and supervisory boards of issuers in the Republic of Croatia, 2015 – 2024	15
Chart 2 Comparison of the number of issuers with female board chairs in 2020, 2021, 2022, 2023 and 2024	16
Chart 3 Number of issuers without any female board members in 2020, 2021, 2022, 2023 and 2024	16
Chart 4 Share of issuers that failed to set the target percentage of female board members in 2024, by segments of the regulated market	17
Chart 5 Independent supervisory board members in share issuers in the Republic of Croatia, 2015 - 2024	19
Chart 6 Share of issuers with an independent majority of supervisory board members by segments of the regulated market; 2020, 2021, 2022, 2023 and 2024	19
Chart 7 Proportion of share issuers with an audit committee in place in 2020, 2021, 2022, 2023 and 2024	21
Chart 8 Number of conflicts of interest reported during the year in 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market	22
Chart 9 Share of the issuers whose supervisory board gave its prior approval for the conflicts of interest management policy in 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market	23
Chart 10 Proportion of the share issuers that had in place an internal control system in 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market	25
Chart 11 Proportion of the share issuers that had in place an internal control system and whose audit committee evaluated the effectiveness of the risk management and internal control system as a whole at least once a year in 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market	26
Chart 12 Proportion of the issuers having made details of the whistle-blowing procedure available free of charge on their websites in 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market	27
Chart 13 Share of the issuers whose articles of association and/or internal regulations lay down the obligation of the management board to report to the supervisory board any breaches identified and to arrange the actions that should be taken, in 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market	28

Chart 14 Share of the issuers whose supervisory board sets annual remuneration of each member of the management board, based on the recommendations of the remuneration committee and in accordance with the approved remuneration policy, in 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market	29
Chart 15 The company's approved remuneration policy is available on the website of the company free of charge (Provision 56 of the Code)	29
Chart 16 Overview of 2024 sustainability reports in relation to the consolidation of data with issuers' subsidiaries	34
Chart 17 Overview of the type of conclusions on the assurance of sustainability reports, by segments of the regulated market	34
Chart 18 Number of sustainability report pages	35
Chart 19 Overview of the implementation of issuers' transition plans for climate change mitigation	36
Chart 20 Overview of disclosure requirements in the G1 Business Conduct standard in sustainability reports of 40 issuers	38
Chart 21 Overview of issuers by the disclosure of indicators related to Taxonomy-eligible activities in 2021, 2022, 2023 and 2024	39
Chart 22 Overview of issuers' disclosures by the type of indicators related to Taxonomy-eligible activities in 2021, 2022, 2023 and 2024	39
Chart 23 Overview of issuers according to the disclosure of the proportion of turnover from Taxonomy-eligible activities for 2024	40
Chart 24 Overview of non-financial issuers according to the disclosure of the proportion of turnover from Taxonomy-aligned activities for 2024, by segments of the regulated market	41
Chart 25 Overview of issuers according to the disclosure of the proportion of capital investments in Taxonomy-eligible activities for 2024	41
Chart 26 Overview of non-financial issuers according to the disclosure of the proportion of capital investments in Taxonomy-aligned activities for 2024	42
Chart 27 Overview of issuers according to the disclosure of the proportion of operating expenditure from Taxonomy-eligible activities for 2024	42
Chart 28 Overview of issuers according to the disclosure of the proportion of operating expenditure from Taxonomy-aligned activities for 2024, for non-financial companies	43

