

REPORT ON THE OBSERVANCE OF STANDARDS AND CODES (ROSC)

CORPORATE GOVERNANCE COUNTRY ASSESSMENT REPUBLIC OF CROATIA

September 2001

This Corporate Governance Assessment of Croatia has been completed as part of the joint World Bank-IMF program of Reports on the Observance of Standards and Codes, (ROSC) which are designed to strengthen the international financial architecture. This ROSC is based upon a template structured around the OECD Principles of Corporate Governance completed by the World Bank team, and the Croatian Securities Commission, based on a review of relevant legislation and discussions with the Croatian Securities Commission, the Ministry of Finance, the Zagreb Stock Exchange, the Varazdin Over-The-Counter Market, the Croatian Privatization Fund, the Central Depository Agency, the Commercial Court of Zagreb, the Croatian Association of Accountants and Financial Experts, the Croatian Employers' Association, Expandia Privatization Investment Fund, the Law Faculty of Zagreb, Croatian Chamber of Economy, and Zagrebacka banka. The assessment was conducted March through May 2001 by the Europe and Central Asia Regional Department of the World Bank in collaboration with the Corporate Governance Unit of the Private Sector Advisory Services Department of the World Bank.

REPORT ON THE OBSERVANCE OF STANDARDS AND CODES

Corporate Governance Assessment Republic of Croatia

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I EXECUTIVE SUMMARY

1.1 Croatia's corporate governance system is framed by civil law with regulation for traded companies in part based on London securities rules and international standards for accounting and auditing.

1.2 There are two public exchanges, which both have three tiers: one over the counter market, Varazdin, and the Zagreb Stock Market. The majority of companies are listed on the third tier, which has the lowest level of disclosure and listing requirements. The small number of companies on the first tiers (four companies at ZSE, two at Varazdin) has been reduced recently through the successful takeover of companies by strategic investors.

1.3 The corporate governance structure in Croatia reflects several important aspects of the recent history of Croatian enterprise, including: a history of social ownership; the transition to capitalism; the on-going legacy of privatization; recent economic distress; and, regional conflict.

1.4 Interest in corporate governance is rising with the potential for growth in the corporate sector being driven by privatization. Improvement in corporate governance is seen to have the potential for improving access to capital, and promoting efficient development of the new private sector.

1.5 This Report on the Observance of Standards and Codes benchmarks the Croatian corporate governance system against the OECD Principles of Corporate Governance, which have been recognized by the Financial Stability Forum as one of the core standards underpinning the international financial architecture.

1.6 This ROSC highlights a number of areas where Croatia's corporate governance system can be strengthened: these can be grouped initially under four headings:

- disclosure of ownership and control
- the role and effectiveness of shareholders meetings
- the business practices of supervisory boards
- the audit practices of external auditors.

The recommendations for reform are set out briefly in Section IV and at greater length in the Annex

1.7 When completed, this ROSC will be publicly posted on the World Bank-IMF website (http://www.worldbank.org/ifa/rosc_cg.html).

II DESCRIPTION OF PRACTICE

A Capital Market Overview

A1 Capital market structure and legal framework

The Croatian corporate legal structure is based on civil law. The primary legal framework for publicly traded companies consists of the 1993 Company Law, the 1995 Law on Issuance and Sale of Securities (amended in 1998) and the 1997 Law for the Takeover of Joint Stock Companies. All traded securities must be in the legal form of shares in joint stock companies, which are governed by the Company Law. The Company Law is based on the German Stock Corporations Act, while the Securities Law and Takeover Law largely reflect Anglo-American securities market legislation. While moving towards integration with the European Union¹, the legal reform necessary for that integration remains at an early stage. Croatia's laws have not yet been comprehensively reviewed for compliance with the Directives of the European Union. The Securities Law governs the securities markets and establishes the primary securities regulatory agencies: the Croatian Securities Commission (CroSec) and the Croatian Securities Depository Agency (SDA). The Securities Law also regulates the trading of securities and sets out the extent of civil and criminal liabilities.

There are approximately 3,000 joint stock companies in Croatia, representing just over two percent of all enterprises. Under the 1993 Company Law, other legal forms are permitted but only joint stock companies may trade on the two organized exchanges: the Zagreb Stock Exchange (ZSE) founded in 1991 with three tiers; and, a smaller exchange, the Varazdin Over-the-Counter (OTC) Market, founded in 1993 which lists companies on three primary tiers (plus special trading for auctions and government certificates). (Please see appendices for information on both ZSE and Varazdin markets). On December 31, 2000 the market capitalization of ZSE was Kuna 22.2 billion (US\$ 2.6 billion²) or 13.4 percent of GDP and Kuna 5.6 billion (US\$ 652 million), for Varazdin, or 3.9 percent of GDP. Top tier companies at both ZSE and Varazdin must have at least 25 percent of shares in free float, however additional information on liquidity is not available.

A2 Ownership Structure

Current levels of disclosure do not allow the ownership structure of Croatian companies to be clearly identified. Information provided is based on estimates by market participants.³ Ongoing discussions regarding privatization of the state pension funds could create a domestic institutional investor industry.⁴ There are an estimated 350,000 individual retail investors,⁵

¹ In May 2001, Croatia signed the Stabilisation Association Agreement as a preliminary move toward joining the European Union. The European Commission has set up a Community Assistance for Reconstruction, Development and Stability (CARDS) programme, through which Croatia will be qualified to discuss ascension after 2006.

² Based upon an exchange rate of 8.6 Kuna to the USD, as of 8 June 2001, <http://www.bloomberg.com/markets/currency/currcalc.html>

³ Notably, most of the Securities Commission's recent investigations relate to disclosure requirements during change of ownership.

⁴ For January 2002, pension fund reform law is under consideration which would allow state pension funds to invest up to fifteen percent of assets in foreign equity, 35 percent of assets in domestic equity (with a maximum of fifteen percent of assets invested in ZSE's TN Tier) and at least 50 percent of assets in Croatian bonds (and other long term securities). As of May 2001, the state pension funds could invest up to twenty percent of their value in domestic equity. Actual investment in domestic equity is much lower. (Interviews with the Ministry of Finance, May 17 2001)

⁵ Interviews with CroSec and SDA, May 15th and May 18th 2001.

virtually all of whom received their shares as part of voucher privatization. Approximately 230,000 people (including veterans, families of the deceased, casualties, dispossessed, captured, families of those missing) received their voucher shares as compensation from the government following the regional conflict.⁶ An estimated 100,000 small shareholders have bought shares, often on a deferred payment plan.⁷ In total it is estimated that “small shareholders” hold about Kuna 5 billion (US\$ 582 million) in shares. The investment funds are regulated by the 1997 Law on Privatization Investment Funds and the 1995 Law on Investment Funds, in addition to the Securities Law and other securities-related institutions. The seven privatization investment funds (PIFs) are listed on the Varazdin OTC Market and in 2000, represented over twenty percent of the trading. Approximately 480 other companies are occasionally traded there. Many have been publicly traded as a result of privatizations by the Croatian Privatization Fund. The number of companies listed on ZSE or Varazdin in which the government is a shareholder is difficult to ascertain as complete ownership disclosure is not mandatory.

During 2000, two companies listed on ZSE’s top tier were removed due to their acquisition by strategic investors. 31 companies representing Kuna 145 million (US\$ 17 million) were subject to the Law on the Takeover of Joint Stock Companies (see below), a three-fold increase from 1999. These takeovers were driven by restructuring following the privatization programs of the 1990s, three-year economic recession and a 1999-2000 banking crisis in Croatia.

A3 Regulatory framework and professional/best practice bodies

The Croatian Securities Depository Agency (SDA) was created in April 1997.⁸ The mandate of the SDA is to operate as the Croatian Central Registry/Depository for all forms of securities and to contribute to the competitiveness of the Croatian capital markets through providing electronic clearing, settlement and depository services. The SDA received its operating license from the Croatian Securities Regulator in April 1999 and began to introduce its services on a gradual basis starting in July 1999. The SDA was fully operational by November 1999. By March 31, 2001 it had completed registration of about 150 of the most-actively traded companies, which represent close to 100 percent of trading. When fully complete, the Depository Agency expects to have registration for about 1,500 companies.

The SDA is in compliance with most of the ISSA/G30 recommendations. There are projects currently underway to achieve full compliance by the end of 2001. Full compliance requires a move to T+3 settlement from T+4 settlement and the introduction of an automated securities borrowing and lending facility. The SDA holds securities in dematerialized form. The SDA clears and settles all trades executed on the Zagreb Stock Exchange and the Varazdin OTC market. Trade settlement takes place on either a netting basis for those trades that are at or under one million HRK (US\$ 117,000) or on a trade-for-trade basis for trades valued one million HRK. The SDA has a complete Fails Management system in place that includes a Guarantee Fund combined with buy-in and sell-out procedures. The SDA has been formally acknowledged by one Global Custodian Bank to be in compliance with the requirements of the U.S. Securities and Exchange Commission Rule 17f-7. Having been accepted by one Global Custodian Bank, the

⁶ Interviews with Expandia PIF (May 17, 2001)

⁷ These shares may be paid for over a twenty year period

⁸ Article 84 of the Issuing and Trading of Securities Act (Narodne novine no. 107/95) and Article 177 of the Companies Act (Narodne novine no. 111/93)

SDA expects in due course to receive formal confirmation of compliance with SEC Rule 17f-7 from the other Global Custodian Banks.⁹

Less than one percent of SDA accounts are managed by custodian banks. The total market value held in these accounts represents 29 percent of the total market capitalization.¹⁰ The accounts that are not managed by custodian banks are beneficial owner accounts. These accounts represent close to 100 percent of the total number of accounts held by the SDA. In market value terms, these accounts contain over 71 percent of the total market capitalization. An analysis of the beneficial owner accounts indicates that domestic companies contain 38 percent of total market value while representing under two percent of the total number of accounts opened. The market value held by foreign companies is fourteen percent of the total market value while representing less than one percent of accounts opened. Domestic individuals have by far the largest number of accounts (more than 97 percent) and hold sixteen percent of the total market capitalization. Foreign individuals have very few accounts and represent a very small percentage of the value of holdings in market value terms. Companies holding treasury shares represent two percent of total market capitalization.¹¹

Founded in 1996, the Croatian Securities Commission (CroSec) is the administrative body responsible for the licensing and monitoring of issuers, intermediaries, investment funds, portfolio managers, brokers and advisors as well as investors. Under the 1995 Securities Law, the Croatian Securities Commission is empowered to monitor and investigate all securities trading and, as appropriate, refer cases to the commercial courts or the prosecutor-general. The Commission is governed by a chairman, two deputy chairmen and three other members. Members of the Commission are nominated by the Government of Croatia and appointed by the Croatian Parliament (*Sabor*) for terms of six years, with the terms of two commissioners expiring every two years. The Chairman is chosen from among the Commissioners and he/she appoints the deputies. Commissioners must have appropriate professional expertise, abilities and work experience and be considered worthy of being a member of the Commission. The members of the Commission are prohibited from acting as members of the management, boards of directors, oversight committees or other bodies of issuers of securities. They may not perform any other service or function which might influence their independence, or diminish their public reputation. The Commission is funded by the state budget. It has a total staff of twenty-four, and in common with the Croatian public sector, its employees are paid significantly less than their private sector peers in the financial sector.

The Commission issues brokers' licenses but is not currently empowered to revoke brokers' licenses. A proposed amendment to the Securities Act will establish this authority. The Commission can initiate investigation of its own accord or upon the notification of third parties. In cases of non-compliance or violation of the Securities Law by market participants, the Commission may give warnings, halt trading, and publicize cases of abuses practices. The Commission can only investigate violations directly related to securities trading. The Croatian Securities Commission does not have administrative powers to impose fines, but must refer the case to the commercial courts. Violations of the criminal code are referred to the prosecutor-

⁹ SDA statistics and written statement, May 23, 2001.

¹⁰ These numbers include the securities held by custodian banks in support of the GDR programs in place for Pliva and Zagrebacka Banka.

¹¹ SDA statistics and written statement, May 23, 2001.

general. Administrative decisions by the Securities Commission can be appealed to the administrative court. The Securities Commission has the ability to carry out electronic surveillance of all securities trading on the ZSE and on the Varazdin Market.

The ZSE supervises the functioning of the stock market, establishes listing rules, defines the terms and conditions under which securities are admitted for trading on the exchange, and supervises the activities of securities brokers. The Exchange is a joint-stock company with 41 shareholders, which originally included 34 banks and industrial companies.¹² In 2000, the ZSE harmonized its shareholders' structure with the Law on Securities. Its only shareholders now are brokerage houses, which are members of the ZSE. The ZSE is a corresponding member of the International and European Federations of Stock Exchanges and is a full member of the Eur-Asian Federation. ZSE has the authority to warn companies of possible violations of the securities laws, to de-list issuers and to refer cases for investigation by the Securities Commission. The Exchange maintains a separate department for market surveillance. In the past year, the Zagreb Exchange has referred three cases to the Commission for further review.

In December 1997, the 23 individuals who founded Varazdin OTC were replaced by 36 brokerage houses, who became the Varazdin shareholders. Each new shareholder is the owner of an equal number of shares. In 2001, there were 34 active brokerage houses who were Varazdin shareholders. Varazdin is governed by a supervisory board consisting of brokerage representatives, who have the ability to suspend trading and otherwise impose disciplinary measures upon members who have not met financial obligations. CroSec is responsible for overseeing all trading on both ZSE and Varazdin.

