



European Bank
for Reconstruction and Development

CORPORATE GOVERNANCE LEGISLATION ASSESSMENT PROJECT

2007 ASSESSMENT

based on legislation in force on 1 November 2007

CROATIA

CMS ZAGREB
MIRAMARSKA 24, ZAGREB
CROATIA

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Overall Country Information

No.	Checklist	Brief description
1.	What is the level of dialogue (e.g. conferences, working groups) between the Government (including governmental bodies or other authorities such as Securities Commissions) and the private sector in respect to the need to improve corporate governance in your country?	The level of dialogue between the Government and the private sector is rather poor.
2.	Please describe any ongoing process(es) to improve the level of corporate governance in your country?	We are not aware of any such ongoing process.
3.	Which bodies in the public and private sectors (both domestic and foreign) have initiated, supported and been active in promoting corporate governance reform? (For example, institutes of directors, centers/institutes of corporate governance, associations of shareholders, chambers of commerce, or IFIs).	Code of Corporate Governance (hereinafter: the “ Code ”) has been drafted by HANFA (Croatian Financial Services Supervisory Agency) and ZSE (Zagreb Stock Exchange) based on the principles of OECD and based on Codes of Corporate Governance enacted in EU member states.
4.	Does a voluntary national code of corporate governance good practice exist? <i>[If yes, please specify the date of enactment, the latest amendments and if it is available on the web and include the link.]</i>	Yes, the Code (application voluntary) has been enacted on 26 th April 2007. Available in English language on http://www.zse.hr/default.aspx?id=97
5.	If the code exists:	
	a.) was the voluntary code of corporate governance developed by the Government or the private sector?	Government Agency (i.e. HANFA)
	b.) to what extent is the code based on the OECD Principles?	The Code is in its majority based on the OECD Principles.
	c.) is it endorsed by the stock exchange or securities commission?	The Code has been drafted by the securities commission (i.e. HANFA) and the stock exchange, and enacted by the securities commission.
	d.) must companies/listed companies disclose their degree of compliance with the code (“comply or explain”)?	Principle “comply or explain” exists in the Croatian Code. Please note that for the time being, the application of the Code is still on the voluntary basis (i.e. none of the companies listed or not, does not have obligation to comply with the Code).
e.) are compliance statements published and easily accessible by investors? <i>[If yes, please describe. Include, if available, the website where the compliance statements can be found.]</i>	Since the Code has been enacted only in April 2007, no compliance statements have been published yet.	

No.	Checklist	Brief description
6.	To what extent has the Government announced plans for updating and strengthening of:	
	a.) the legal and court system	Updating and strengthening of the legal and court system is one of the primary objectives of the Government.
	b.) the corporate tax system	The government did not announce any plans for updating and strengthening of the corporate tax system.
	c.) the educational system for business and legal professions	The government did not announce any plans for updating and strengthening of the educational system for business and legal professions.
	d.) the application of international accounting and auditing standards?	The government did not announce any plans for updating and strengthening of the application of international accounting and auditing standards.
7.	Which are the main laws and regulations addressing corporate governance in your country? [Please list titles and dates when they came into force.]	Commercial Companies Act enacted on 15 th December 1993. The provision about the corporate governance has been enacted on 24 th July 2003. Code of Corporate Governance enacted on 26 th April 2007.
8.	Summarize recent significant legal developments affecting corporate governance. <i>[Please indicate whether reviews are planned (and if so, where they stand in the legislative process). If reforms are pending, please provide a schedule of the main proposals which are relevant to corporate governance.]</i>	Code of Corporate Governance has been enacted.
9.	Please list the different corporate forms which are allowed under the law (e.g. partnerships, limited liability, joint stock, public limited) and briefly explain the main differences.	Limited Liability Company Joint Stock Company Limited liability company is the company whose share capital (10 times smaller than in the joint stock companies) is divided into business shares (share capital of joint stock companies is divided into shares). Limited liability company can not be listed at the stock exchange, and joint stock companies can be listed at the stock exchange. In the limited liability company supervisory board is voluntary while in the joint stock companies supervisory board is mandatory. Moreover, rules regulating the limited liability companies are in majority of the issues (eg assembling of General assembly) much more liberal.
10.	Are joint stock companies managed under a(n) <i>[please briefly explain]</i> :	
	a.) Compulsory one-tier system (no supervisory board)	No.
	b.) Compulsory two tier-system (management board and supervisory board)	Until 01 st April 2008 compulsory two tier system applies in Croatia. Supervisory board is appointed by the General Assembly. Management Board is appointed by the Supervisory board if such exists within the company. If supervisory board does not exist within the company the Management board is appointed by the General Assembly.
	c.) Option to choose one-tier/two-tier system	On 01 st April 2008 changes to the Companies Act come in force, based on which the companies will have an option to choose one-tier/two-tier system.

Principle I: Ensuring the basis for an effective corporate governance framework

The corporate governance framework should promote transparent and efficient markets, be consistent with the rule of law and clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities.

I.A. Corporate governance framework should be developed with a view to its impact on overall economic performance, market integrity, and the incentives it creates for market participants and promotion of transparent and effective markets.

No.	Checklist	Yes	No	Reference to the relevant law
11.	a.) Does your country have a functioning stock exchange? [Please include the stock exchange website, if available.]	<input checked="" type="checkbox"/>	<input type="checkbox"/>	http://www.zse.hr/default.aspx?id=122
	b.) Are there different listing segments on the stock exchange? [If yes, please describe, focusing on corporate governance.]	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<p><u>Official market</u> listing requirements:</p> <ul style="list-style-type: none"> - share capital in the amount of HRK 100,000,000.00 or less if the market capitalization is more than HRK 100,000,000.00; - Financial reports have to be made for the last 3 years; - More than 25% of shares have been distributed to public (free float) or less than 25% if the market functions satisfactory. <p><u>Market of public joint stock companies</u> listing requirements:</p> <ul style="list-style-type: none"> - Share capital in the amount of HRK 30,000,000.00 and more than 100 shareholders; or - Issue the shares by public offer <p><u>Regular market</u> listing requirements:</p> <ul style="list-style-type: none"> - share capital in the amount of HRK 20,000,000.00 or less if the market capitalization is more than HRK 10,000,000.00; - More than 50 shareholders; - More than 15% of shares have been distributed to public. <p><u>Compared market</u> listing requirements:</p> <ul style="list-style-type: none"> - No specific requirements
12.	Are corporate bonds common in your country?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
13.	Are Depositary Receipts (DRs) common in your country?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
14.	Does the country have a legislative or regulatory body in charge of assessing the implementation, reviewing and	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