Chart 29 Share issuers' compliance with the section "Stakeholders and corporate social responsibility" in 2020, 2021, 2022, 2023 and 2024, by segments of the regulated market	44
Chart 30 Share issuers' progress in compliance (number of "YES" answers) with the section "Stakeholders and corporate social responsibility" in 2021, 2022, 2023 and 2024, by segments of the regulated market	45
Chart 31 Share issuers' compliance with the section "Leadership" in 2024	54
Chart 32 Share issuers' compliance with the section "Leadership" in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market	54
Chart 33 Share issuers' compliance with the section "Duties of board members" in 2024	55
Chart 34 Share issuers' compliance with the section "Duties of board members" in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market	55
Chart 35 Share issuers' compliance with the section "Appointment of board members" in 2024	56
Chart 36 Share issuers' compliance with the section "Appointment of board members" in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market	56
Chart 37 Share issuers' compliance with the section "Supervisory board and its committees" in 2024	57
Chart 38 Share issuers' compliance with the section "Supervisory board and its committees" in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market	57
Chart 39 Share issuers' compliance with the section "Management board" in 2024	58
Chart 40 Share issuers' compliance with the section "Management board" in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market	58
Chart 41 Share issuers' compliance with the section "Remuneration of board members" in 2024	59
Chart 42 Share issuers' compliance with the section "Remuneration of board members" in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market	59
Chart 43 Share issuers' compliance with the section "Risks, internal control and audit" in 2024	60

Chart 44 Share issuers' compliance with the section "Risks, internal control and audit" in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market	60
Chart 45 Share issuers' compliance with the section "Disclosure and transparency" in 2024	61
Chart 46 Share issuers' compliance with the section "Disclosure and transparency" in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market	61
Chart 47 Share issuers' compliance with the section "Shareholders and the general meeting" in 2024	62
Chart 48 Share issuers' compliance with the section "Shareholders and the general meeting" in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market	62
Chart 49 Share issuers' compliance with the section "Stakeholders and corporate social responsibility" in 2024	63
Chart 50 Share issuers' compliance with the section "Stakeholders and corporate social responsibility" in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market	63
Chart 51 Share issuers' overall compliance with the Code in 2024	64
Chart 52 Number of issuers per segments of the regulated market, 2015 –2024	75
Chart 53 Reasons for removing shares from trading on the regulated market from 2015 to 2024	77
Chart 54 Market capitalisation of shares (in EUR billion) admitted to trading on the regulated market and the number of issuers at the end of each year, from 2015 to 2024	79
Chart 55 Market capitalisation of shares (in EUR bn) by segments of the regulated market from 2015 to 2024	79
Chart 56 Number of share issuers by segments of the regulated market from 2015 to 2024	80
Chart 57 Ownership structure of share issuers as at 31 December 2024	81
Chart 58 Share of domestic natural persons in the share issuers' ownership structure from 2015 to 2024	82
Chart 59 Share of financial institutions and companies in the share issuers' ownership structure from 2015 to 2024	83

Chart 60 Share of funds in the share issuers' ownership structure from 2015 to 2024	83
Chart 61 Share of the public sector in the share issuers' ownership structure from 2015 to 2024	84
Chart 62 Share of supervisory boards in the share issuers' ownership structure from 2015 to 2024	84
Chart 63 Share of other owners in the share issuers' ownership structure from 2015 to 2024	85
Chart 64 Share of custody accounts in the share issuers' ownership structure from 2015 to 2024	85
Chart 65 Share of foreign persons in the share issuers' ownership structure from 2015 to 2024	86
Chart 66 Share of management boards in the share issuers' ownership structure from 2015 to 2024	86
Chart 67 Share of own securities in the share issuers' ownership structure from 2015 to 2024	87
Chart 68 Share issuers' ownership structure in relation to market capitalisation (in EUR million) as at 31/12/2020, 31/12/2021, 31/12/2022, 31/12/2023 and 31/12/2024	87
Chart 69 Share issuers' ownership structure in relation to free float as at 31/12/2024	89
Chart 70 Origin of share issuers' capital at the end of 2020, 2021, 2022, 2023 and 2024	91
Chart 71 Number of cases of conflicts of interest reported during the year in the period from 2015 to 2024	92
Chart 72 Share issuers who reported having/not having an internal regulation for cases of related party transactions in 2024 by regulated market segments	93
Chart 73 Share of individual types of related party transactions in the total amount of related party transactions per regulated market segment in 2024	95
Chart 74 Agreed codes of conduct for management and supervisory board members, employees and other persons acting on behalf of the company in 2024	96
Chart 75 Share issuers' compliance with the section "Leadership" in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market	97
Chart 76 Share issuers' supervisory board gender structure in the period from 2015 to 2024	99