A4 Registration and listing requirements

A company is required to obtain the approval of the Securities Commission prior to issuing new securities, although preparation of a standard, full prospectus is only required for Quotations I and II companies. Other traded companies are only obliged to prepare an abbreviated prospectus and follow the financial disclosure requirements of the Company Law with regard to joint stock companies. For listings on ZSE TN tier or Varazdin's "Supply and Demand" tier, companies must send the exchange in question basic data, such as the last annual financial report and provisions of the statute regulating the number, type and transfer of shares.

The Securities Law establishes standards for minimum disclosure of information in the prospectus. The Law sets out the requirements for a prospectus and notes that it should contain all the information necessary for the investor to form a realistic picture of the 'property and obligations', profit and loss, financial position, and prospects of the issuer and as well as the shareholders' rights in the securities (but not information on the broker).

The prospectus must also provide the names of company management and the members of the supervisory board. For the issuance of shares, the prospectus must also disclose remuneration of the members of the boards as well as the names of shareholders who directly or indirectly have or could have prevailing influence on management of the issuer. If the prospectus pertains to shares, earnings which members of management and the board of directors receive from the issuer must be disclosed. Companies must also disclose any new information or revision of

¹² Shareholders with more than five percent ownership in the Zagreb Exchange were: Privredna banka, Rijecka banka, CAIB (investment bank), Croatia Lloyd and the state oil and gas company INA.

errors in the prospectus which could affect assessment of the security. No specific disclosure is required of the governance mechanisms of the issuer. Under Article 17 of the Securities Law, company management and the management board must also sign a statement that the information in the prospectus constitutes a full and truthful presentation.

After receiving approval from the Securities Commission, an issuer may submit an application to the ZSE, if the shares are to be listed there. The application must include information concerning the type of securities to be listed, the ownership structure of the company, a copy of the founding act and the statutes, the prospectus, and any additional information on events which occurred after its publication. The supervisory board of the ZSE makes the final decision whether or not to admit the issuer's securities for trading on the exchange. The Listing Department of the ZSE monitors compliance with listing requirements. The Department has one staff member responsible for supervision of the four companies listed on the Quotation One tier. The minimum capital for issuers is DM 30,000 (US\$ 13,000)¹³ and the minimum value of each share DM 10 (US\$ 4).¹⁴ At least one-third of the issue price and all of the contributions in-kind must be paid-in to the company's share capital at the time of registration of the securities. Before registering a new joint stock company or increasing the capital of an existing company, it is necessary to pay at least one-quarter of the nominal value of each share in cash.¹⁵ Multiple-vote shares are prohibited.

The ZSE has three market segments with different listing requirements (please see appendix for listing requirements). Quotation I follows the Rules of the London Stock Exchange. It requires publication of three years audited financial statements, a free float of at least 25 percent of the share capital and publication of a prospectus. Quotation II requires one year of audited financial statements, a minimum free float of ten percent and publication of a prospectus. Quotation TN requires only one year of audited statements and no prospectus.

The Varazdin Market has different requirements on corporate disclosure and free float for its three primary tiers: Privatisation Investment Funds (PIFs) and the "Market Quotation" companies must be at least 25 percent publicly owned, publish a prospectus and provide two years of audited financial statements (PIFs excepted). Varazdin has no requirements on free float for the "Supply and Demand" tier, on which 478 of Varazdin's 487 companies list, however, these companies must provide one year of audited financial statements. Varazdin has six full time employees, one of which is responsible for surveillance.

The Securities Law requires that new material information or corrections to inaccuracies be published in a supplement to the prospectus, which must be accessible to the public in the same manner as the original prospectus. To be admitted for trading on both ZSE and the Varazdin Market, in principle shares must be freely transferable. However in some cases the company management may refuse to register the transfer under the *vinkulacija* provisions of the Company Law.¹⁶ Restricted share transfer is permitted under the Company Law but prohibited under the

¹³ Based upon an exchange rate of 2.3 DM to the USD, as of 8 June 2001, <http://www.bloomberg.com/markets/currency/currecalc.html>

¹⁴ These amounts were set in German Marks (DM) in order to create a stable standard during a time of high inflation in Croatia.

¹⁵ Article 179, Paragraph 3, Law on Companies

¹⁶ Article 226 of the Company Law allows for a company's statutes to require the approval of the company prior to transfer of shares to a new owner.

Securities Law, therefore all companies registering at the SDA are not permitted to restrict share transfer. For companies listing on Varazdin, who refrain from registering at the SDA, restricted share transfer is still permissible.

B Shareholder Protections

B1 Shareholder rights and share registration

The Company Law sets out the fundamental rights of shareholders and their treatment by the governing bodies. Two classes of shares may be issued: preferred and common. All common shares have voting rights. Preferred shares are non-voting, except in cases of non-payment of dividends. The total nominal amount of preferred shares may not exceed 50 percent of the company's capital.¹⁷ The Company Law indicates that voting rights are obtained only upon full payment for shares, but the company statutes may permit voting rights for lower levels of payment proportional to the amount of paid shares.¹⁸ The Company Law allows for company statutes to require that shares to be deposited with a bank ten days prior to the shareholders' meeting (bearer shares).

Under the Company Law, responsibility for maintenance of the share register is held by each company, which may maintain the register themselves or have another company maintain the shareholder list. Only the person whose name is registered in the share register is considered to be the legal shareholder. Apart from the company management's responsibility to fulfill their duties in a conscientious and prudent manner in the interests of the company, there is no specific regulation of the company's share registration activities. In some cases, companies have been criticized for requiring high fees and extensive documentation for share registration but in general the administrative costs are considered low.

Under the 1995 Securities Law, all securities issued to the public (which consists largely of privatized former state enterprises) must be registered with the SDA. The SDA is the only agency authorized to receive the deposit of dematerialized securities and to clear and settle the securities. The SDA marks a major improvement in corporate governance in Croatia, since prior to its creation, all share registries were held by the issuing companies or by companies designated by the issuers. Without effective regulations, share registries were sometimes incomplete or inaccurate.

B2 Shareholder meetings

Under Article 275 of the Company Law, the shareholders' meeting has sole authority to make decisions on: (1) changes in the company statutes, (2) increases and decreases in the company capital, (3) election and dismissal of members of the supervisory board, (4) the annual financial reports and the distribution of profits, (although there is no required formula for calculating dividends) (5) appointment of external auditors, (6) termination of the company, and (7) any other activities specified in the company statutes. Unless described in the company statutes or requested by the management board, the shareholders' meeting does not have the authority to make other decisions regarding the company or to invalidate decisions by the supervisory board or management board. Decisions by the shareholders' meeting are not valid unless properly

¹⁷ Article 169 of the Company Law.

¹⁸ Although generally Company Law takes precedent over company statute, companies who pre-existed the introduction of the Company Law may continue to obey company statute on this matter. (Zoran Parać, interview, May 16, 2001)

convened and recorded. Under Article 355 of the Company Law, decisions by the shareholders' meeting may also be invalidated if not "in conformity with the company's objectives" or if they are deemed "unethical".¹⁹

Companies are required to convene a general meeting at least once each year. Extraordinary general meetings may be convened by the company at the request of the holders of five percent of the shares. The Law on Companies does not stipulate a quorum necessary for holding a valid assembly, as this matter is decided in company statute. Under the Company Law, the shareholders' meeting and its agenda must be announced 30 days in advance. An announcement regarding the assembly, the proposed agenda and all decisions requiring a vote must be published in *Narodne Novine*, the official gazette: all other forms of convening a shareholders meeting is stipulated by company statute. Should shareholders wish to present counterproposals to items requiring a vote, the company also must publish the counterproposal in the official gazette. The Company Law permits shareholders' meetings to be held at the company headquarters or at the stock exchange if the company statutes allow it. Apart from the meeting agenda, there is no requirement for distribution of other materials specifically for the shareholders' meeting.

The Company Law includes a provision that would allow shareholder to introduce items to the agenda of meetings. Within ten days after publishing the proposed agenda in the official gazette, shareholders may request amendments or present counterproposals to issues requiring a vote but these are not circulated to the other shareholders. Neither the company management board nor the supervisory board is required to respond to any questions submitted prior to the shareholders' meeting, but can do so during the meeting. The agendas for shareholders' meetings are set by the board. The shareholders may make decisions on issues not on the agenda, if all shareholders with votes agree to do so. Such items are presented during the course of the meeting, and are not circulated in advance.

In addition, under Article 287 of the Company Law, the management board may refuse to provide information on taxes or the difference between the book and market value of assets. To be valid, decisions by the shareholders' meeting must be signed by the president of the meeting and notarized. After the shareholders' meeting, the management board must without delay submit a certified copy of the minutes and the relevant documents to the commercial court register. All information in the court register is publicly available although it is not available online. To obtain copies of the information one must visit the court register in person.

B3 Market for corporate control

The 1993 Company Law regulates substantial acquisitions of shares (25 percent or more of issued capital) by requiring that the purchasing company must without delay notify the acquiree. The purchasing company must publish the information in the company journal (or other corporate newsletter) and disclose under the seven days after an investor crosses any of several thresholds: ten percent, twenty percent, 1/3, 50 percent, 2/3 or 75 percent of all voting rights in a joint stock company. In addition the acquirer must publish the notification in *Narodne Novine*, the official gazette, within seven days upon receipt. However there are no requirements in the

¹⁹ "Unethical" is not defined by law, and judicial practice understands it as fair trade practices. Because there has been no conscious infliction of damage on creditors, examples pertaining to abuse of power, violation of confidence or equal treatment principles have not been considered "unethical".

laws or in the Securities Commission's regulations that require disclosure of full beneficial ownership.

In addition, according to the Takeover Law, after purchasing 25 percent or more of the voting shares of a company, the investor must within seven days notify the Securities Commission and publish a takeover offer in the newspapers for the balance of the shares. However, publication of tender offer is not required if the increase in share capital is done by a private placement and the share increase has been approved at a shareholders' meeting. Also the mechanism for setting the price for the tender offer is not specified by law or regulations, although the Securities Law does require that all regulated public markets publish in the daily newspapers offers to buy and sell securities and data on the price and quantity exchanged. Upon publication of a tender offer, the investor has the right to access the shareholder list. If fewer than 50 percent of the shareholders accept the offer the tender offer may be withdrawn.

Within seven days of the publication of the tender offer, the supervisory board of the issuer must publish an opinion on the bid. Members of the supervisory and management boards of the issuer are prohibited from acting in any way that would prevent shareholders from deciding on the bid.

Prior approval of the Agency for the Protection of Market Competition is not required prior to the purchase of shares. However under the 1995 Law on the Protection of Market Competition, companies must notify the Agency of proposed mergers whenever an affiliated group of companies has annual revenues of Kuna 700 million (US\$ 85 million) or more prior to merger – or if before the merger two of the affiliated companies have combined revenues exceeding Kuna 90 million (US\$ 11 million).

B4 Participation in corporate decisions

The Company Law provides the right for shareholders to vote at general meetings. The company statutes set out other provisions, such as the right of the certain shareholders to appoint up to one-third of the supervisory board. Decisions on key issues, such as amending the company statutes and increasing or decreasing share capital, must be made by 75 percent of the shares represented at the shareholders' meeting (rather than a minimum percentage of share capital). However company statutes may allow, if approved by 75 percent of the shares present and voting at the meeting, for the management board to be authorized to increase the company's authorized share capital for a period of up to five years and for an amount up to 50 percent of the company's share capital

In addition the Law allows the management board to increase the company's share capital by converting company bonds into new shares up to the amount of the issued share capital of the company. It also permits company statutes to waive existing shareholders' pre-emptive rights on new share issues. In addition, the law provides for no requirement that the shareholders' meeting approve all transfers of substantial assets.

There are no specific provisions for the procedure for counting of votes at the shareholders' meeting, although the Company Law requires that all decisions by the shareholders' meeting be recorded in the minutes prepared by a notary. The minutes must include the time and place of the meeting, the manner of voting, and the list of participants at the meeting. Without delay the management board must submit a certified copy of the minutes to the commercial court register, and the information is then publicly available.

The shareholders' meeting elects the members of the supervisory board for a period of up to four years. Supervisory boards must have at least three members. In addition the Company Law requires that the members of the supervisory board not include members of the management board, thus ensuring that 100 percent of the supervisory board is independent of company management. The supervisory board appoints management board for a maximum term of five years, although the terms may be renewed indefinitely. There are no requirements for citizenship to the members of the governing bodies. Appointment and removal of members of the supervisory board must be made by 75 percent of the shares present and voting at the meeting. In addition, shareholders with ten percent or more of shares may propose candidates for the supervisory board and the voting for such candidates must be conducted before votes for the individuals proposed by the supervisory board itself.

There is no restriction against cumulative voting for electing members of supervisory boards, but neither is it a requirement by law. In practice, cumulative voting for supervisory board members is rarely incorporated into the company statutes.

Shareholders have the right to vote by proxy (which need not be notarized). The proxy must be appointed in writing and the proxy card delivered to the company. There are no restrictions as to whom may be appointed proxy. Voting by mail is permitted only if authorized in the company statute. There are also provisions for financial institutions to be named as proxies and Article 292 allows for financial institutions to be given the right to vote for a shareholder, for a period of up to fifteen months.