No.	Checklist	Yes	No	Reference to the relevant law
	developing corporate governance laws?			
15.	Are there effective, ongoing consultations between regulatory authorities, the public and corporations regarding the development of corporate governance laws? Is the decision-making process used in the development of those laws made publicly available?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	A recent example of consultation is on the Code of Corporate Governance. The Code has been drafted as a result of co-operation between the securities commission (i.e. HANFA) and the stock exchange, where as the securities commission, once the final draft was prepared, enacted the Code of Corporate Governance. Therefore stock exchange as non corporate body was involved during drafting of the Code of Corporate Governance.
16.	How transparent is the legal reform process? Does it allow all affected parties to fully understand the new laws and regulations?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The legal reform process is not transparent, since the general public is not aware enough of the reforms that are currently going on.
17.	Can the securities market regulator intervene on behalf of shareholders in corporate disputes?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
18.	Does commercial, corporate or securities arbitration exist? If yes, are arbitration decisions binding and final?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The arbitration decisions are binding and final. The decision may be challenged ("set aside" procedure) if the place of arbitration has been in Croatia. This is regulated by the Arbitration Act (<i>official gazette 88/01</i>)
19.	Are state-owned companies subject to exactly the same corporate governance rules as other privately owned companies?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

I.B The legal and regulatory requirements that affect corporate governance practices in a jurisdiction should be consistent with the rule of law, transparent and enforceable.

No.	Checklist	Yes	No	Reference to the relevant law
20.	Are the legal and regulatory requirements on corporate governance:			
	a.) generally clear and well understood by economic participants?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	b.) sufficiently enforced in an efficient, consistent manner so as to constitute a transparent system?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The application of the Code of Corporate Governance is still on voluntary basis. In addition, the means for the enforcement of the rules provided in the Code are weak.
21.	a.) Do special court/sections exist in the judiciary for corporate cases?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Special courts exist in the judiciary for corporate cases.

No.	Checklist	Yes	No	Reference to the relevant law
	b.) Is there a significant percentage of corporate governance law that has never been tested in court?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The application of the Code of Corporate Governance is still on the voluntary basis (i.e. none of the companies listed or not, does not have obligation to comply with the Code), and therefore it has not been tested in the court. As far as the Commercial Companies Act is concerned, the Commercial Companies Act in Croatia did not exist until 1993, and therefore, there has not been enough court cases which would test it at the court-
	c.) Does a comprehensive case law collection exist so that interpretation of corporate governance legislation by courts is reasonably foreseeable?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
22.	Do the laws usually specify sanctions and liabilities for breach of corporate governance laws and regulations?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The application of the Code of Corporate Governance is still on the voluntary basis (i.e. none of the companies listed or not, does not have obligation to comply with the Code).
23.	If yes, are the responsibilities and sanctions for breach of the law with reference to the following subjects, clearly defined:			
	a.) management board	<input type="checkbox"/>	<input type="checkbox"/>	
	b.) supervisory board (if applicable)	<input type="checkbox"/>	<input type="checkbox"/>	
	c.) corporate registry	<input type="checkbox"/>	<input type="checkbox"/>	
	d.) corporate auditors	<input type="checkbox"/>	<input type="checkbox"/>	
	e.) corporate evaluators/assessors (e.g., in case of contribution in kind)	<input type="checkbox"/>	<input type="checkbox"/>	

I.C. The division of responsibilities among different authorities in a jurisdiction should be clearly articulated and ensure that public interest is served.

No.	Checklist	Yes	No	Reference to the relevant law
24.	Does the law designate a clear division of responsibilities between different authorities (e.g., banking regulator, securities market regulator, competition authority)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Act on Croatian National Bank; Market Competition Act; Securities Market Act; Croatian Financial Services Agency Act.
25.	Is there an effective system of cooperation in place between regulators?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Each of the listed bodies is obliged under the law to cooperate, thus providing uniform service to the public.
26.	Does the law address the issue of potential overlapping	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

No.	Checklist	Yes	No	Reference to the relevant law
	responsibilities or gaps in oversight between regulators?			
27.	Are the key laws perfectly harmonised without major inconsistencies, conflicts and discrepancies?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

I.D. Supervisory, regulatory, and enforcement authorities should have the authority, integrity and resources to fulfil their duties in a professional and objective manner. Moreover, their ruling should be timely, transparent, and fully explained.

No.	Checklist	Yes	No	Reference to the relevant law
28.	Is the market regulator in charge of corporate governance?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Article 3 of the Croatian Financial Services Agency Act in relation to the Article 9 paragraph 2 of the Articles of Association of Croatian Financial Services Agency.
29.	Does the law assure the operational independence of the regulator from external political, commercial, or other interest interference when exercising its respective functions and powers?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	According to the Article 3 of the Croatian Financial Services Agency Act the Croatian Financial Services Agency is a legal person having public authorities which is responsible only to the Croatian parliament. Internal organization and conduct of business is also independently defined by the Agency by adopting its Statue (which is confirmed by the Parliament).
30.	Is the regulator accountable to the Parliament or any other government body on an ongoing basis?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	According to the Croatian Financial Services Agency Act, Supervisory Agency is accountable to the Parliament.
31.	Is the budget of the regulator published and expenses transparently described?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
32.	Does the law require that when developing new legislation, regulatory agencies should:			
	a.) understand in advance the effects, costs and consequences of such new legislation (e.g., by implementing a Regulatory Impact Analysis - RIA)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	b.) take into account the availability of resources for the implementation and enforcement of those laws?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
33.	a.) Are the rulings of regulatory agencies documented and publicly available?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Rulings of regulatory agencies are documented in the official gazette and publicly available on the web page of Croatian Financial Services Agency.
	b.) If so, is that information easily accessible?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Information is easily accessible in hard copy in the premises of the official gazette, and in electronic version on the web page of Croatian Financial Services Agency.
34.	After regulatory agencies render their decisions, must they also provide explanations for those decisions?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Administrative Procedure Act, Article 206

Principle II: The rights of shareholders

The corporate governance framework should protect shareholders' rights

II.A. Basic shareholder rights include the right to: 1) secure methods of ownership registration; 2) convey or transfer shares; 3) obtain relevant information on the corporation on a timely and regular basis; 4) participate and vote in general shareholder meetings; 5) elect members of the board; and 6) share in the profits of the corporation.