Chart 77 Share issuers' supervisory board gender structure by segments of the regulated market as at 31/12/2019, 31/12/2020, 31/12/2021, 31/12/2022, 31/12/2023 and 31/12/2024	99
Chart 78 Share issuers that set a target percentage of supervisory board female members in 2024	100
Chart 79 Share of independent supervisory board members in the total number of supervisory board members by market segment, from 2019 to 2024	102
Chart 80 Relationship between the issuers' supervisory board members and management board members in 2024	103
Chart 81 Relationship between supervisory board members and other supervisory board members from 2015 to 2024	104
Chart 82 Number of share issuers with all the three supervisory board committees in place in the 2015-2024 period	105
Chart 83 Number of issuers with supervisory board committees in place in the 2015-2024 period	106
Chart 84 Share issuers' compliance with the section "Supervisory board and its committees" in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market	107
Chart 85 Management board age structure as at 31/12/2024 by segments of the regulated market	108
Chart 86 Share issuers' management board gender structure from 2015 to 2024	109
Chart 87 Share issuers that set a target percentage of female management board members in 2024	109
Chart 88 Relationship between management board members and other management board members in 2024	111
Chart 89 Relationship between management board members and supervisory board members from 2015 to 2024	112
Chart 90 Share issuers' compliance with the section "Appointment of board members" in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market	113
Chart 91 Share issuers' compliance with the section "Leadership" in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market	114
Chart 92 Share issuers' compliance with the section "Duties of board members" in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market	114

Chart 93 Total gross amounts of fixed remuneration paid to management board members (in EUR m) in relation to market capitalisation of issuers (in EUR m) in 2020, 2021, 2022, 2023 and 2024	117
Chart 94 Ownership structure of share issuers that paid gross fixed remuneration to management board members totalling more than EUR 500 thousand in 2020, 2021, 2022, 2023 and 2024	118
Chart 95 Ownership structure of share issuers with a remuneration policy for management board members in place in 2020, 2021, 2022, 2023 and 2024	120
Chart 96 Share issuers' compliance with the section "Remuneration of board members" in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market	124
Chart 97 Number of share issuers with internal audit and control systems in place in the 2015-2024 period	126
Chart 98 Share of issuers having in place an internal audit system in 2019, 2020, 2021, 2022, 2023 and 2024, in relation to their market capitalisation (in EUR million)	127
Chart 99 Ownership structure of share issuers with an internal audit system in place in 2024	128
Chart 100 Gross amount paid to audit firms for audit services provided during 2024 in relation to issuers' market capitalisation	129
Chart 101 Share issuers' compliance with the section "Risks, internal control and audit" in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market	130
Chart 102 Share issuers' compliance with the section "Shareholders and the general meeting" in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market	132
Chart 103 Number of issuers with a separate organisational unit or employees in charge of investor relations in the period from 2015 to 2024	134
Chart 104 Number of the issuers that held press conferences and the number of the conferences held in the 2015-2024 period	135
Chart 105 Share issuers' compliance with the section "Disclosure and transparency" in 2019, 2020, 2021, 2022, 2023 and 2024 by segments of the regulated market	137
Chart 106 Share issuers' compliance with the section "Stakeholders and corporate social responsibility" in 2019, 2020, 2021, 2022, 2023 and 2024, by segments of the regulated market	137

Chart 107 Ownership structure of corporate bond issuers as at 31/12/2020, 31/12/2021, 31/12/2022, 31/12/2023 and 31/12/2024 141

Chart 108 Number of supervisory board members of corporate bond issuers in the 2015-2024 period 142

Chart 109 Bond issuers' supervisory board gender structure in the 2015-2024 period 143

Chart 110 Number of management board members of corporate bond issuers in the 2015-2024 period 145

Chart 111 Share of women on management boards of corporate bond issuers in the 2015-2024 period 145