B5 Equitable treatment and statutory remedies

Several remedies are available for shareholders in case of violation of their rights. They can initiate legal action either in the name of the company as derivative actions or in their own name. In cases where dividends on traded securities are due but have not been paid, shareholders may request the intervention of the Securities Commission. For non-traded securities, shareholders must sue the company in the commercial courts.

Shareholders have the right to sue under the commercial court for violations of their rights, including for decisions taken by the company's management board. Under the Company Law, the company's management board has responsibility to conduct their affairs in a conscientious and prudent manner in the interests of the company and have liability under both the civil and criminal codes.

In principle, shareholders may resort to court actions to protect their rights through temporary injunctions, under which courts would provide orders to temporarily ban actions until the time of final adjudication. Slow decision-making in the courts means that such actions are rarely requested, however, a May 1999 case (PZ1781/99) the High Commercial Court of Croatia decided in favor of the investor in case of *vinkulacija* and the Court confirmed the shareholders' right to sue the company's management board for damages.

B6 Insider trading and self-dealing

Under the Law on Securities, insider trading and market manipulation are prohibited and subject to both fines and imprisonment. The Securities Law prohibits insiders from taking advantage of

the information to trade securities and from divulging the information to third parties. Any trading by insiders must be reported to the Commission and the stock exchange within seven days. The restrictions against market manipulation include the prohibition against spreading false information to influence the price of securities.

The Securities Commission maintains an enforcement department of four full-time staff members. In addition, the ZSE monitors suspicious trading and forwards cases to the Securities Commission. During 1999 and the first six months of 2000, the Securities Commission submitted 120 cases for review by the courts, or for criminal cases to the prosecutor-general. Of this number, five cases related to insider trading and two cases to price manipulation. Eighty of the cases related to failure to disclose changes in ownership under the Securities Law. 115 cases have been submitted to the commercial courts but no decisions have been taken to date.

C The Role of Stakeholders in Corporate Governance

C1 Legal rights and redress for violation of rights

The Company Law requires that supervisory board members conduct their duties with proper attentiveness, with full responsibility, and with due care. In addition, the supervisory board (as well as the management board) is required to conduct the business operations of the company as conscientious and prudent managers. Such broad definition of is generally interpreted as indicating that board members have responsibilities to all stakeholders, although the responsibility is not specifically defined. Failure to conduct the operations in the manner of conscientious and prudent managers subjects board members to both civil and criminal penalties. Members of the management board are also personally responsible for actions that caused damage to the company, against which the test of a conscientious and prudent manager is to be applied. To date neither have been tested in court.

There are no voluntary codes of best practice developed by business organizations or non-government organizations. Through the public reference facilities of the Securities Commission and the commercial court registers, the same financial information available to shareholders is also publicly available to other stakeholders. The Company Law requires that management boards act in a conscientious and prudent manner in the interests of the company. The Law provides for both civil and criminal sanctions in the event of failure to do so. However in the six years since the Company Law became effective, no cases have been presented to the courts.

C2 Performance-enhancing mechanisms for stakeholder participation

To encourage stakeholder participation, employees were generally offered discounted prices on shares for companies undergoing privatization. There is no clear evidence of whether this has proven to be a performance enhancing exercise. Some employee shareholder groups exist, however these function on an ad hoc basis.

When the government announced the voucher privatization of 420 state owned enterprises in 1997, seven investment funds were formed in order for voucher recipients to invest in the newly privatized companies. Of the 230,000 individuals who received vouchers, 90 percent chose to swap their vouchers for shares in the newly created Privatization Investment Funds (PIFs). Because of the illiquid nature of many of the privatized enterprises, the PIFs have been consolidating their positions in these companies and taking a more active role as shareholders.

For example, Expandia (the second largest PIF) has representation on the supervisory boards of fifteen of the twenty companies in which they invest. The PIFs must either close down or become open money management funds after five years.

D Financial and Non-Financial Disclosure

D1 Disclosure of material information

Rules concerning disclosure of financial information are included in the Company Law, the Securities Law (as amended) and the 1992 Law on Accounting. Under the 1998 amendments to the Securities Law, joint stock companies are not required to publish an annual report which includes a directors review, but must publish audited annual financial statements and quarterly unaudited statements if the company meets any of three criteria: (1) more than 100 shareholders, (2) an initial capital of Kuna 30 million (US\$ 4 million) or more, or (3) are classified as large companies under the Accounting Law (i.e. if has more than 250 employees, annual income in excess of DM 16 million (US\$ 7 million) or net assets in excess of DM 8 million (US\$ 4 million)).²⁰

Under the Law on Accounting, all enterprises in Croatia are obliged to prepare their financial statements in accordance with International Accounting Standards, which are translated into Croatian by the Croatian Association of Accountants and Financial Experts as the standards are revised. Under Securities Law, the prospectus does not require disclosure of bankers or advisors apart from the managing underwriter, if the issuer is a syndicate.

Financial information for traded companies is available online through subscription to a private service. It is also available for free (both in hard copy and electronic form) from the public reference facilities of the Croatian Securities Commission. Copies of the company statutes are generally available from the company—they are often printed in the Official Gazette—or from the regional commercial court register. For traded companies, shareholders may also request that Securities Commission obtain a copy of the statutes on behalf of the shareholder.

The Securities Commission is responsible for ensuring disclosure of information required as part of the Securities Law, Law on Takeover of Joint Stock Companies, and legislation related to investment funds. Failure to disclose other information must be addressed to the commercial courts.

D2 External audit

The 1992 Law on Audit requires that an independent audit be prepared for all medium and large enterprises, that is, companies with more than 50 employees and revenues and net assets over certain limits. "Independence" is not specifically defined although the Audit Law specifies that an audit firm is not allowed to perform an audit of a company with whom it is related in terms of capital. There are no specific legal requirements for internal auditors nor any requirements that they report to the supervisory board or to the shareholders' meetings. There are no requirements that supervisory boards have audit committees.

²⁰ These amounts were set in German Marks (DM) in order to create a stable standard during a time of high inflation in Croatia.

The Law on Audit adopted International Standards on Auditing, which were directly translated into Croatian. The code of professional ethics is being translated into Croatian in 2001. The Law states that the audit firm owes a duty of care, honesty, and confidentiality with respect to information gathered during the audit. The Croatian Association of Auditors is responsible for auditing standards or practices, but has no authority to impose fines or other economic sanctions. The Audit Law limits the maximum fine to DM 50,000 (US\$ 22,000) which can be applied for negligence by an auditor, although criminal penalties apply for intent to cause damage or personally profit from inaccurate financial statements. A draft revision to the Audit Law would increase the maximum fine that could be imposed on auditors. Currently there is no domestic market for liability insurance. To date, there have no court cases with regard to auditors' liability.

D3 Major share ownership

Under the 1995 Securities Law, all securities issued to the public (which consists largely of privatized former state enterprises) must be registered with the Securities Depository Agency. Under the Company Law, shareholders are entitled to receive the shareholder list from the company. However under the Securities Law, the Depository Agency must keep confidential the information regarding individual accounts and will therefore not release the full shareholder list to company shareholders. In principle, shareholders could request company management to obtain the shareholder list from the Depository Agency. Draft changes to the Securities Law would strengthen the ability of shareholders to obtain the full shareholder list.

D4 Disclosures relating to corporate control and management

An enterprise register is maintained by the eight regional commercial courts and covers over 120,000 enterprises, including partnerships and sole proprietorships. The commercial court registers includes the names of the company's members of the management and supervisory boards, the company's statutes and information regarding the total share capital of the company. The register also includes the names of the company's founders but not the names of the current major shareholders. Public information is not fully centralized. To obtain copies of a company's statutes one must visit the regional court register in person. Provision for online access is being discussed by the Ministry of Justice, which is responsible for the operation of the Commercial Register.

The Securities Law requires that any trading of company shares by insiders (including company management) must be reported to the Commission and the stock exchange within seven days, but there are no periods during which company management or directors are prohibited from trading. Disclosure of related party transactions (i.e. commercial transactions among affiliated parties) is not directly regulated by the securities legislation although disclosure of material related party transactions is required under International Accounting Standards. In addition, there are no provisions in the Company Law that would require, that in event of conflict of interest between a company and members of the management board, spouse, or relatives, the director could not participate in the deliberations on such matters or that such non-participation be mentioned in the minutes of the board meetings.

E The Governing Body

E1 Structure and independent oversight of management

The Company Law provides for a two tier board structure comprising a supervisory board and a management board. The shareholders' meeting may also appoint special "revisers" to review the company's activities or actions taken related to changes in the share capital. Generally, the role of the revisers is limited to confirming the levels of inventory or fixed assets. If the shareholders' meeting declines to appoint the special revisers, shareholders with ten percent or more of the share capital may request that the court appoint the revisers, in cases where the company statutes have not been followed. The supervisory board does not approve the compensation for the management board beyond a review of the company's financial statements. The supervisory board has the right to access any company information bearing significance for business affairs and the position of the company.

E2 Key functions

According to the Company Law, the supervisory board has the following duties. It controls the conduct of the company's business and is authorized to inspect the company's books and internal documents. The supervisory board reports to the shareholders' meeting indicating if: (1) the company has complied with the law, (2) the company's annual reports are in agreement with the company's internal records and the company's true financial and business position and (3) the board agrees with the management's proposal on distribution of profits. The supervisory board must meet at least four times a year, but there is no requirement for disclosure of attendance records for supervisory board members.

III SUMMARY NOTE ON POLICY RECOMMENDATIONS

Based upon this ROSC which benchmarks Croatia's situation relative to the OECD Principles of Corporate Governance and the institutional capacity needed to make them effective, a number of areas warrant attention. The recommendations focus on strengthening four key areas:

- disclosure of ownership and control structures;
- role and effectiveness of the shareholders' meeting
- business practices for supervisory boards, and
- independent role of auditors.

For full discussion of specific policy recommendations, please refer to the Annex.

Annex: Policy Recommendations based on the OECD Principles – Assessment Matrix

The assessment that follows is based upon the OECD Principles of Corporate Governance (available at: <http://www.oecd.org/daf/corporate-affairs/governance/>). The OECD Principles are concerned primarily with corporations that are publicly traded, though many of the issues addressed by the OECD Principles are also of relevance to large non-traded corporations and state-owned companies.

Each statement is benchmarked, based upon the country's level of observance of the principle (please also refer to Table 2: OECD Principles – Assessment Matrix).

Observed means that all essential criteria are generally met without any significant deficiencies.

Largely observed means that only minor shortcomings are observed, which do not raise any questions about the authorities' ability and intent to achieve full observance within a prescribed period of time.

Materially not observed means that, despite progress, the shortcomings are sufficient to raise doubts about the authorities' ability to achieve observance.

Not observed means that no substantive progress toward observance has been achieved.

Policy recommendations or comments may be offered when the principle is not fully observed. Additionally, pertinent notes and additional recommendations will be provided when applicable. Benchmarking throughout this matrix reflect several important aspects of the recent history of Croatian enterprise, including: a history of social ownership; the transition to capitalism and on-going privatization; recent economic distress; and, regional conflict.

Section I: The Rights of Shareholders

Principle 1. The corporate governance framework should protect shareholders' rights. Basic shareholder rights include the right to: (i) secure methods of ownership registration; (ii) convey or transfer shares; (iii) obtain relevant information on the corporation on a timely and regular basis; (iv) participate and vote in general shareholder meetings; (v) elect members of the (supervisory) board; and (vi) share in the profits of the corporation.

A. Basic shareholders rights:

(i) Secure methods of ownership registration

Largely observed – With the introduction of the Central Depository Agency, ownership registration is becoming centralized and no longer resides within the company or local registrars. Potential for problems still exist with companies who choose not to register with the Central Depository Agency.

(ii) Share transfer

Materially not observed – While shares of companies traded on the Zagreb Stock Exchange and/or registered with the Central Depository Agency are freely transferable, those of the Varazdin Over-the-Counter Market may or may not be transferable. Article 226 of the Company Law provides for *vinkulacija* which restricts transfer of shares pending the company's approval. Note that although the Central Depository has registered companies representing over 95% of all traded volume, several hundred traded companies have not been registered.

Policy Recommendation:

In order to ensure full transferability of the shares of traded companies, it is recommended that the Company Law be amended to remove the right of company management to block share transfers (*vinkulacija*) for all joint stock companies.

(iii) Access to information

Materially not observed - While financial information for companies listed on the ZSE is available, little ownership information is available to the public or to the shareholder. Ownership information disclosure does not currently require that the ultimate, beneficial owner be revealed.

Policy Recommendation:

Mandatory public disclosure of all ownership holdings in excess of ten percent of the company's shares for all joint stock companies is a common requirement in EU countries. Best practice within Europe would require public disclosure of ownership holdings in excess of three percent. Additionally, allowing shareholders to request beneficial ownership lists from the Depository would accord with international best practice. Finally, providing online access to company information through the Depository's centralized database would ameliorate difficulties in obtaining information now available only in person.

(iv) Participation and voting at AGM

Largely observed – While all common shares bear the right to vote, some concern remains whether shareholders are fully aware of their rights.

(v) Election of (supervisory) board

Largely observed - Shareholders with ten percent or more of shares may propose candidates for the supervisory board and the voting for such candidates must be conducted before votes for the individuals proposed by the supervisory board itself.