No.	Checklist	Yes	No	Reference to the relevant law
35.	Does the law require maintenance of a central or company share register where the shareholding of investors is recorded?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 226.
36.	Does the law require that the relevant share register be maintained by an external and independent organisation?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Exception to this rule is the case where the shares are not issued in a non-material form. Commercial Companies Act and By law of the Central Depository Agency on delivery of data, Article 1.
37.	Under the law, does registration of shareholding in the central or company share register constitute proof of ownership? [If not, please explain what is the legal evidence of share ownership.]	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 226
38.	Under the law, can the parties (purchaser, seller or third parties) of shares require amendment of the register to record the change in shares' ownership? [Please explain.]	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 226
39.	a.) Does the law require that all the shares be fully paid before they can be transferred?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	At least 25% of the value of the shares needs to be paid before they are transferred, unless the Articles of Association prescribe higher amount. Commercial Companies Act, Article 179.
	b.) Are shares of listed/public companies freely transferable?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 227
	c.) Can the free transferability of shares be restricted by specific provisions in company articles or by private contractual agreements?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Transferability of shares may be restricted by specific provisions in company Articles of Association by providing specific conditions that have to be met prior to the transfer of the shares. Commercial Companies Act, Article 227.

No.	Checklist	Yes	No	Reference to the relevant law
40.	a.) Is the law providing shareholders the right to obtain information about the company at no costs and without undue delay? <i>[If applicable, please state the time limit for providing information.]</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 287
	b.) Does the law provide for sanctions in case such information is not provided by the company in due time?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Articles 287 and 288.
41.	Under the law, is the shareholders' meeting the only body authorised to:			
	a.) elect/appoint members of the board? <i>[Please distinguish in case a two-tier system is in place.]</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Only Supervisory Board members. The Management Board is appointed by the Supervisory Board. Commercial Companies Act, Article 256 in relation to Article 244
	b.) dismiss members of the board? <i>[Please distinguish in case there is a two-tier system in place.]</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Only Supervisory Board members. The Management Board is dismissed by the Supervisory Board. Commercial Companies Act Article 256 in relation to Article 244
	c.) approve the company's audited annual report?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 263.
	d.) approve dividends?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 263.
	e.) decide on the time frame within which approved dividends are paid out?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 263.
42.	Are minority shareholders able to pool their votes for certain board candidates (for example, through cumulative voting)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	According to the Commercial Companies Act (Article 256), Articles of Association of the Company may prescribe the right of the minority shareholder to appoint the member of the Supervisory Board, regardless of the percentage of its shareholding. However, in such manner only 1/3 of the Supervisory Board members may be appointed.
43.	Does the law give the shareholders' meeting the exclusive power to <i>[Please specify if the power can be delegated to the board by the charter]</i> :			
	a.) appoint auditors;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 275 This power can not be delegated.
	b.) approve the auditors' remuneration;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 275 This power can not be delegated.
	c.) request additional information regarding the auditors' report?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 275 This power can not be delegated.

No.	Checklist	Yes	No	Reference to the relevant law
	d.) approve remuneration of (supervisory/management) board members	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 275 in relation to Articles 269 and 247. Power to approve remuneration of supervisory board members can not be delegated. Power to approve remuneration of management board members can be delegated to supervisory board.
44.	Does the law impose any conditions on a company to declare dividends?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 220.
45.	Does the law require the distribution of dividends among holders of shares in proportion to their shareholding?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	However, in case of preferential shares, the dividends may be distributed among shareholders not in proportion to their shareholding, i.e. shareholders holding preferential shares can be paid a higher dividend. Commercial Companies Act, Article 167 in relation to Article 296.
46.	Does the law require the distribution of liquidated proceeds among holders of shares in proportion to their shareholding?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	However, in case of preferential shares, the liquidated proceeds may be distributed among shareholders not in proportion to their shareholding. i.e. preferential shares might enjoy a right of preference in the liquidation procedure. Commercial Companies Act, Article 167 in relation to Article 296

II.B *Shareholders have the right to participate in, and to be sufficiently informed on, decisions concerning fundamental corporate changes such as: 1) amendments to the statutes, or articles of incorporation or similar governing documents of the company; 2) the authorisation of additional shares; and 3) extraordinary transactions that in effect result in the sale of the company.*

No.	Checklist	Yes	No	Reference to the relevant law
47.	Does the law provide that shareholders should be notified of, and have the exclusive power to vote with respect to: [<i>Please specify if the power can be delegated to the board by the charter.</i>]:			
	a.) amendments to the company charter?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 277. This power can not be delegated.
	b.) issuance of additional shares?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Except in the conditional increase of the share capital, whereby the shareholders may give authority to the Management Board to increase the share capital in accordance with the guidelines from the shareholder. Commercial Companies Act.
	c.) merger, take-over or reorganisation of the company?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 277. This power can not be delegated.
	d.) winding up or voluntary liquidation of the company?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 277. This power can not be delegated.

No.	Checklist	Yes	No	Reference to the relevant law
	e.) waiver of pre-emptive rights (in the event of capital increase)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 277. This power can not be delegated.
	f.) the amendment of the specific rights attached to any class of shares?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 277. This power can not be delegated.
48.	Does the law provide that existing shareholders have pre-emption rights to subscribe to newly issued shares in proportion to their relevant shareholding?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 308.
49.	a.) Does the law allow exceptions/restrictions to these pre-emption rights described in Question 48 above?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 308 paragraph 4.
	b.) If yes, are these restrictions required to be approved on a case by case basis <i>and</i> by a super-majority vote of the shareholders (e.g. 75%)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Super-majority vote of the shareholders with 75% majority. Commercial Companies Act, Article 304.
50.	Can shareholders delegate to boards the issuance of capital up to an authorized limit and within a specified time-frame?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Yes, limit is defined in the decision on the approved share capital increase. Such delegation is valid for 5 years. Commercial Companies Act, Article 323.
51.	Does the law enable a shareholder who voted against any of the corporate changes in the company as referred to in Question 47 above to sell its shares to the company for not less than a price determined by an independent valuation entity (or the market)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

II.C 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.