(vi) Share in the profit

Largely observed - The shareholders' meeting approves payment of dividends or other profit distributions based on a recommendation from the management board. However, in practice, few companies are paying dividends currently as profits are low and formerly state-owned enterprises struggle with structural adjustments and solvency issues.

Principle 2. Shareholders have the right to participate in, and to be sufficiently informed on, decisions concerning fundamental corporate changes, such as: (i) amendments to the governing documents of the company; (ii) the authorization of additional shares; and (iii) extraordinary transactions that in effect result in the sale of the company.

B. The right to participate in decisions on fundamental corporate changes:

(i) Amendments to the statutes

Largely observed – Amendments to company statutes must be made with a minimum of 75 percent of the shares represented at the shareholders’ meeting (rather than a minimum percentage of share capital).

Policy Recommendation:

Best practice would require that all fundamental corporate changes be put to a supermajority vote of all shares outstanding (not those represented at the meeting). Best practice would set the supermajority level necessary above the average holdings of controlling shareholders. For example, where mandatory free float is 25 percent, as in Croatia, the necessary supermajority would be over 75 percent in order to guarantee that the company must seek the votes of all shareholders.

(ii) Authorization of additional shares

Materially not observed – Currently, companies may receive authorization from shareholders at a shareholder’s meeting (if approved by 75 percent of the shares at the meeting) to issue up to 50 percent of share capital for a period of up to five years. The law also allows the management board to increase the company’s share capital by converting company bonds into new shares up to the amount of the share capital of the company. Finally, the law permits company statutes to waive existing shareholders’ preemptive rights on new share issues.

Policy Recommendation:

Best practice would limit the duration of the authorization to one year and would cap the maximum value of share capital issued to five percent of the company’s share capital. Best practice would amend the law in order to mandate that preemptive rights should be protected for all joint stock companies. Finally, as with all fundamental corporate changes, these issues should require a supermajority (75 percent of outstanding shares) vote by the shareholders.

(iii) Extraordinary transactions (resulting in sale of the company)

Materially not observed – The law provides for no requirement that the shareholders’ meeting approve all transfers of substantial assets.

Policy Recommendations:

Best practice with the European Union would require that a supermajority of shareholders (75 percent of outstanding shares) vote to approve all of these extraordinary transactions.

“Substantial assets” are typically defined as 25 percent or more of the company assets and best practice would be for a supermajority of shareholders to vote on any transfer of assets representing 25 percent or more of the company.

Principle 3. Shareholders should have the opportunity to participate effectively and vote in general shareholder meetings and should be informed of the rules, including voting procedures, that govern general shareholder meetings.

C. The right to participate effectively and vote in general shareholder meetings and be informed of the rules, including voting procedures, that govern general shareholder meetings:

(i) Sufficient and timely information about AGM

Observed - With 30 day prior notification through a published announcement and agenda in the Official Gazette, shareholders are notified in a timely and sufficient manner.

(ii) Opportunity to ask question and place items on agenda

Materially not observed – Upon publication of the agenda, shareholders have ten days in which to introduce a counterproposal or offer a change to the agenda. The shareholders may make decisions on issues not on the agenda, if all shareholders with votes unanimously agree to do so. Company management is not required to respond to any questions submitted prior to the shareholders’ meeting, but can do so during the meeting. In addition, under Article 287 of the Company Law, company management may refuse to provide information on two key issues: (1) taxes paid by the company and (2) the difference between the book value of assets, including real property, and their market value

Policy Recommendations:

Best practice would require that the company publish or distribute shareholder counterproposals and shareholder resolutions at the company’s cost.

(iii) Vote in person or in absentia

Largely observed – Shareholders have the right to vote by proxy (which need not be notarized). The proxy must be appointed in writing and the proxy card delivered to the company for safe-keeping. There are no restrictions as to whom may be appointed proxy. Voting by mail is permitted only if authorized in the company statute.

Principle 4. Capital structures and arrangements that enable certain shareholders to obtain a degree of control disproportionate to their equity ownership should be disclosed.

D. Disclosure of capital structures and arrangements enabling control disproportionate to equity ownership:

Largely observed - The company statutes describe the voting rights of shareholders, including provisions whereby certain shareholders have increased control (such as appointing up to one-third of the members of the supervisory board) or where their votes may be restricted to a maximum number.

Principle 5. Markets for corporate control should be allowed to function in an efficient and transparent manner.

E. Efficient and transparent functioning of market for corporate control:

(i) Clearly articulated and disclosed rules and procedures, transparent prices and fair conditions

Largely observed - Procedures for acquisition and mergers are clearly laid out in the Securities Law and the Law on Takeovers of Joint Stock Companies. The procedures are enforced by CroSec who, during 1999 and the first six months of 2000, initiated 50 cases (31 cases in 2000 alone) related to inadequate disclosures on takeovers.

(ii) No use of anti-takeover devices to shield management from accountability

Largely observed - While the laws and regulations on markets for corporate control are effective, the low level of liquidity on the stock exchanges preclude an active market for corporate control.

Principle 6. Shareholders, including institutional investors, should consider the costs and benefits of exercising their voting rights.

F. Requirement to weigh costs/benefits of exercising voting rights

Materially not observed – While some investor groups, notably the PIFs have become active investors out of necessity, the domestic institutional investor industry is not yet in a developed enough position to undertake this cost-benefit analysis. With the introduction of the new pension reform law, this rating might change.

Section II: Equitable Treatment of Shareholders

Principle 1. The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights. All shareholders of the same class should be treated equally.

A. Equal treatment of shareholders within same class

(i) Same voting rights for shareholders within each class. Ability to obtain information about voting rights attached to all classes before share acquisition. Changes in voting rights subject to shareholder vote.

Largely observed - The Company Law and for traded securities, the Securities Law, do require disclosure of restrictions on voting rights and that changes in voting rights be subject to a vote of the shareholders' meeting.

(ii) Vote by custodians or nominees in agreement with beneficial owner.

Not observed – However, with the growth of the SDA, the depository will become capable of tracking beneficial owners and ensuring that their votes are cast in compliance with their wishes.

Policy Recommendation:

Best practice would suggest that the beneficial owner alone have voting rights and that nominee holders must solicit voting instructions from beneficial owners.

(iii) AGM processes and procedures allow for equitable treatment. Avoidance of undue difficulties and expenses in relation to voting.

Materially not observed – Shareholders with at least five percent of the shares may request that the management board call an extraordinary shareholders' meeting. The company statutes may require that shares be deposited up to ten days before the shareholders' meeting. There are no specific provisions requiring that company procedures not hinder casting votes. There are no specific provisions to protect minority shareholders.

Policy Recommendations:

Best practice would encourage a review of the provisions to strengthen minority rights, which might entail introducing cumulative voting, confidential voting, promotion of an organization to represent minority shareholders, a rule to mandate equitable treatment (to avoid oppression of minority shareholders by majorities) and effective forms of redress. Please note that these provisions will be more effective in coordination. Introducing only one provision is not sufficient to guarantee effective protection of minority rights. For example, cumulative voting has not been effective in markets where shareholder activism did not exist.

Principle 2. Insider trading and abusive self-dealing should be prohibited.

B. Prohibition of insider-trading and self-dealing

Largely observed – Under the Securities Law, insider trading and market manipulation are prohibited and subject to both fines and imprisonment.

Principle 3. Members of the board and managers should be required to disclose any material interests in transactions or matters affecting the corporation.

- C. Disclosure by directors and managers of material interests in transactions or matters affecting the company.

Largely observed - The Securities Law requires that company management and members of the management board notify CroSec and the stock exchange whenever they buy or sell (directly or indirectly) securities for which they have privileged information.

Section III: Role of Stakeholders in Corporate Governance

Principle 1. The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.

- A. Respect of legal stakeholder rights

Largely observed – There is no well-defined legal requirement for consideration of the interests of all stakeholders. The Company Law requires that supervisory board members conduct their duties with proper attentiveness and with full responsibility, i.e. with due care. In addition, the supervisory board (as well as the management board) is required to conduct the business operations of the company as conscientious and prudent managers. Such broad definition is generally interpreted as indicating that board members have responsibilities to all stakeholders, although the responsibility is not specifically defined.

Principle 2. Where stakeholder interests are protected by law, stakeholders should have the opportunity to obtain effective redress for violation of their rights.

- B. Redress for violation of rights

Materially not observed - The Company Law requires that management boards act in a conscientious and prudent manner in the interests of the company. The Law provides for both civil and criminal sanctions in the event of failure to do so. However in the six years since the Company Law became effective, not a single case has been presented to the courts and it is unclear how the courts would make such decisions. In addition the courts are generally considered to be slow and bureaucratic on issues related to commercial disputes. Stakeholders do not therefore have effective redress. A current example is the inability of employees to seek effective redress where wages are in arrears, which has been a problem in Croatia.

Principle 3. The corporate governance framework should permit performance-enhancement mechanisms for stakeholder participation.

C. Performance-enhancing mechanisms for stakeholder participation

Materially not observed - There is no performance-enhancing instrument (such as employee shares) to encourage stakeholder participation, although employees were generally offered discounted prices on shares for companies undergoing privatization. The PIFs, which technically could be described as performance-enhancing mechanisms for stakeholder participation, will exist as created until 2003 only.

Principle 4. Where stakeholders participate in the corporate governance process, they should have access to relevant information.

D. Access to relevant information

Materially not observed – Stakeholders face issues similar to those of shareholders in the area of disclosure. Notably, company ownership information is significantly limited.

Section IV: Disclosure and Transparency

Principle 1. The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and the governance of the company. Disclosure should include, but not be limited to, material information on the following sections.

NOTE ON SECTION IV - While on paper the policies related to disclosure and transparency are fairly strong, serious problems exist in practice. The following list of “materially not observed” ratings for Section IV reflect this practical problem.

Croatia has been a leader in the region with full adoption (without adaptation) of international standards on both accounting and auditing. However, weak auditing practices (encouraged by low levels of potential financial liability) deteriorate the quality of the audited financial statements. The Association of Auditors, working with the Ministry of Finance, plans to strengthen the legal liability of auditors. International best practice suggests that the liability should be set at a multiple of the auditing company’s capital, although it may be necessary to phase-in the requirement of a period of time, perhaps several years. In addition, auditors should be required to provide financial assurance of their ability to pay claims, for example through an insurance policy.

In addition, the ratings are weakened by current discussion to amend the Accounting Law to exempt all but large companies in Croatia from the application of International Accounting Standards and to develop Croatian-specific standards for those companies. In

light of the complexity of writing new accounting standards and the eventual need to comply with EU Directives on accounting, caution should be exercised in weakening an existing strength of corporate governance in Croatia – the adoption of full international accounting standards.

Policy Recommendation:

The primary problems exist with the capacity in Croatia to comply and enforce the laws. As a result of the scoring of this section of the assessment, the policy recommendation is that Croatia undertake an Accounting and Auditing ROSC, which is better suited to analyzing the situation with greater scope.

A. Disclosure of material information

(i) Financial and operating results

Materially not observed - The Securities Law mandates minimum disclosure in the company prospectus. This includes the audited financial statements and auditor’s opinion, names of the members of management and the management board and the respective remuneration, as well as possible extraordinary circumstances which have influenced or are influencing the company’s activities. ZSE Quotation I companies and Varazdin “Market” tier companies must prepare a prospectus with disclosure requirements. Companies in the Quotation TN list as well those traded on the Varazdin “Supply and Demand” tier must publish their financial statements but are not required to publish a prospectus with additional disclosure information. Thus for non-listed but traded companies, there is no requirement for disclosure of major share ownership or voting rights, material issues regarding employees or other stakeholders or internal governance structures and policies.

Policy Recommendation:

Best practice would require an incentive system to encourage companies listed on tiers with limited disclosure requirements or unlisted companies to graduate to tiers with greater transparency. Incentive systems in other countries include: allowing (greater) domestic equity investment by state pension funds in tiers with higher disclosure requirements; reducing interest rates for higher disclosure tiers; educating company management on the benefits of graduating; and, assisting highest disclosure tier companies to seek international capital through GDRs.

(ii) Company objectives

Materially not observed

(iii) Major share ownership and voting rights

Materially not observed

(iv) (supervisory) board members, key executives and their remuneration

Materially not observed

(v) Material foreseeable risk factors

Materially not observed

(vi) Material issues regarding employees and other stakeholders

Materially not observed

(vii) Governance structures and policies

Materially not observed

Principle 2. Information should be prepared, audited, and disclosed in accordance with high quality standards of accounting, financial and non-financial disclosure, and audit.

B. Preparation of information, audit, and disclosure in accordance with high standards of accounting, disclosure, and audit

Materially not observed - The Croatian Association of Auditors is responsible for auditing standards or practices, but has no authority to impose fines or other economic sanctions. Certified auditors must have Croatian citizenship. The Law limits the maximum fine to DM 50,000 for negligence by the auditor, although criminal penalties apply for intent to cause damage or personally profit from inaccurate financial statements.

Principle 3. An annual audit should be conducted by an independent auditor in order to provide an external and objective assurance on the way in which financial statements have been prepared and presented.

C. Annual audit by independent auditor

Materially not observed – The Law on Audit requires that an independent audit be prepared for all medium and large enterprises, that is, companies with more than 50 employees and revenues and net assets over certain limits. "Independence" is not specifically defined although the Audit Law specifies that an audit firm is not allowed to perform an audit of a company with whom it is related in terms of capital.

Policy Recommendations:

Best practice would require that the shareholders meeting vote upon the appointment of the auditor and the fees paid to the auditor. Additionally, increasing auditor liability might be considered as a means of increasing auditor accountability.

Principle 4. Channels for disseminating information should provide for fair, timely and cost-effective access to relevant information by users.

- D. Channels for disseminating information allow for fair, timely, and cost-efficient access to information by users

Materially not observed

Section V: Responsibilities of the (Supervisory) Board

Principle 1. The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders. Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and the shareholders.

- A. Act on an informed basis, in good faith, with due diligence and care, in the best interest of the company and shareholders

Largely observed - The Company Law requires that supervisory board members conduct their duties with proper attentiveness and with full responsibility. Failure to do so subjects the board members to both civil and criminal penalties. However, the roles, responsibilities, qualifications, structure and operation of the members of the supervisory board are not otherwise defined in either the legislation or voluntary guidelines. In addition, there are no established training programs to assist supervisory board members in learning their roles and responsibilities.

Principle 2. Where board decisions may affect different shareholder groups differently, the board should treat all shareholders fairly.

- B. Fair treatment of each class of shareholders

Largely observed – Board members appear to treat each class of shareholder in a fair manner.

Principle 3. The board should ensure compliance with applicable law and take into account the interests of stakeholders.

- C. Compliance with law and taking into account stakeholders' interests

Largely observed – Board members reportedly comply with the law, however, the current backlog in commercial court cases (due to the many post-privatization filings and an ongoing upgrade in the judicial knowledge management infrastructure) effectively impair the ability of stakeholders to take legal recourse.

Principle 4. The board should fulfill certain key functions, including the following:

D. Key functions:

NOTE ON SECTION V (D,E & F) - While the Company Law subjects supervisory board members to very high liability (including the possibility of imprisonment) the absence of guidance (or established training programs) regarding the roles, responsibilities, qualifications, operation and structure of supervisory boards reduces the rating. The following list of “materially not observed” ratings for Section V (subsections D, E, and F) reflect this practical problem.

Policy Recommendation:

To further define the roles and responsibilities of the members of the supervisory board, best practice guidelines suggest that guidance should be provided on several key issues: (1) definition of the roles, authorities and responsibilities of the supervisory boards, (2) description of the minimum professional qualifications for supervisory board members, (3) structure of the committees within the supervisory boards, including committees for audits and financial accounts (oversight of the internal auditor, nomination of the external auditor, review of financial statements and audit report), nomination of board members and a compensation review committee.

The authorities might wish to encourage a formal body responsible for overseeing and promoting appropriate standards of corporate governance. Alternatively the authorities might wish to encourage other bodies to develop such standards. Importantly, development of such guidelines will over time provide a benchmark for industry practices.

It may also be helpful to establish training programs for supervisory board members. Most developed capital markets also benefit from training programs for new members of supervisory boards. Training is often provided under the auspices of national institutes of directors (or supervisory board members). The training focuses on the work to be conducted by supervisory board members and the procedures and processes by which the supervisory boards operate.

In addition, it would be helpful if all joint stock companies were required to annually publish their level of compliance with corporate governance rules or other guidelines.

(i) Corporate strategy, risk policy, budgets, business plans, performance objectives, implementation and performance surveillance, major capital expenditures, acquisitions, divestitures

Materially not observed

(ii) Selection, monitoring, replacement of key management

Materially not observed

(iii) Key executive and (supervisory) board remuneration, (supervisory) board nomination

Materially not observed

(iv) Monitoring of conflict of interest of management, (supervisory) board members, and shareholders, including misuse of corporate assets and abuse in related party transactions.

Materially not observed

(v) Ensuring integrity of accounting and financial reporting systems, including independent audit, systems of control, compliance with law

Materially not observed

(vi) Monitoring governance practices and making necessary changes

Materially not observed

(vii) Overseeing disclosure and communication

Materially not observed

Principle 5. The board should be able to exercise objective judgment on corporate affairs independent, in particular, from management.

E. Objective judgement on corporate affairs:

(i) Assignment of non-executive (supervisory) board members to tasks of potential conflict of interest (e.g. financial reporting, remuneration)

Materially not observed – Although in practice supervisory board members might be given responsibility for these tasks, there is no requirement mandating that these tasks be given to non-executive (supervisory) board members.

(ii) Devote sufficient time to their responsibilities

Materially not observed – While anecdotal evidence would indicate that active independent directors do exist (notably from the PIFs), there are no disclosure requirements that would allow an assessment of director commitment to board responsibilities.

Policy Recommendation:

Best practice would require that board meeting attendance by directors be reported at the annual general shareholders meeting.

Principle 6. In order to fulfill their responsibilities, board members should have access to accurate, relevant and timely information.

F. Access to accurate, relevant, and timely information

Materially not observed – Again, although board members might have access to information, there are no board standards on this issue.

Table 1 Summary Fact Sheet

Market and Regulatory Overview	Yes/No	Remarks
Market Cap (percent of GDP) Turnover Ratio Number of Listed Companies Legal System (Origin) Autonomy of Capital Markets Regulator Powers of the Capital Markets Regulator Stock Exchange Governance Corporate Ownership Structure		Kuna 22.2 billion (US\$ 2.6 billion) or 13.4 of GDP (2000) _____ 4 companies are listed on Quotation I, 61 on Quotation TN, 2 on Varazdin “Market”, 478 on “Supply/Demand” Civil Law Established by 1995 Securities Law De-list issues, halt trading, refer to courts & prosecutor-general Owned by member brokers
Shareholders' Rights Voting Rights Proxy Voting Cumulative Vote/Proportional Representation Ownership percent required to call Shareholder Meeting Redress against Violations/ Minority Oppression Remedies Take-over Code Mandatory Tender Offer in Change of Control Insider Trading & Self-Dealing Prohibition Preemptive Rights		May be limited by company statute Permitted Permitted but not required for election of supervisory board. Can be requested by shareholders with five percent of shares Derivative action, but not class action Part of 1997 Law on Takeover of Joint Stock Companies Required with 25 percent purchase of shares Prohibited under 1996 Law on Issuance and Sale of Securities Can be waived by company statute
Oversight of Management Board Structure Independent Directors Committee Practices		Two-tier with supervisory and management boards Company management not permitted to join supervisory board No guidelines available
Disclosure and Transparency External Auditors Consolidated Statements Segment Reporting Disclosure of Price Sensitive Information Accounting – Standards and Enforcement Company Officers related Disclosures Related Party Transactions Disclosure of Ownership Risk Management and other Disclosures		Required for all joint stock companies Required under International Accounting Standards (IAS) Required under IAS Required under 1995 Securities Law Follows IAS but audit practices considered weak Required under Securities Law Not specifically required, except as part of IAS disclosure No requirements for disclosure of beneficial ownership (None cited in report other than IAS)

Table 2: OECD Principles Assessment Matrix

Section I: The Rights of Shareholders

A. Basic shareholders rights:

(i) Secure methods of ownership registration

(a) Observed	<input type="checkbox"/>	(b) Largely observed	<input checked="" type="checkbox"/>
(c) Materially not observed	<input type="checkbox"/>	(d) Not observed	<input type="checkbox"/>

(ii) Share transfer

(a) Observed	<input type="checkbox"/>	(b) Largely observed	<input type="checkbox"/>
(c) Materially not observed	<input checked="" type="checkbox"/>	(d) Not observed	<input type="checkbox"/>

(iii) Access to information

(a) Observed	<input type="checkbox"/>	(b) Largely observed	<input type="checkbox"/>
(c) Materially not observed	<input checked="" type="checkbox"/>	(d) Not observed	<input type="checkbox"/>

(iv) Participation and voting at AGM

(a) Observed	<input type="checkbox"/>	(b) Largely observed	<input checked="" type="checkbox"/>
(c) Materially not observed	<input type="checkbox"/>	(d) Not observed	<input type="checkbox"/>

(v) Election of (supervisory) board

(a) Observed	<input type="checkbox"/>	(b) Largely observed	<input checked="" type="checkbox"/>
(c) Materially not observed	<input type="checkbox"/>	(d) Not observed	<input type="checkbox"/>

(vi) Share in the profit

(a) Observed	<input type="checkbox"/>	(b) Largely observed	<input checked="" type="checkbox"/>
(c) Materially not observed	<input type="checkbox"/>	(d) Not observed	<input type="checkbox"/>

B. The right to participate in decisions on fundamental corporate changes:

(i) Amendments to the statutes

(a) Observed	<input type="checkbox"/>	(b) Largely observed	<input checked="" type="checkbox"/>
(c) Materially not observed	<input type="checkbox"/>	(d) Not observed	<input type="checkbox"/>

(ii) Authorization of additional shares

(a) Observed	<input type="checkbox"/>	(b) Largely observed	<input type="checkbox"/>
(c) Materially not observed	<input checked="" type="checkbox"/>	(d) Not observed	<input type="checkbox"/>

(iii) Extraordinary transactions (resulting in sale of the company)

(a) Observed	<input type="checkbox"/>	(b) Largely observed	<input type="checkbox"/>
(c) Materially not observed	<input checked="" type="checkbox"/>	(d) Not observed	<input type="checkbox"/>

C. The right to be adequately informed about, participate and vote in general shareholder meetings (AGM):

- (i) Sufficient and timely information about AGM
- | | | | |
|-----------------------------|-------------------------------------|----------------------|--------------------------|
| (a) Observed | <input checked="" type="checkbox"/> | (b) Largely observed | <input type="checkbox"/> |
| (c) Materially not observed | <input type="checkbox"/> | (d) Not observed | <input type="checkbox"/> |
- (ii) Opportunity to ask question and place items on agenda
- | | | | |
|-----------------------------|-------------------------------------|----------------------|--------------------------|
| (a) Observed | <input type="checkbox"/> | (b) Largely observed | <input type="checkbox"/> |
| (c) Materially not observed | <input checked="" type="checkbox"/> | (d) Not observed | <input type="checkbox"/> |
- (iii) Vote in person or in absentia
- | | | | |
|-----------------------------|--------------------------|----------------------|-------------------------------------|
| (a) Observed | <input type="checkbox"/> | (b) Largely observed | <input checked="" type="checkbox"/> |
| (c) Materially not observed | <input type="checkbox"/> | (d) Not observed | <input type="checkbox"/> |
-

D. Disclosure of capital structures and arrangements enabling control disproportionate to equity ownership:

- | | | | |
|-----------------------------|--------------------------|----------------------|-------------------------------------|
| (a) Observed | <input type="checkbox"/> | (b) Largely observed | <input checked="" type="checkbox"/> |
| (c) Materially not observed | <input type="checkbox"/> | (d) Not observed | <input type="checkbox"/> |
-

F. Efficient and transparent functioning of market for corporate control:

- (i) Clearly articulated and disclosed rules and procedures, transparent prices and fair conditions
- | | | | |
|-----------------------------|--------------------------|----------------------|-------------------------------------|
| (a) Observed | <input type="checkbox"/> | (b) Largely observed | <input checked="" type="checkbox"/> |
| (c) Materially not observed | <input type="checkbox"/> | (d) Not observed | <input type="checkbox"/> |
- (iii) No use of anti-takeover devices to shield management from accountability
- | | | | |
|-----------------------------|--------------------------|----------------------|-------------------------------------|
| (a) Observed | <input type="checkbox"/> | (b) Largely observed | <input checked="" type="checkbox"/> |
| (c) Materially not observed | <input type="checkbox"/> | (d) Not observed | <input type="checkbox"/> |
-

F. Requirement to weigh costs/benefits of exercising voting rights

- | | | | |
|-----------------------------|-------------------------------------|----------------------|--------------------------|
| (a) Observed | <input type="checkbox"/> | (b) Largely observed | <input type="checkbox"/> |
| (c) Materially not observed | <input checked="" type="checkbox"/> | (d) Not observed | <input type="checkbox"/> |
-

Section II: Equitable Treatment of Shareholders

A. Equal treatment of shareholders within same class

(i) Same voting rights for shareholders within each class. Ability to obtain information about voting rights attached to all classes before share acquisition. Changes in voting rights subject to shareholder vote.

- | | | | |
|-----------------------------|--------------------------|----------------------|-------------------------------------|
| (a) Observed | <input type="checkbox"/> | (b) Largely observed | <input checked="" type="checkbox"/> |
| (c) Materially not observed | <input type="checkbox"/> | (d) Not observed | <input type="checkbox"/> |

(ii) Vote by custodians or nominees in agreement with beneficial owner.

(a) Observed	<input type="checkbox"/>	(b) Largely observed	<input type="checkbox"/>
(c) Materially not observed	<input type="checkbox"/>	(d) Not observed	<input checked="" type="checkbox"/>

(iii) AGM processes and procedures allow for equitable treatment. Avoidance of undue difficulties and expenses in relation to voting.