No.	Checklist	Yes	No	Reference to the relevant law
52.	Does the law require a shareholder meeting to be held annually, and within a specified time frame (e.g., 6 months) of the end of the company's fiscal year?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Ordinary shareholder meeting needs to be held in first 8 months of the calendar year. Commercial Companies Act, Article 277.

No.	Checklist	Yes	No	Reference to the relevant law
53.	Does the law empower the following people to request extraordinary shareholders' meetings:			
	a.) the chairman of the board of directors; or	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The whole Management board decides by voting whether the shareholder's meeting should take place. Croatian law does not make relevant distinction between ordinary and extraordinary shareholder's meeting. Commercial Companies Act, Article 277 paragraph 2.
	b.) any member of the board of directors/supervisory board [<i>Please specify</i>]; or	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The whole Supervisory board decides by voting can request shareholder's meeting when such meeting is necessary for the benefit of the Company. Commercial Companies Act, Article 277 paragraph 2.
	c.) one or more shareholders whose aggregate shareholding represents at least 10% of the Company's issued shares? [<i>Please specify the required shareholding.</i>]	<input checked="" type="checkbox"/>	<input type="checkbox"/>	This is possible only when aggregate shareholding represents at least 5% share capital of the Company. Commercial Companies Act, Article 277 paragraph 2.
54.	Does the law enable shareholders to participate in the shareholders' meeting not only in person, but also:			
	a.) by post	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	b.) by voting instructions in writing or by substitutes other than directors on the basis of a power of attorney? If yes, should the power of attorney be notarised?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	There is possibility of voting through legal representative in the event of lack of ability of shareholder and there is also possibility of representative on the ground of special power of attorney. The law does not mandate that special power of attorney has to be notarized. Commercial Companies Act, Article 291 paragraph 6.
55.	Does the law require that a shareholders' meeting be attended by a quorum of shareholders (presence quorum) representing an aggregate of at least 50% + 1 of the company's issued and outstanding common and preferred shares at the first call? [<i>Please specify the quorum for the first, second and third call.</i>]	<input type="checkbox"/>	<input checked="" type="checkbox"/>	For joint stock companies, the law states that the necessary quorum shall be defined by the Articles of Association of the Company. In the event that quorum does not exist during the first call, law states that on the second call quorum shall not be important, unless the Articles of Association of the Company does not state the different. Commercial Companies Act (Article 277).
56.	Does the law require the adoption of ordinary resolutions by an affirmative vote of a majority (of 50% + 1) of all of the company's issued and outstanding voting shares (decision quorum)? [<i>Please specify the quorum for the first, second and third call.</i>]	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Affirmative vote of a majority of 50% + 1 of present votes. Commercial Companies Act, Article 290.
57.	Does the law require a super-majority vote of at least 75% of all the company's issued and outstanding voting shares regarding resolutions for the following matters:			
	a.) any amendment to the company's charter [<i>Please specify the quorum required at the second and third call.</i>]	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The quorum is 75% of shares present at the shareholder meeting. Commercial Companies Act, Article 301 paragraph 2.

No.	Checklist	Yes	No	Reference to the relevant law
	b.) any merger or reorganisation of the company [<i>Please specify the quorum required at the second and third call.</i>]	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The quorum is 75% of shares present at the shareholder meeting. Commercial Companies Act, Article 516 paragraph 2.
	c.) the winding up or voluntary liquidation of the company [<i>Please specify the quorum required at the second and third call.</i>]	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The quorum is 75% of shares present at the shareholder meeting. Commercial Companies Act, Article 367.
	d.) a waiver of shareholders' tender rights in case of voluntary redemption [<i>Please specify the quorum required at the second and third call.</i>]; and	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	e.) any single transaction or series of transactions involving at least 25% of the company's assets? [<i>Please specify the quorum required at the second and third call.</i>]	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The quorum is 75% of shares present at the shareholder meeting. Commercial Companies Act, Article 301a.
	In the case of any proposed restriction(s) on, or any amendment of, the specific rights attached to any class of shares, does the law require:			
58.	a.) the 50 % + 1 presence quorum and	<input type="checkbox"/>	<input checked="" type="checkbox"/>	For joint stock companies, the law states that the necessary quorum shall be defined by the Articles of Association of the Company. In the event that quorum does not exist during the first call, law states that on the second call quorum shall not be important, unless the Articles of Association of the Company does not state the different. Commercial Companies Act (Article 277).
	b.) a super-majority vote of at least 75% of the company's issued and outstanding voting shares within each such class of shares which may be affected by the proposed restriction or amendment?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The quorum is 75% of shares present at the shareholder meeting. Article 295 in relation to Article 297 of the Commercial Companies Act.
59.	Is there a certain amount of time that must elapse between a first and second call?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	While making the first call, date of the second call needs to be determined. Commercial Companies Act, Article 279.
60.	In cases where the rules relating to the holding of shareholders' meetings have been violated, does the law provide for the right of shareholders to bring an action in order to set aside a shareholder's resolution? [<i>If yes, please specify what is the percentage required for such action.</i>]	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 360. Any shareholder can undertake such an action.

II.C.1 Shareholders should be furnished with sufficient and timely information concerning the date, location and agenda of general meetings, as well as full and timely information regarding the issues to be decided at the meeting.

No.	Checklist	Yes	No	Reference to the relevant law
61.	a.) Does the law require that the company notify the shareholders of the agenda for a shareholders' meeting at least 20 calendar days in advance of the scheduled shareholders' meeting?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Agenda needs to be defined together with call for shareholder's meeting. However one month (and not 20 days) needs to pass between the call and shareholder's meeting. Commercial Companies Act, Article 280.
	b.) Does the law allow that the notification of the general meeting be published in a newspaper or official gazette, without the need for individual notification to each shareholder? [If yes, please specify if it is required that the newspaper must have national distribution.]	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Notification can be published in official newspaper of the Company and it does not need to have national distribution. Commercial Companies Act, Article 280.
62.	Does the law require a power of attorney proxy form to be sent out at the same time when the notice convening the meeting is sent out?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Power of attorney needs to be given in written form. Commercial Companies Act0, Article 291 paragraph 6.
63.	In case of a proposed shareholders' meeting where any of the proposed resolutions require super-majority approval, does the law require that the company send a copy of the agenda, including any valuation reports and proposed resolutions and charter amendments to the shareholders?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

II.C.2. Opportunity should be provided for shareholders to ask questions to the board and to place items on the agenda at general meetings, subject to reasonable limitations.