(a) Observed	<input type="checkbox"/>	(b) Largely observed	<input type="checkbox"/>
(c) Materially not observed	<input checked="" type="checkbox"/>	(d) Not observed	<input type="checkbox"/>

B. Prohibition of insider-trading and self-dealing

(a) Observed	<input type="checkbox"/>	(b) Largely observed	<input checked="" type="checkbox"/>
(c) Materially not observed	<input type="checkbox"/>	(d) Not observed	<input type="checkbox"/>

C. Disclosure by directors and managers of material interests in transactions or matters affecting the company.

(a) Observed	<input type="checkbox"/>	(b) Largely observed	<input checked="" type="checkbox"/>
(c) Materially not observed	<input type="checkbox"/>	(d) Not observed	<input type="checkbox"/>

Section III: Role of Stakeholders in Corporate Governance

A. Respect of legal stakeholder rights

(a) Observed	<input type="checkbox"/>	(b) Largely observed	<input checked="" type="checkbox"/>
(c) Materially not observed	<input type="checkbox"/>	(d) Not observed	<input type="checkbox"/>

B. Redress for violation of rights

(a) Observed	<input type="checkbox"/>	(b) Largely observed	<input type="checkbox"/>
(c) Materially not observed	<input checked="" type="checkbox"/>	(d) Not observed	<input type="checkbox"/>

C. Performance-enhancing mechanisms for stakeholder participation

(a) Observed	<input type="checkbox"/>	(b) Largely observed	<input type="checkbox"/>
(c) Materially not observed	<input checked="" type="checkbox"/>	(d) Not observed	<input type="checkbox"/>

D. Access to relevant information

(a) Observed	<input type="checkbox"/>	(b) Largely observed	<input type="checkbox"/>
(c) Materially not observed	<input checked="" type="checkbox"/>	(d) Not observed	<input type="checkbox"/>

Section IV: Disclosure and Transparency

A. Disclosure of material information

(i) Financial and operating results

(a) Observed	<input type="checkbox"/>	(b) Largely observed	<input type="checkbox"/>
(c) Materially not observed	<input checked="" type="checkbox"/>	(d) Not observed	<input type="checkbox"/>

(ii) Company objectives

(a) Observed	<input type="checkbox"/>	(b) Largely observed	<input type="checkbox"/>
(c) Materially not observed	<input checked="" type="checkbox"/>	(d) Not observed	<input type="checkbox"/>

(iii) Major share ownership and voting rights

(a) Observed	<input type="checkbox"/>	(b) Largely observed	<input type="checkbox"/>
(c) Materially not observed	<input checked="" type="checkbox"/>	(d) Not observed	<input type="checkbox"/>

(iv) (supervisory) board members, key executives and their remuneration

(a) Observed	<input type="checkbox"/>	(b) Largely observed	<input type="checkbox"/>
(c) Materially not observed	<input checked="" type="checkbox"/>	(d) Not observed	<input type="checkbox"/>

(v) Material foreseeable risk factors

(a) Observed	<input type="checkbox"/>	(b) Largely observed	<input type="checkbox"/>
(c) Materially not observed	<input checked="" type="checkbox"/>	(d) Not observed	<input type="checkbox"/>

(vi) Material issues regarding employees and other stakeholders

(a) Observed	<input type="checkbox"/>	(b) Largely observed	<input type="checkbox"/>
(c) Materially not observed	<input checked="" type="checkbox"/>	(d) Not observed	<input type="checkbox"/>

(vii) Governance structures and policies

(a) Observed	<input type="checkbox"/>	(b) Largely observed	<input type="checkbox"/>
(c) Materially not observed	<input checked="" type="checkbox"/>	(d) Not observed	<input type="checkbox"/>

B. Preparation of information, audit, and disclosure in accordance with high standards of accounting, disclosure, and audit

(a) Observed	<input type="checkbox"/>	(b) Largely observed	<input type="checkbox"/>
(c) Materially not observed	<input checked="" type="checkbox"/>	(d) Not observed	<input type="checkbox"/>

C. Annual audit by independent auditor

(a) Observed	<input type="checkbox"/>	(b) Largely observed	<input type="checkbox"/>
(c) Materially not observed	<input checked="" type="checkbox"/>	(d) Not observed	<input type="checkbox"/>

D. Channels for disseminating information allow for fair, timely, and cost-efficient access to information by users

(a) Observed	<input type="checkbox"/>	(b) Largely observed	<input type="checkbox"/>
(c) Materially not observed	<input checked="" type="checkbox"/>	(d) Not observed	<input type="checkbox"/>

Section V: Responsibilities of the (Supervisory) Board

A. Act on an informed basis, in good faith, with due diligence and care, in the best interest of the company and shareholders

(a) Observed	<input type="checkbox"/>	(b) Largely observed	<input checked="" type="checkbox"/>
(c) Materially not observed	<input type="checkbox"/>	(d) Not observed	<input type="checkbox"/>

B. Fair treatment of each class of shareholders

<input type="checkbox"/>	<input checked="" type="checkbox"/>
--------------------------	-------------------------------------

(a) Observed (b) Largely observed
 (c) Materially not observed (d) Not observed

C. Compliance with law and taking into account stakeholders' interests

(a) Observed (b) Largely observed
 (c) Materially not observed (d) Not observed

D. Key functions:

(i) Corporate strategy, risk policy, budgets, business plans, performance objectives, implementation and performance surveillance, major capital expenditures, acquisitions, divestitures

(a) Observed (b) Largely observed
 (c) Materially not observed (d) Not observed

(ii) Selection, monitoring, replacement of key management

(a) Observed (b) Largely observed
 (c) Materially not observed (d) Not observed

(iii) Key executive and (supervisory) board remuneration, (supervisory) board nomination

(a) Observed (b) Largely observed
 (c) Materially not observed (d) Not observed

(iv) Monitoring of conflict of interest of management, (supervisory) board members, and shareholders, including misuse of corporate assets and abuse in related party transactions.

(a) Observed (b) Largely observed
 (c) Materially not observed (d) Not observed

(v) Ensuring integrity of accounting and financial reporting systems, including independent audit, systems of control, compliance with law

(a) Observed (b) Largely observed
 (c) Materially not observed (d) Not observed

(vi) Monitoring governance practices and making necessary changes

(a) Observed (b) Largely observed
 (c) Materially not observed (d) Not observed

(vii) Overseeing disclosure and communication

(a) Observed (b) Largely observed
 (c) Materially not observed (d) Not observed

E. Objective judgement on corporate affairs:

(i) Assignment of non-executive (supervisory) board members to tasks of potential conflict of interest (e.g. financial reporting, remuneration)

(a) Observed	<input type="checkbox"/>	(b) Largely observed	<input type="checkbox"/>
(c) Materially not observed	<input checked="" type="checkbox"/>	(d) Not observed	<input type="checkbox"/>

(ii) Devote sufficient time to their responsibilities

(a) Observed	<input type="checkbox"/>	(b) Largely observed	<input type="checkbox"/>
(c) Materially not observed	<input checked="" type="checkbox"/>	(d) Not observed	<input type="checkbox"/>

F. Access to accurate, relevant, and timely information

(a) Observed	<input type="checkbox"/>	(b) Largely observed	<input type="checkbox"/>
(c) Materially not observed	<input checked="" type="checkbox"/>	(d) Not observed	<input type="checkbox"/>

*This table attempts to summarize the comments in this report, , benchmarked against the main items set out in the **OECD Principles of Corporate Governance**.*

Observed means that all essential criteria are generally met without any significant deficiencies

Largely observed means that only minor shortcomings are observed, which do not raise any questions about the authorities' ability and intent to achieve full observance within a prescribed period of time

Materially not observed means that, despite progress, the shortcomings are sufficient to raise doubts about the authorities' ability to achieve observance

Not observed means that no substantive progress toward observance has been achieved.

(derived from IMF criteria for ROSCs)

Appendix 1: Acronyms and Contact Details

Acronyms:

CroSec: Croatian Securities Commission
IAS: International Accounting Standards
PIF: Privatization Investment Funds
SDA: (Croatian) Securities Depository Agency
Varazdin: Varazdin Over The Counter Market (OTC)
ZSE: Zagreb Stock Exchange

Contact Details:

Croatian Securities
Commission
Mr. Ivica Smiljan
Chairman and Chief
Commissioner
Bogovićevea 1a
Zagreb, Croatia
Tel: 385-1-481-1407
Fax: 385 1 4811-507
www.CroSec.hr

Zagreb Stock Exchange
Marinko Papuga
General Manager
Ksaver 200
Zagreb, Croatia
Tel: 385-1-420-293
Fax: 385-1-467-7680
www.zse.hr

Varazdin Over-the-Counter
Market
Ms. Melita Marceta
Director
Tel: 385-42-212-313
Fax: 385-42-313-233
Varazdin, Croatia
Kapucinski trg 2/I
42000 Varazdin, Croatia
www.otc.hr

Appendix 2: ZSE Market Information

Table 1: ZSE Sectors

List of Sectors Represented on the ZSE as of December 2000

Sector	Market value (in HRK 000)	percent in total market value	Sector	Market value (in HRK 000)	percent in total market value
INDUSTRY			FINANCE		
Food	1,744.2	7.8	Banking	6,909.8	30.8
Light Industry	55.6	0.3	Insurance	268.3	1.2
Wood & Paper	23.1	0.1	Other	0	0.0
Chemicals	9,700.5	43.3	SERVICES		
Building Materials	309.3	1.3	Wholesale & Retail	0	0.0
Construction	0	0.0	Conglomerates	0	0.0
Electro	91.9	0.4	Telecom & IT	0	0.0
Metals	57.2	0.3	Other	2,955.5	13.2
Other	307.9	1.4			
TOTAL					100.0

Source: Zagreb Stock Exchange

Table 2: ZSE Industry Sectors

ZSE Industry Sectors (December 2000)

SECTOR	MARKET VALUE (in HRK 000)	PERCENT IN TOTAL MARKET VALUE*
Industry		
Food	1,744.20	7.8
Light Industry	55.6	0.3
Wood & Paper	23.1	0.1
Chemicals	9,700.50	43.3
Building Materials	309.3	1.3
Construction	0	0
Electro engineering	91.9	0.4
Metals	57.2	0.3
Other	307.9	1.4
Finance		
Banking	6,909.80	30.8
Insurance	268.3	1.2
Other	0	0
Services		
Wholesale & Retail	0	0
Conglomerates	0	0
Telecom & IT	0	0
Other	2,955.50	13.2
Total	22,423.30	100.1

*might exceed 100 percent due to rounding

Table 3: Market Capitalization of Ten Largest Traded Companies on ZSE

Market Capitalization of Ten Largest Traded Companies on ZSE (as of December 31, 2000)

	Market Capitalization (Millions KHR)	Percentage of Market Capitalization	Cumulative Percentage
Pliva	9,701	43.7	43.7
Zagrebacka banka	3,935	17.7	61.5
Privredna banka Zagreb	1,416	6.4	67.9
Jadranski naftovod	1,114	5.0	72.9
Podravka prehrambena industrija	838	3.8	76.7
Zagrebacka pivovara	546	2.5	79.1
Plava Laguna	533	2.4	81.5
Varazdinska banka	404	1.8	83.4
Rijecka banka	398	1.8	85.1
Riviera Holding	310	1.4	86.5

Table 4: Turnover of Ten Most Actively Traded Securities on ZSE

Turnover of Ten Most Actively Traded Securities on ZSE in 2000

	Turnover (Millions KHR)	Percentage	Cumulative Percentage
Varazdinska banka	446	29.2	29.2
Zagrebacka banka	423	27.9	57.1
Pliva	220	14.4	71.4
Dalmaniska Banka	137	8.9	80.4
Podravka prehrambena industrija	93	6.1	86.5
Rijecka banka	40	2.6	89.1
Zagrebacka banka (preferred shares)	22	1.4	90.6
Plava Laguna	21	1.4	92.0
Arenaturist	18	1.2	93.1
Supetrus hoteli	17	1.1	94.3
Other	88	5.7	100.0
Total	1529		

Table 5: Share Prices and Turnover Ratios for Companies Traded on ZSE**Share Prices and Turnover Ratios for Companies Traded on ZSE**

	High	Low	Last	Date	Net change	Volume (000s HRK)	Turnover (000s HRK)	Turnover Velocity (000s HRK)
Quotation I								
Dalmaniska Banka	300.00	75.00	280.00	21.12.2000	273.3	575,121	136,833.3	47.0
Pliva	625.00	410.00	480.00	29.12.2000	-5.9	417,985	219,902.8	2.3
Podravka prehrambena industrija	185.00	89.00	154.99	29.12.2000	74.1	669,169	93,108.4	11.1
Varazdinska banka	305.00	75.00	221.00	13.12.2000	176.3	1,704,250	445,974.7	110.3
Shipyards Viktor Lenac	108.00	48.00	77.00	29.12.2000	37.5	28,135	2,306.7	2.0
Varazdinska banka	1,620.00	940.00	1,450.00	29.12.2000	59.3	322,023	426,684.2	10.8
Quotation TN								
Arenaturist	86.00	21.00	35.00	29.12.2000	-10.3	805,932	18,021.5	23.6
Atlantska plovidba	48.00	25.01	38.00	28.12.2000	100.0	327,065	15,659.4	30.3
Badel 1862	60.00	25.00	39.00	15.12.2000	-33.3	118,020	6,949.6	23.6
Erste & Steiermarkische bank	4,400.00	4,400.00	4,400.00	29.12.2000	-12.0	784	3,449.6	1.8
Croatia osiguranje (preferred shares)	900.00	775.00	775.00	04.12.2000	-3.1	11	9.3	0.1
Croatia osiguranje (ordinary shares)	900.00	500.00	850.00	21.12.2000	6.3	503	306.9	0.1
ELKA Tvornica električnih kabela	67.00	22.15	36.00	14.12.2000	-34.5	30,950	1,677.6	2.9
Hotel Inter-Continental	150.00	80.00	100.00	05.10.2000	11.1	1,250	157.3	0.2
Rabac, ugostiteljstvo i turizam	43.00	25.13	43.00	14.12.2000	-34.2	1,758	52.3	0.1
Hrvatska stambena štedionica	100.00	80.00	100.00	28.12.2000	0.0	57,600	5,184.0	22.2
Istraturist Umag	55.00	20.00	35.00	28.12.2000	84.2	53,657	2,140.4	1.3
Jadroplov	39.00	25.00	39.00	15.12.2000	-51.3	1,500	50.0	0.1
Jadran-Turist	50.00	22.00	38.00	29.12.2000	130.3	72,974	2,722.2	1.7
Jadranski naftovod	1,501.00	1,100.00	1,500.00	29.12.2000	87.5	152	202.7	0.0
Karlovačka	400.00	275.00	275.00	29.12.2000	-19.1	10,141	3,338.0	2.4

pivovara								
Kon č ar elektroindustrija	84.00	30.00	36.50	29.12.2000	-11.0	115,964	5,631.2	6.1
Kras	263.00	85.00	140.00	29.12.2000	64.7	87,194	15,687.8	8.3
Lola Ribar	157.54	157.50	157.50	09.05.2000	0.2	8,980	1,414.5	6.5
Lovincic	55.00	55.00	55.00	17.03.2000	44.7	434	23.9	0.1
Nasicecement	480.00	480.00	480.00	21.08.2000	0.0	2,900	1,392.0	0.5
Privredna banka Zagreb	114.00	60.10	85.00	29.12.2000	-25.4	44,430	3,791.7	0.3
Plava Laguna	975.00	300.00	975.00	15.12.2000	77.3	25,649	21,254.5	4.0
Rijecka banka	220.00	75.00	129.98	29.12.2000	85.7	339,428	40,408.0	10.2
Riviera Holding	100.00	60.00	84.90	29.12.2000	41.5	95,180	7,769.3	2.5
Slavonska banka	600.00	600.00	600.00	23.11.2000	-	1	0.6	0.0
Supetrus hoteli	90.00	90.00	90.00	29.05.2000	-	190,963	17,186.7	54.4
Štedionica Sonic	200.00	35.00	150.00	28.12.2000	0.0	620	78.9	1.9
Splitska banka	95.00	60.00	80.00	08.12.2000	77.8	34,012	2,729.7	1.1
Suncani Hvar	29.00	19.01	20.00	27.12.2000	11.1	26,981	639.9	1.0
Tvornica duhana Zagreb	700.01	500.00	600.00	22.12.2000	-14.3	1,347	893.3	0.5
Trgovacka banka	1,703.00	1,703.00	1,703.00	26.06.2000	0.0	335	570.5	0.5
Varteks	32.00	20.00	22.00	29.12.2000	10.0	17,347	466.3	1.4
Zagrebacka banka (preferred shares)	1,199.00	400.00	900.00	18.12.2000	171.1	32,377	21,997.2	15.3
Zagrebacka banka (preferred shares)	788.00	522.00	650.00	21.12.2000	25.0	937	560.9	7.6
Zagrebacka pivovara	900.00	560.00	880.00	18.12.2000	57.1	2,711	1,867.0	0.3
Zlatni rat	40.00	15.00	15.00	18.12.2000	-62.5	2,661	65.2	0.8

Note all shares issues are ordinary shares, unless otherwise indicated.

Appendix 2: Listing Requirements for Varazdin OTC Market

Quotation of Varazdin OTC Market (2 companies as of December 2000)

- Prospectus.
- Total stockholder's equity of at least 5,000,000.00 Kuna.
- At least 25% of number of securities outstanding have to be publicly owned.
- Securities must have unlimited ownership transfer.
- Applicant is obligated to:
 - Deliver issuer's financial reports with auditor's report to the Market for at least last two business years, or to deliver a report on successfully accomplished IPO.
 - Regularly deliver issuer's final audited financial reports and semi-final and quarterly reports to the Market.
 - Provide the Market with all information on issuer's business activities it possesses, concerning events that might influence trading with issuer's security.
 - Inform public about any material fact that might influence the price of securities listed on his application or that might influence investors' decisions.
 - Inform the Market if there was creating of option, or if the issuer's management or their family members have sold and bought stocks in total value greater than 5% of the value of shares outstanding.
 - To deny inappropriate rumors if they occur as result of unusual market activity or stock price volatility.

PIF Quotation (Seven privatization funds as of December 2000)

- Prospectus.
- At least 25% of number of securities outstanding have to be publicly owned.
- Securities must have unlimited ownership transfer.
- Establishment reports.
- Fund registration statement from the Court Register.
- Statute.
- Applicant is obligated to:
 - Regularly deliver issuer's final audited financial reports and semi-final and quarterly reports to the Market.
 - Provide the Market with all information on issuer's business activities it possesses, concerning events that might influence trading with issuer's security.
 - Inform public about any material fact that might influence the price of securities listed on his application or that might influence investors' decisions.
 - Inform the Market if there was creating of option, or if the issuer's management or their family members have sold and bought stocks.

List of supply and demand (478 companies as of December 2000)

- Applicant is obligated to:
 - Deliver issuer's financial reports with auditor's report to the Market for last year.
 - Deliver Statute.

Appendix 3: Varazdin Market Information

Table 1: Varazdin Trading Overview (December 1993 – July 2000)

Trading overview (1993. – 30.06.2000.)

Year	Number of securities traded	Number of transactions	Average daily turnover (USD)	Total turnover (USD)
1993.	18	87	5.057,13	905.225,62
1994.	47	158	29.882,28	7.530.335,60
1995.	75	346	55.950,46	14.043.565,77
1996.	48	7.380	68.107,71	17.231.249,77
1997.	96	13.216	166.126,23	42.196.062,26
1998.	67	4.463	78.436,45	19.765.986,39
1999.	249	6.551	230.417,03	58.525.924,75
1h 2000.	122	8.742	277.830,06	33.895.267,40

Table 2: Ownership Structure of Market Tier Companies

Ownership Structure Quotation of Varazdin OTC Market Listed Companies

Name of Company	Names of Primary Shareholders (1)	Percentage of Shares Held by Each Shareholder
Duro-Dakovic Montaza d.d.	Duro Dakovic Holding d.d.	86,40%
	Small Shareholders	10,20%
	Company Management	3,16%
	ZIF Breza invest d.d.	0,03%
	HZZO	0,21%
		100%

Table 3: Market Capitalization of Ten Largest Traded Companies on Varazdin OTC Market (as of December 31, 2000)

	Market Capitalization	Percentage of Market Capitalization	Cumulative Percentage
Jadranski naftovod	1.115.011.846,00	16,41%	16,41%
Našicecement	309.277.920,00	4,55%	20,96%
Riviera Holding	295.934.877,00	4,36%	25,32%
Dalmacijacement	289.600.000,00	4,26%	29,58%
Tvornica duhana Zagreb	227.365.600,00	3,35%	32,93%
Kraš	222.661.160,00	3,28%	36,20%
Plava Laguna	207.611.766,36	3,06%	39,26%
Istraturist	186.999.800,00	2,75%	42,01%
Ericsson Nikola Tesla	166.456.250,00	2,45%	44,46%
Jadranturist	162.425.984,00	2,39%	46,85%

Table 4: Market Capitalization of Ten Smallest Traded Companies on Varazdin OTC Market (as of December 31, 2000)

	Market Capitalization (Millions KHR)	Percentage of Market Capitalization	Cumulative Percentage
Tiskara Poreč Joakim Rakovac	648.410,00	0,0095%	0,0095%
Interplutex	557.000,00	0,0082%	0,0177%
Štedionica sonic SSNC-P-A	520.000,00	0,0077%	0,0254%
Zlata tvornica konfekcije	324.720,00	0,0048%	0,0302%
Ratarstvo Ugljara	300.607,00	0,0044%	0,0346%
Uzor Imko	292.800,00	0,0043%	0,0389%
Sučuraj	253.281,60	0,0037%	0,0426%
Praonica Plat	184.295,00	0,0027%	0,0453%
Krapinsko Zagorska slobodna zona	120.000,00	0,0018%	0,0471%
Srd	113.082,30	0,0017%	0,0488%

Table 5: Turnover of Most Actively Traded Securities on Varazdin

Turnover of Most Actively Traded Securities on VOTCM in 2000

	Turnover	Percentage	Cumulative Percentage
Dalmacijacement	76.232.132,00	18,17%	18,17%
Istra cement international	34.358.979,10	8,19%	26,35%
Dom fond - PIF	27.923.401,87	6,65%	33,01%
RHMJ-A-A	19.653.827,70	4,68%	37,69%
Expandia PIF	17.093.883,96	4,07%	41,77%
Velebit PIF	15.982.056,20	3,81%	45,57%
Središnji nacionalni fond PIF	15.288.425,86	3,64%	49,22%
Ericsson Nikola Tesla	14.610.400,47	3,48%	52,70%
Okipor	11.382.362,00	2,71%	55,41%
Elka	10.770.150,54	2,57%	57,98%
Other	176.340.316,32	42,02%	100,00%
Total	419.635.936,02		

Table 6: Share Prices and Turnover Ratios for Companies on Varazdin

Share Prices and Turnover Ratios for Companies Traded on VOTCM

Ticker	% change	Previous	High	Low	Last	Volume	Turnover (Kn)	Number of transact.
ABPR-R-A	-	-	167,21	167,21	167,21	17.645	2.950.420,45	5
ACI-R-A	-52,67%	900,00	550,07	300,00	426,01	121	52.843,71	7
ACNK-R-A	-	-	390,00	390,00	390,00	475	185.250,00	1
AGPT-R-A	-	-	465,86	465,86	465,86	1.359	633.103,74	1
ANTA-R-A	50,00%	800,00	1.200,00	400,00	1.200,00	2.160	2.555.250,00	8
ARNT-R-A	-12,82%	39,00	80,00	34,00	34,00	15.013	896.612,05	24
ASC-R-A	11,51%	120,17	134,00	134,00	134,00	4.360	584.240,00	1
ATPL-R-A	-14,47%	38,00	40,00	26,00	32,50	1.690	56.801,50	11
ATPP-R-A	-5,66%	106,00	100,00	100,00	100,00	7.717	771.700,00	1
BCOP-R-A	-0,10%	152,71	152,55	152,55	152,55	2.517	383.968,35	1
BD62-R-A	20,00%	50,00	60,00	60,00	60,00	5	300,00	1
BDSS-R-A	118,18%	55,00	120,00	50,00	120,00	11.198	1.208.913,00	11
BGAT-R-A	-	-	157,00	157,00	157,00	4.090	642.130,00	2
BILO-R-A	33,33%	15,00	96,00	14,70	20,00	11.849	951.681,30	11
BLKL-R-A	-24,54%	57,99	76,00	43,76	43,76	11.140	732.736,08	2
BLSC-R-A	60,00%	25,00	60,00	27,00	40,00	60.452	3.614.379,00	4
CHBL-R-A	-13,34%	94,90	82,24	82,24	82,24	2.229	183.312,96	1
CHGB-R-A	0,00%	440,00	440,00	440,00	440,00	252	110.880,00	24
CNPR-R-A	-	-	50,00	50,00	50,00	4.329	216.450,00	1
CNTL-R-A	60,00%	80,00	128,00	80,00	128,00	451	48.211,00	7
CRLN-R-A	222,22%	9,00	29,00	22,00	29,00	115	3.230,00	2
CRSP-P-A	-	-	2.709,00	2.709,00	2.709,00	40	108.360,00	2
CSMA	0,68%	41,00	41,28	41,28	41,28	17.465	720.955,20	5
CTKS-R-A	20,48%	83,00	100,00	80,00	100,00	52.823	5.217.268,00	12
DHPD-R-A	-	-	55,00	55,00	55,00	102	5.610,00	1
DIMO-R-A	34,29%	70,00	94,00	94,00	94,00	7.557	710.358,00	1
DIPP-R-A	-	-	20,00	20,00	20,00	43.668	873.360,00	1