No.	Checklist	Yes	No	Reference to the relevant law
64.	Does the law require the agenda for a shareholders' meeting to be adopted by the board of directors?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 280.
65.	Does the law provide for additional items to be added to the agenda at the request of:			
	a.) the chairman of the board of directors;	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	b.) any 2 directors; or	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

No.	Checklist	Yes	No	Reference to the relevant law
	c.) any one or more shareholders whose aggregate shareholding represents at least 10% of the company's issued and outstanding shares?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	One or more shareholders whose aggregate shareholding represents at least 5% of the Company's share capital. Commercial Companies Act, Article 280.
66.	a.) Does the law allow shareholders to submit questions in advance of a shareholders' meeting to which management and board members are required to reply at such shareholders' meeting?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	b.) Does the law impose any penalties for not replying to such a shareholder request?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Any decision rendered without replying to such request of the shareholders can be challenged, further to Article 360 of the Commercial Companies Act.
	c.) Does the law allow shareholders to ask questions at the shareholder meeting?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 282.

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

No.	Checklist	Yes	No	Reference to the relevant law
67.	a.) Does the law regulate cross-shareholdings ¹ ?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Each of the cross-shared companies has to have at least 25% of the shares in another company. (I do not understand your comment. Could you please clarify? Why the company has to have this shareholding?) Commercial Companies Act, Article 473.
	b.) Is there a voting cap limiting the number of votes that a shareholder, who holds a cross-shareholding in another company, may exercise in dealings with that company (for example a voting cap of 10%)? <i>[If so, please specify the voting cap.]</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
68.	a.) Are there rules that govern the disclosure by shareholders of ultimate beneficial ownership? If yes, please specify the thresholds for disclosure of ownership.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The moment when shareholder acquires at least 10% of shares in another company, it is obliged to disclose this fact in written to company in which it holds 10% shares. Securities Market Act, Article 115

¹ A cross-shareholding is where the company owns shares in another company which is also one of its own shareholders.

No.	Checklist	Yes	No	Reference to the relevant law
	b.) Do ownership disclosure rules enable shareholders to obtain a clear picture of a company's ultimate ownership and the identity of intermediaries?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
69.	Does the law impose restrictions on transactions involving shareholders with a conflict of interest regarding the transaction in order to avoid disadvantageous transaction terms for the company?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The law imposes the obligation of the shareholders with a conflict of interest to make the transaction public. Securities Market Act, Article 106.
70.	Are shareholders required to disclose shareholder agreements to the company, the authorities and/or to other shareholders?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Securities Market Act, Article 106.

II.E Changes of corporate control should be allowed to function in an efficient and transparent manner.

II.E.1. The rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers and sales of substantial portions of corporate assets, should be clearly articulated and disclosed so that investors understand their rights and recourse. Transactions should occur at transparent prices and under fair conditions that protect the rights of all shareholders according to their class.

No.	Checklist	Yes	No	Reference to the relevant law
71.	Does the law require notification to the company, the other shareholders, the securities commission, the stock exchange or anti-monopoly office if a shareholder builds up a significant shareholding in the company? <i>[Please briefly describe how the law define significant shareholding.]</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	During the shareholder's meeting management board needs to notify the shareholders on the business activities of the company, especially changes regarding the issuance of new shares, etc. While acquiring first 10% of the share capital in the Company new shareholder needs to obtain the approval from Croatian financial services supervisory agency (HANFA). Such approval needs to be obtained also while acquiring any further shares and reaching 20%, 33%, 50% and 75% shares in the company. Commercial Companies Act, Article 285. Securities Market Act, Securities Market Act, Article 106 in relation to Article 115. Market Competition Act, Article 22. Takeover Act, Article 9. Zagreb Stock Exchange Rules, Article 2.3.2

No.	Checklist	Yes	No	Reference to the relevant law
72.	Does the law impose any penalties for non-notification (e.g. a shareholder not being allowed to exercise the voting rights attached to the shares)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	In the event shareholder acquires shares without notifying the Agency, the penalty is up to 200 daily salaries (which are subject to discretionary decision of the Court depending on the type of job the defendant has) or up to 1 year of prison. Securities Market Act, Article 59.
73.	Are shareholders of the same class treated equally during changes of control? Is there a provision that minorities receive the same price as the controlling owner?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	There is no provision that minorities receive the same price as the controlling owner, however, the rules on taking-over of the joint stock companies regulate the question of price during the taking-over of the joint stock companies. Commercial Companies Act, Article 300g Takeover Act, Article 3.
74.	Does the law include a provision allowing an offeror to require the holders of the remaining securities to sell their securities at a fair price (the so-called minority squeezed out)? If yes, please specify the shareholding threshold.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Shareholder holding 95% of the share capital of the company has the right to squeeze out remaining shareholders by paying them appropriate indemnity for their shares. Commercial Companies Act, Article 300f Takeover Act, Article 45.
75.	Does the law include a provision allowing the holders of remaining securities to require the offeror to buy their securities at a fair price (the so-called minority buy-out)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	In case the offeror acquires at least 95% of shares, there is 3 months term shareholders holding remaining shares have right to request the major shareholder to buy out their shares (please note that this provision will come in force at the moment of Croatia becoming a member state of the EU). Takeover Act, Article 45.

II.E.2. Anti-takeover devices should not be used to shield management from accountability.

No.	Checklist	Yes	No	Reference to the relevant law
76.	Does the law require an authorisation by a shareholders' resolution with a majority of 75% of the company's issued shares, before the board of directors is entitled to enter into any transaction other than for full and valid consideration as a measure to prevent a change of control in the company?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

Principle III: The equitable treatment of shareholders

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.

III.A. All shareholders of the same class should be treated equally.