DLMA-R-A	-67,69%	130,00	109,00	42,00	42,00	228	19.960,00	6
DLMC-R-A	141,33%	300,00	724,00	724,00	724,00	105.293	76.232.132,00	1
DRVD-R-A	-46,54%	159,00	128,00	85,00	85,00	230	23.778,00	6
ELKA-R-A	38,24%	55,00	76,03	53,00	76,03	148.725	10.770.150,54	6
ELPR-R-A	0,31%	74,77	75,00	74,77	75,00	17.388	1.300.121,69	2
ERNT-R-A	8,70%	115,00	250,00	125,00	125,00	76.773	14.610.400,47	803
FRBU-R-A	10,91%	55,00	61,00	61,00	61,00	28.198	1.720.078,00	2
GLEB-R-A	-	-	177,00	98,00	177,00	22.845	3.716.067,50	5
GMRC-R-A	-64,21%	108,00	108,00	38,65	38,65	20.200	780.868,70	3
GPRJ-R-A	57,00%	100,00	157,00	157,00	157,00	12.402	1.947.114,00	3
GRCA-R-A	-	-	112,70	112,70	112,70	8.412	948.032,40	2
GRDJ-R-A	-	-	86,00	86,00	86,00	4.145	356.470,00	1
HBVD-R-A	-	-	62,37	62,37	62,37	72.235	4.505.296,95	1
HICZ-R-A	118,75%	80,00	175,00	75,00	175,00	1.120	141.100,00	8
HIMR-R-A	-29,41%	85,00	115,54	60,00	60,00	2.075	204.182,52	16
HINZ-R-A	-	-	80,00	80,00	80,00	22.735	1.818.800,00	1
HJDR-R-A	-42,86%	17,50	10,00	10,00	10,00	2.168	21.680,00	1
HLAD-R-A	-23,53%	51,00	39,00	39,00	39,00	1.426	55.614,00	1
HRBC-R-A	-27,18%	35,03	77,40	25,51	25,51	42.085	2.517.691,39	36
HTCP-R-A	0,02%	55,00	55,01	22,57	55,01	94.466	3.579.447,99	19
HZDZ-R-A	-	-	81,00	76,00	81,00	87.850	6.735.244,00	16
INFS-R-A	-	-	100,00	100,00	100,00	750	75.000,00	2
IPLX-R-A	28,21%	78,00	100,00	100,00	100,00	1.774	177.400,00	5
ISBA-R-A	-	-	750,00	740,00	740,00	3.330	2.494.200,00	2
ISCM	106,19%	375,24	773,70	760,00	773,70	44.409	34.358.979,10	4
ISTT-R-A	105,66%	19,45	50,00	19,50	40,00	1.637	65.678,00	12
IVNC-R-A	-9,58%	178,00	160,95	160,95	160,95	2.906	467.720,70	1
JDER-R-A	-	-	472,50	472,50	472,50	1.167	551.407,50	1
JDGT	0,00%	100,00	100,00	90,00	100,00	1.691	167.600,00	4
JDHR-R-A	-9,09%	55,00	50,00	50,00	50,00	184	9.200,00	2
JDKM-R-A	-	-	77,65	77,65	77,65	30.637	2.378.963,05	1
JDNS-R-A	-	-	17,00	17,00	17,00	281.030	4.777.510,00	1
JDPL-R-A	-71,43%	70,00	20,00	20,00	20,00	200	4.000,00	1
JDRA-R-A	-25,93%	540,00	1.200,00	400,00	400,00	9.370	10.740.668,00	4
JDRF-R-A	-	-	120,00	120,00	120,00	48.308	5.796.960,00	1
JDRN-R-A	8,33%	120,00	400,00	130,00	130,00	1.656	524.705,00	70
JDTC-R-A	-	-	62,83	45,00	62,83	25.434	1.371.274,11	3
JDTT-R-A	108,22%	18,25	55,00	19,00	38,00	1.751	56.181,00	12
JLEN-R-A	0,00%	155,00	155,00	155,00	155,00	6.913	1.071.515,00	1
JNAF-R-A	76,59%	850,00	1.501,00	1.000,00	1.501,00	130	156.873,35	20
KAPI-R-A	-3,22%	310,00	385,00	300,01	300,01	1.260	472.301,40	4
KINO-R-A	113,61%	82,16	195,00	175,50	175,50	3.195	593.775,00	2
KMNK-R-A	-	-	390,00	390,00	390,00	180	70.200,00	1
KOEI-R-A	-35,03%	40,00	59,63	25,99	25,99	90.095	3.927.190,45	5
KRAS-R-A	118,67%	75,00	240,00	80,00	164,00	5.883	1.056.781,82	50
KRMA-R-A	-69,23%	65,00	20,00	20,00	20,00	137.866	2.757.320,00	1
KRNA-R-A	-3,73%	70,00	69,23	67,39	67,39	44.725	3.068.869,79	13
KZSZ-R-A	-	-	1.200,00	1.200,00	1.200,00	25	30.000,00	1
LANA-R-A	-	-	100,00	100,00	100,00	15.276	1.527.600,00	2
LANO-R-A	75,73%	95,60	168,00	168,00	168,00	13.364	2.245.152,00	1

LEDO-R-A	-32,56%	267,00	180,07	100,00	180,07	128	19.042,24	4
LNIA-R-A	206,46%	15,01	46,00	46,00	46,00	19.953	917.838,00	3
LRH-R-A	-55,00%	400,00	700,00	180,01	180,01	901	504.631,08	7
LVCV-R-A	-	-	185,91	185,91	185,91	8.197	1.523.904,27	1
MGPA-R-A	0,00%	25,00	25,00	25,00	25,00	9.412	235.300,00	2
MHNV-R-A	46,79%	27,25	40,00	40,00	40,00	60.723	2.428.920,00	1
MLPR-R-A	-	-	390,00	390,00	390,00	59	23.010,00	1
MMBA-R-A	5,26%	380,00	430,00	400,00	400,00	420	171.300,00	2
MNTS-R-A	-	-	490,00	490,00	490,00	200	98.000,00	1
MTC	-44,66%	365,00	202,00	202,00	202,00	5.802	1.172.004,00	1
MTSO-R-A	-0,63%	449,00	457,64	446,17	446,17	4.353	1.971.908,25	2
NACE-R-A	0,00%	480,00	480,00	480,00	480,00	200	96.000,00	1
NEON-R-A	69,09%	66,00	111,60	111,60	111,60	7.926	884.541,60	2
NPRS-R-A	-	-	86,91	86,91	86,91	6.418	557.788,38	1
OKPR-R-A	145,50%	200,00	491,00	491,00	491,00	23.182	11.382.362,00	4
OPST-R-A	-	-	30,20	30,20	30,20	20.005	604.151,00	2
PLAG-R-A	-15,55%	450,00	950,00	362,00	380,02	254	179.830,77	14
PLCH-R-A	-55,43%	359,00	160,00	160,00	160,00	26	4.160,00	1
POOP-R-A	-	-	651,36	651,36	651,36	1.275	830.484,00	1
PPLM-R-A	-40,48%	168,00	100,00	100,00	100,00	3.918	391.800,00	1
PPLT-R-A	-75,83%	60,00	14,50	14,50	14,50	5.804	84.158,00	2
PRRD-R-A	-40,00%	100,00	60,00	40,00	60,00	10.050	602.960,00	2
PSNJ-R-A	-	-	66,00	66,00	66,00	17.091	1.128.006,00	2
PSTR-R-A	-	-	60,00	60,00	60,00	144	8.640,00	1
RBRI-R-A	-	-	34,00	34,00	34,00	5.813	197.642,00	1
RDBA-R-A	28,57%	70,00	110,00	70,01	90,00	491	46.010,59	5
RIVP-R-A	32,79%	61,00	100,00	61,00	81,00	7.356	596.040,85	62
RNTX-R-A	0,76%	94,12	94,84	94,84	94,84	3.729	353.658,36	1
RTPL-R-A	-73,19%	165,61	68,73	44,40	44,40	11.706	537.799,26	2
RTPT-R-A	0,22%	89,80	91,35	90,00	90,00	991	89.696,25	2
RTUG-R-A	-22,50%	20,00	15,50	15,50	15,50	12.640	195.920,00	1
RZVL-R-A	-2,86%	35,00	35,00	34,00	34,00	850	29.606,00	4
SAS	-	-	1.392,07	1.392,07	1.392,07	892	1.241.726,44	1
SAVA-R-A	-13,85%	325,00	325,00	275,00	280,00	2.554	715.717,00	4
SCRJ-R-A	-	-	85,80	85,80	85,80	1.725	148.005,00	1
SIBA-R-A	0,00%	150,00	150,00	150,00	150,00	3.406	510.900,00	6
SLGA-R-A	-	-	80,00	80,00	80,00	11.399	911.920,00	1
SLJM-R-A	-	-	63,00	63,00	63,00	23.156	1.458.828,00	1
SLNJ-R-A	-	-	13,00	13,00	13,00	24.802	322.426,00	1
SLTA-R-A	-	-	75,00	75,00	75,00	3.714	278.550,00	1
SLVK-R-A	-30,17%	116,00	81,00	78,00	81,00	7.566	612.546,00	6
SRDJ-R-A	-	-	3,23	3,23	3,23	3.098	10.006,54	1
SSNC-P-A	-84,00%	2.500,00	650,00	400,00	400,00	25	12.250,02	13
SSNC-P-A1	-	-	100,00	50,00	100,00	50	3.500,00	3
SSNC-R-A	-99,14%	5.800,00	2.000,00	50,00	50,00	14	8.500,00	4
STJR-R-A	-23,08%	390,00	300,00	300,00	300,00	1.128	338.400,00	2
STPL-R-A	118,18%	55,00	120,00	120,00	120,00	35.158	4.218.960,00	2
SUNH-R-A	68,75%	16,00	27,00	21,00	27,00	2.805	66.604,00	13
SUZY-R-A	-0,03%	195,44	197,58	195,39	195,39	488	95.884,68	2
TDMM-R-A	-45,89%	144,35	78,11	78,11	78,11	24.572	1.919.318,92	1

TDZ-R-A	-38,86%	1.145,00	700,00	700,00	700,00	286	200.200,00	7
TEP-R-A	-	-	10,56	10,56	10,56	222.587	2.350.518,72	1
THPN-R-A	-9,15%	82,00	74,50	74,50	74,50	87.939	6.551.455,50	2
TKZD-R-A	54,57%	150,00	231,85	178,00	231,85	3.598	817.179,70	2
TNPL-R-A	114,29%	70,00	150,00	60,00	150,00	7.069	702.041,08	43
TPGR-R-A	500,00%	15,00	90,00	90,00	90,00	2.169	195.210,00	1
TPJR-R-A	-	-	35,00	35,00	35,00	1.405	49.175,00	3
TPKO-R-A	-	-	98,80	98,80	98,80	8.000	790.400,00	1
TUHO-R-A	-	-	75,00	75,00	75,00	48.170	3.612.750,00	1
TUHP-R-A	-9,09%	110,00	100,00	100,00	100,00	768	76.800,00	1
UNVZ-R-A	-	-	305,00	305,00	305,00	20	6.100,00	1
URTH-R-A	20,00%	60,00	72,00	60,00	72,00	2.259	157.260,00	2
UTEN-R-A	-17,16%	66,84	55,37	55,37	55,37	16.996	941.068,52	4
UZOR-R-A	-	-	452,00	452,00	452,00	200	90.400,00	1
UZRI-R-A	-73,33%	60,00	16,00	16,00	16,00	8.254	132.064,00	2
VAPE-R-A	-	-	85,90	85,90	85,90	4.690	402.871,00	1
VART-R-1	5,37%	19,00	25,00	20,00	20,02	39.946	803.017,44	7
VELB-R-A	-	-	192,00	192,00	192,00	367	70.464,00	1
VIS-R-A	410,64%	11,75	60,00	51,00	60,00	36.648	1.994.850,00	1
VISK-R-A	-	-	160,00	160,00	160,00	1.000	160.000,00	3
VRBN-R-A	14,12%	1.402,00	1.600,00	1.600,00	1.600,00	21	33.600,00	1
VSGD-R-A	-	-	15,90	15,90	15,90	21.573	343.010,70	1
ZKSS-R-A	3,90%	77,00	80,00	80,00	80,00	5.579	446.320,00	4
ZLTA-R-A	-	-	15,00	15,00	15,00	4.931	73.965,00	6
ZLTO-R-A	-30,89%	72,35	50,00	50,00	50,00	17.533	876.650,00	1
ZLZR-R-A	-	-	35,00	35,00	35,00	60.058	2.102.030,00	1
ZNTL-R-A	0,00%	200,00	200,00	200,00	200,00	506	101.200,00	3
ZZPP-R-A	35,23%	440,00	595,00	595,00	595,00	79	47.005,00	1
Total - List of supply and demand:						2.826.187	302.286.340,92	1.617
DOMF-R-A	52,09%	11,00	31,00	11,01	16,73	1.494.318	27.923.401,87	3.639
EXPF-R-A	61,85%	11,01	29,00	11,02	17,82	849.003	17.093.883,96	2.461
PLTR-R-A	159,09%	4,40	20,00	4,40	11,40	573.136	6.233.251,91	1.257
SLPF-R-A	95,29%	4,25	16,20	4,30	8,30	1.035.123	10.020.946,71	1.713
SNCE-R-A	76,67%	4,33	16,00	4,43	7,65	582.134	4.950.804,49	1.099
SNF-R-A	211,86%	5,90	19,01	5,95	18,40	986.779	15.288.425,86	2.551
VLBT-R-A	146,67%	6,00	20,00	6,05	14,80	1.119.143	15.982.056,20	1.879
Total - PIF Quotation:						6.639.636	97.492.771,00	14.599
BRIN-R-A	40,00%	25,00	50,00	35,00	35,00	4.480	202.996,40	18
Total - Quotation of Varazdin OTC Market:						4.480	202.996,40	18
RHMJ-A-A	-	-	56,80	38,00	40,00	44.844.047	19.653.827,70	268
Total - Certificates						44.844.047	19.653.827,70	268
TOTAL:						54.314.350	419.635.936,02	16.502

Auctions	78.645.121,00
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Total (Turnover + Auctions):	498.281.057,02
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