III.A.1 Within any class, all shareholders should have the same voting rights. All investors should be able to obtain information about the voting rights attached to all classes of shares before they purchase. Any changes in voting rights should be subject to shareholder vote.

No.	Checklist	Yes	No	Reference to the relevant law
77.	Does the law require that within any class of shareholders all shareholders have the same voting rights? If yes, does the law implement the principle “one share-one vote”?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Voting right is determined either according to nominal value of the share or if there is no nominal value then there is a rule “one share-one vote”, however the Articles of Association of the Company can define other terms. Commercial Companies Act, Article 291.
78.	Does the law allow investors to have access to information about the voting rights attached to all classes of shares before they purchase? If yes, where is this information available?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The Articles of Association of the Company should contain information on voting right of each shares and the Articles of Association is registered with the court registry which is publicly available registry. Commercial Court Register Act, Article 24. Commercial Companies Act, Article 173.

III.A.2 Minority shareholders should be protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly, and should have effective means of redress

No.	Checklist	Yes	No	Reference to the relevant law
79.	Does the law provide for specific sanctions and/or liabilities in case of:			
	a.) violation of the rules on notification of shareholder meetings	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 360.
	b.) violation of rules allowing shareholders to place items on the agenda for the annual meeting	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	c.) delays or failure to pay dividends authorized by shareholder meetings	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Croatian Obligations Act, Article 1089.

No.	Checklist	Yes	No	Reference to the relevant law
	d.) failure to allow inspection of books and records	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

III.A.3 Votes should be cast by custodians or nominees in a manner agreed upon with the beneficial owner of the shares

No.	Checklist	Yes	No	Reference to the relevant law
80.	Are financial institutions, holding shares in custody for investors, required by law to provide shareholders with information concerning their options in the use of their voting rights?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Securities Market Act, Article 21. Commercial Companies Act, Article 292.

III.A.4 Processes and procedures for general shareholder meetings should allow for equitable treatment of all shareholders. Company procedures should not make it unduly difficult or expensive to cast votes.

No.	Checklist	Yes	No	Reference to the relevant law
81.	Can the general meeting be held abroad or in a place other than the company headquarters?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	It can be hold in headquarter of the stock exchange if the Company is listed with the stock exchange and the Articles of Association does not prescribe different. However, the Articles of Association of the Company can also prescribe on other place to hold general meeting. Croatian Companies Act, Article 277 paragraph 4.

III.B. Insider trading and abusive self-dealing should be prohibited.

No.	Checklist	Yes	No	Reference to the relevant law
82.	Does the law require company disclosure of information likely to affect stock exchange prices (in order to prevent insider dealing of shares), without undue delay?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Securities Market Act, Article 115 in relation to Articles 116, 117 and 118.
83.	Are there any laws in place which prevent or punish insider trading?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Securities Market Act, Article 155
84.	Are board members, senior managers or controlling shareholders required to disclose transactions involving their company's shares?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Securities Market Act, Article 115 in relation to Articles 116, 117 and 118.

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

No.	Checklist	Yes	No	Reference to the relevant law
85.	Under the law, is a shareholder, director, officer or employee of the company who has conflicting interests in a deal between the company and another party, required to disclose such interests to the company?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Securities Market Act, Article 5a, paragraph 5 Commercial Companies Act, Article 248.
86.	Under the law, must the Board of Directors / Supervisory Board [<i>please specify</i>] ensure that the company pay a fair price for assets or services purchased from or sold to any shareholder, director, officer, employee, agent or representative or related entities of the company?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
87.	Can directors, officers or shareholders of a company who have conflicts of interests with the company, be legally prevented from voting at the meetings where those interest-related issues are discussed?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Shareholders do not have voting right when it comes to deciding on the issues between them and the company (shareholders requests, etc). This rule is not applied to the directors and officers. Commercial Companies Act, Article 293 paragraph 1. ZSE Rules, article 6.3.5.1
88.	a.) Does the law allow the company to give people including the company's directors, officers and employees the right to buy shares?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act. As there is no strict prohibition, purchase of shares is permitted.

No.	Checklist	Yes	No	Reference to the relevant law
	b.) Are there any restrictions imposed on such acts?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
89.	Does the law require that all related party transactions be:			
	a.) specifically approved by the board (supervisory/management please specify)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	b.) disclosed to shareholders?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Securities Market Act, Article 115, 116, 17 and 118 Commercial Companies Act, Article 285. Zagreb Stock Exchange Rules, Article 4.6.2
	c.) registered in the company financial statement?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Securities Market Act, Article 21 Commercial Companies Act, Article 410 Zagreb Stock Exchange Rules, Article 4.6.2
90.	Does the law require disclosure of loans made by the company to related parties (e.g. parent companies, subsidiaries, directors, employees, their spouses, children or relatives of the company or related companies)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
91.	Under the law, can transactions made by companies, which are not based on fair market values, be invalidated and action be taken against the relevant parties?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 355 and 360. Croatian Obligations Act, Article 66.

Principle IV: The role of stakeholders in corporate governance

The corporate governance framework should recognise the rights of the 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.

IV.A. The corporate governance framework should assure that the rights of stakeholders (i.e. employees, suppliers, creditors) protected by law are respected.

No.	Checklist	Yes	No	Reference to the relevant law
92.	Does the law contain clear provisions on:			
	a.) safety at work for employees?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Act on Safety at Work.
	b.) protection of suppliers as stakeholders?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	c.) protection of creditors as stakeholders?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	d.) environmental protection (e.g., implementation of the “polluter must pay” principle)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Environmental Protection Act.

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

No.	Checklist	Yes	No	Reference to the relevant law
93.	Does the law incorporate effective and easily workable remedies for violations of:			
	a.) employees rights?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Labour Act.
	b.) suppliers rights?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Croatian Obligations Act.
	c.) creditors rights?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Croatian Obligations Act.
	d.) environmental regulations?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Environmental Protection Act.

IV.C. The corporate governance framework should permit performance-enhancing mechanisms for stakeholder participation.

No.	Checklist	Yes	No	Reference to the relevant law
94.	Does the law require employee representation on boards (supervisory/management- please specify)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Employees have a right to appoint 1 of their representatives in the Supervisory Board in a case where the company employees more than 200 employees and is more than 25% owned by Republic of Croatia or municipalities. Labour Act, Article 166, paragraph 1.
95.	Does the law permit employee stock ownership plans or other profit sharing mechanisms?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	There is no specific reference in the law.
96.	Does the law permit creditor involvement during insolvency proceedings?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Insolvency Act, , Article 32, 32a, 34, 36 and 37.

IV.D. Where stakeholders participate in the corporate governance process, they should have access to relevant, sufficient and reliable information on a timely and regular basis.

No.	Checklist	Yes	No	Reference to the relevant law
97.	Do stakeholders have special access to corporate information?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, , Article 285 Please note that under the Croatian law stakeholders are identified as shareholders.

IV.E. Stakeholders, including individual employees and their representative bodies, should be able to freely communicate their concerns about illegal or unethical practices to the board and their rights should not be compromised for doing this.

No.	Checklist	Yes	No	Reference to the relevant law
98.	Are there any provisions protecting “whistleblowers” (employees and other stakeholders that file complaints/voice concerns regarding unethical or illegal practices by corporate officers)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

Principle V: Disclosure and Transparency

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 governance of the company.

Timely and accurate disclosure allows all potential investors and market participants to review publicly available information based on which investment decisions are made.

V.A. Disclosure should include but not be limited to, material information on:

V.A.1 The financial and operating results of the company.

No.	Checklist	Yes	No	Reference to the relevant law
99.	Does the law require all joint stock companies to prepare annual audited financial statements?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Accounting Act, Article 29 paragraph 1
100.	Does the law require all joint stock companies to prepare quarterly financial reports?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
101.	Does the law require joint stock companies to prepare group accounts on consolidated basis?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Accounting Act, Article 24
102.	Do laws or regulations to include in their annual reports to shareholders that:			
	a.) The financial statements are their (board's) responsibility.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Accounting Act, Article 4
	b.) The auditor is responsible for reporting on the financial statements.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Accounting Act, Article 29 in relation to Article 18 of the Audit Act.
	c.) The financial statements fairly present the state of company affairs.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Accounting Act, , Article 14 paragraph 6

V.A.2 *Members of the board and key executives, and their remuneration.*

No.	Checklist	Yes	No	Reference to the relevant law
103.	Is the company required by law to disclose board positions in other companies of individual board members and key executives?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
104.	Does the law require the company to disclose the compensation of board members and key executives? [Please specify if the disclosure is on individual or aggregate basis.]	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
105.	Under the law, do shareholders determine the remuneration of the board?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Supervisory Board remuneration is determined by the shareholders. Commercial Companies Act, Article 269

V.A.3 *Material foreseeable risk factors*

No.	Checklist	Yes	No	Reference to the relevant law
106.	Is the company required by law to disclose to users of financial information and market participants information on reasonably foreseeable material risk such as the following:			
	a.) risks specific to the industry or geographic area;	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	b.) dependence on commodities;	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	c.) financial market risk, including interest rate or currency risk;	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	d.) risk related to derivatives and off-shore;	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	e.) environmental liabilities?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

V.A.4. Material issues regarding employees and other stakeholders.

No.	Checklist	Yes	No	Reference to the relevant law
107.	Does the law require the company to disclose key issues relevant to employees and stakeholders that may materially affect the performance of the company (such as management/employee relations and relations with creditors suppliers and local communities)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Securities Market Act, Article 115 Commercial Companies Act, Article 240 and 287 in relation to Article 115 of the Securities Market Act.

V.A.5. Governance structures and policies.

No.	Checklist	Yes	No	Reference to the relevant law
108.	Does the law require the company to appoint a responsible body/officer in charge of corporate governance issues (e.g., company secretary)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
109.	Does the law require the company to disclose (e.g. in its annual report or a similar document) its corporate governance structures and policies, (for example, by providing information on the division of authority between shareholders, management and board members)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 62.

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

No.	Checklist	Yes	No	Reference to the relevant law
110.	Does the law require the company to prepare and disclose financial and operating data in accordance with internationally recognised accounting standards?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Accounting Act, Article 15.

V.C. 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.

No.	Checklist	Yes	No	Reference to the relevant law
111.	Does the law require financial results to be annually audited by an independent auditor? Is the independence of the external auditor defined?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Audit Act, Article 5, 6 and 21.
112.	Does the law provide a test to ensure that the auditor is truly independent from the influence of management?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Audit Act, Article 43, 44, 45, 46, 47, 48 and 49.

V.D. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users.

No.	Checklist	Yes	No	Reference to the relevant law
113.	How often is the company required by law to disseminate information to shareholders?			
	a.) annually?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	b.) quarterly?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	c.) monthly?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	d.) upon certain events (e.g. before the general meeting)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Articles 277 and 287. Events are: prior to the general meeting (Article 278) and upon request of shareholders (Article 287).
114.	How often is the company required by law to disseminate information to the securities commission and the stock exchange?			
	a.) annually?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	b.) quarterly??	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	c.) monthly?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	d.) upon certain events (e.g. before the general meeting)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Upon any material change of ownership structure. Securities Market Act, Article 106
115.	Does the law require the company to make publicly available [<i>Please describe how the law requires these documents to be made available/disclosed</i>]			
	a.) minutes of the shareholders meetings;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 286.

No.	Checklist	Yes	No	Reference to the relevant law
	b.) audited financial statements of the company, as approved by the shareholders' meeting;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Securities Market Act, Article 21 and 97. First quotation companies have the duty to publish audited statements on quarterly and semi-annual basis. Commercial Companies Act, Article 287 in relation to Article 276.
	c.) any amendments to the company charter or other constitutional documents of similar nature (e.g., articles of association);	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 301.
	d.) the names of any resigning or removed directors and of newly elected directors;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 244a Commercial Court Register Act, Article 24.
	e.) the name of the statutory auditor;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Securities Market Act, Article 21, paragraph 2
	f.) information on bankruptcy proceedings?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 367 Commercial Court Register Act, Article 24
	Does the law require that the following documentation be made available for shareholder inspection at the offices of the company:			
	a.) the company's charter or other constitutional documents of similar nature including all amendments;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 173 in relation to Article 287.
	b.) financial statements and statutory auditor reports;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 287
	c.) any report of an independent evaluation expert prepared in connection with a shareholders' meeting;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 287
116.	d.) minutes of each shareholder meeting and of each board meeting and any sub-committee;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 267 and 286. Commercial Court Register Act, Article 31.
	e.) a list of shareholders owning 1% or more of the company's issued shares;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 190 Commercial Court Register Act, Article 31.
	f.) a list of shareholders who have not fully paid for their shares and the amounts due?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 189 and 190 Commercial Court Register Act, Article 31.
117.	Is the company required by law to provide an annual report and/or monthly/quarterly reports to third parties upon request?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

Principle VI: The Responsibilities of the Board

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.

VI.A 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.

No.	Checklist	Yes	No	Reference to the relevant law
118.	Does the law require the management/supervisory board [<i>please specify</i>] to act in the best interest of the company and its shareholders?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Both of them are. Commercial Companies Act, Article 248, 251, 252 and 272.
119.	Does the law provide for shareholders to bring actions on behalf of the company against the board? (i.e., derivative suit) [<i>If yes, please specify the shareholding necessary to start such action.</i>]	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 273 and 273a Action may be brought if the shareholders decide to do so by simple majority vote or if shareholders holding at least 10% of the entire share capital require such an action.
120.	a.) In discharging their duties, are board members personally liable for breaches of the law while they are in office?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 252.
	b.) Are executives who sign the annual report and prospectus personally liable for the accuracy of information included therein?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 252.

VI.B. The board should fulfil certain key functions, including:

VI.B.1. Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestitures.

No.	Checklist	Yes	No	Reference to the relevant law
121.	Under the law, do the responsibilities of the board [in case of a two tier system, please specify if it is the responsibility of the management or supervisory board] include:			
	a.) reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Management board. Commercial Companies Act, Article 240.
	b.) setting performance objectives;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Management Board. Commercial Companies Act, Article 240.
	c.) monitoring implementation and corporate performance; and	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Supervisory board. Commercial Companies Act, Article 240.
	d.) overseeing major capital expenditures, acquisitions and divestitures?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Supervisory board. Commercial Companies Act, Article 240.

VI.B.2. Selecting, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning.

No.	Checklist	Yes	No	Reference to the relevant law
122.	Under the law, do the responsibilities of the board [in case of a two tier system, please specify if it is the responsibility of the management or supervisory board] include:			
	a.) selecting, compensating, monitoring key executives	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Management board. Commercial Companies Act, Article 240 and 241
	b.) replacing key executives, and	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Supervisory board decides on revocation of the members of the Management board. Commercial Companies Act, Article 240 and 241
	c.) overseeing succession planning?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Supervisory board. Commercial Companies Act, Article 240 and 241

VI.B.3. *Reviewing key executive and board remuneration, and ensuring a formal and transparent board nomination process.*

No.	Checklist	Yes	No	Reference to the relevant law
123.	Under the law, do the responsibilities of the board [<i>in case of a two tier system, please specify if it is the responsibility of the management or supervisory board</i>] include:			
	a.) reviewing key executive and board remuneration, and	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Supervisory board. Commercial Companies Act, Article 240 and 241
	b.) ensuring a formal and transparent nomination process for board members?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Supervisory board. Commercial Companies Act, Article 240 and 241

VI.B.4. *Monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.*

No.	Checklist	Yes	No	Reference to the relevant law
124.	Under the law, do the responsibilities of the board (<i>in the case of a two tier system, please specify if it is the responsibility of the management or supervisory board</i>) include functions such as monitoring and managing potential conflicts of interest involving management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Supervisory board has right to revoke any of the members of the management board upon any of such misuses. Commercial Companies Act, Article 263

VI.B.5. *Ensuring the integrity of the corporation's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for monitoring risk, financial control, and compliance with the law.*

No.	Checklist	Yes	No	Reference to the relevant law
125.	Under the law, do the responsibilities of the board [<i>in case of a two tier system, please specify if it is the responsibility of the management or supervisory board</i>] include:			
	a.) ensuring the integrity of the corporation's accounting and financial reporting systems, including the independent audit, and	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Management Board. Commercial Companies Act, Article 240

No.	Checklist	Yes	No	Reference to the relevant law
	b.) ensuring that appropriate systems of control are in place, in particular, systems for monitoring risk, financial control, and compliance with the law?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Supervisory Board. Commercial Companies Act, Article 263

VI.B.6. Monitoring the effectiveness of the governance practices under which it operates and making changes as needed.

No.	Checklist	Yes	No	Reference to the relevant law
126.	Does the law require that the responsibilities of the board include functions such as monitoring the effectiveness of the governance practices under which it operates and making changes as needed?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 263

VI.B.7. Overseeing the process of disclosure and communications.

No.	Checklist	Yes	No	Reference to the relevant law
127.	Does the law require that the responsibilities of the board include functions such as overseeing the process of disclosure and communications?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
128.	Does the law require the board to review the annual report prior to submission to the shareholders' meeting for final approval?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Commercial Companies Act, Article 240 in relation to Article 287.
129.	Does the law require the board to make recommendations regarding issues to be voted on at the shareholders' meetings?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

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

VI.C.1. Boards should consider assigning a sufficient number of non-executive board members capable of exercising independent judgement to tasks where there is a potential for conflict of interest. Examples of such key responsibilities are financial reporting, nomination of executive, board and auditors' remuneration.

No.	Checklist	Yes	No	Reference to the relevant law
130.	Does the law require that the board include a sufficient number of non-executive and independent directors?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
131.	Does the law determine board independence? <i>[If yes, please include the definition.]</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
132.	Does the law require the board (<i>management/supervisory – please specify</i>) to have separate committees for dealing with:			
	a.) Auditing and financial reporting?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	b.) Executive and board remuneration?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	c.) Board nominations?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	d.) Corporate governance (i.e., to oversee compliance with company governance standards)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
133.	Are the board committees required to have a minimum number of non-executive board members or independent board members?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

VI.C.2. Board members should devote sufficient time to their responsibilities.

No.	Checklist	Yes	No	Reference to the relevant law
134.	Are there limitations imposed by law as to the number of board directorships that a director can hold? <i>[Please specify.]</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

This Assessment does not constitute legal advice. Readers are advised to seek appropriate legal advice before entering into any transaction, making any determination or taking any action related to matters discussed herein.

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