



ZAGREBAČKA
BURZA

Zagreb Stock Exchange

Zagreb Stock
Exchange, Inc.

2016

Report on Environmental and
Social Matters

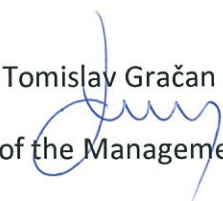
Zagreb, February 2017

Report on Environmental and Social Matters

In accordance with the Subscription Agreement, Section 5.05., between European Bank for Reconstruction and Development and the Zagreb Stock Exchange, we:

1. confirm that in 2016 the Company was compliant with the Designated Performance Requirements as described in Section 5.02. (attachment 1),
2. confirm that in 2016 the Company's business and operations were compliant with Social Laws (attachment 2),
3. attach information on workplace health and safety management and the occupational health and safety record of the Company's business and operations (attachment 3),
4. confirm that in 2016 there were no changes in Social Laws which may have a material effect on the Company's business and operations,
5. confirm that in 2016 there were no information on Environmental and Social Matters submitted by the Company to its shareholders or the general public.


Ivana Gažić
President of the Management Board


Tomislav Gračan
Member of the Management Board



European Bank

for Reconstruction and Development - Attachment 1.

Annual Environmental & Social Report for Stock Exchanges

Background on the Stock Exchange

Name of Stock Exchange: Zagreb Stock Exchange, Inc.

Address: Ivana Lučića 2a/22, Zagreb

Country: Croatia

Company authorized representative (): Ivana Gažić

I certify that the data contained in this report completely and accurately represents operations during this reporting period.

Signature:

Title: President of the Management Board

Date: 07.02.2017.

Contact Details

Telephone: +385 1 4686806

E-mail: ir@zse.hr

Date of Report: 7. 2. 2017

Reporting Period: 1. 1. – 31. 12. 2016

Does the Stock exchange operate internationally?

Operates in more than one country

Operates only in this country

Number of employees in country

<50

51-100

101-500

>500

Other IFIs / MDBs / Donors providing financing to the Stock exchange

IFC

EIB

EU

World Bank

ADB

FMO

KFW/DEG

Other (please specify)

Nature of business relationship(s) with EBRD covered in this report

Operation

Loan
 Equity

Fund

SME
 MSME

TFP

Leasing
 Mortgage

Section 1: Compliance with EBRD PR9:

Environmental Capacity and Support

Does the stock exchange have a formally adopted Environmental and Social Policy or Procedures?

Yes
 No

What aspects does the Environmental and Social (E&S) Policy cover?

Environment
 Social (eg labour issues)
 Health and Safety
 E&S issues associated with the stock exchange
 E&S issues associated with companies (to be) listed and papers traded
 Not Applicable
 No

Does the Exchange participate in The Sustainable Stock Exchanges Initiative?

<http://www.sseinitiative.org>

Yes
 No
 Don't know

Are any of the companies whose papers are listed on the Exchange involved in activities on the EBRD's Environmental and Social Exclusion List? (attached)?

Yes
 No
 Don't Know

Does the stock exchange list and trade papers of companies with high E&S risk clients according to EBRD's environmental and social risk categorisation list (see http://www.ebrd.com/who-we-are/our-values/environmental-and-social-policy/tools-for-financial-intermediaries.html%20)	<input type="checkbox"/> Don't know.
Provide a sample breakdown by industry sector of listed companies dating from the last quarter.	<input type="checkbox"/> Breakdown by industry sector of listed companies on 30 December 2016 attached.
Do listing rules for issuing companies specifically cover disclosure of material E&S risks and liabilities, and how they are being addressed by the company?	<input type="checkbox"/> Yes (please give details and state where the requirement is located, e.g. company law, Stock Exchange regulations, Stock exchange's own statutes/policies etc.) <input checked="" type="checkbox"/> No
Does the stock exchange offer sustainability-related guidance and/or training companies and/or investors?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Don't know
Please provide details of any initiatives taken or planned by the Exchange to raise issuing companies' awareness and/or to promote or require better transparency and disclosure on E&S-related performance and risk factors".	<input type="checkbox"/> There were no initiatives taken or planned by the Exchange to raise issuing companies' awareness and/or to promote or require better transparency and disclosure on E&S-related performance and risk factors
Does the Exchange operate or plan to operate any sustainability indices?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Has the Stock exchange signed any national, international or industry agreements or declarations concerning environmental and social issues?	<input type="checkbox"/> Yes (please provided details) <input checked="" type="checkbox"/> No
Stakeholder Engagement	
Is there a point of contact for dealing with public enquiries and concerns related to environmental and social matters?	Name: Marina Selman Title: Head of Investor relations Phone/mobile: +385 1 4686 806 E-mail: ir@zse.hr
Does the Stock exchange disclose project / environmental/social information to stakeholders? (eg via web site, local newspapers, dialogue with issuing companies or investors on environmental and social matters, etc)?	<input type="checkbox"/> Yes (please provide details) <input checked="" type="checkbox"/> No

Section 2: Compliance with EBRD's PR2: Labour and Working Conditions

2.1 What is the name of the employee with primary overall responsibility for Human Resource Management in the Stock exchange?

Name: Igor Poljanić
 Title: Head of Legal Affairs and Human Resources
 Phone/Mobile: +38514686816
 E-mail: igor.poljanic@zse.hr

2.2 Human Resources Management

<p>2.2.1 Have there been any changes to the following policies or terms and conditions during the reporting period:</p> <ul style="list-style-type: none"> • Non-discrimination and equal opportunity policy • Employment of young persons under age 18 • Wages (wage level, normal and overtime) • Overtime • Working hours • Grievance mechanism for workers • Union recognition or negotiation • Health & safety 	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	If yes, please give details:
<p>2.2.2 Does the company have policies and/or procedures for any of the following:</p> <ul style="list-style-type: none"> • Gender equality • Equal pay for work of equal value • Anti-harassment/bullying • Promoting family friendly work and the work/life balance 	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	The Company has established anti-harassment program for workers to raise workplace concerns related to protection of employees' dignity. Program allows for confidential complaints to be raised and addressed. Person responsible for the above is Ivana Gažić, president of the Management Board.
<p>2.2.3 Were there any collective redundancies during the reporting period?</p>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	If yes, please describe the redundancy plan, including reasons for redundancies, number of workers involved, how they were selected, and consultation undertaken:
<p>2.2.4 Are there any planned redundancies or additions to the workforce in the next year?</p>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
<p>2.2.5 Have employees raised any grievances with the stock exchange during the reporting period?</p>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	If yes, please state how many, summarise the issues raised in grievances (disaggregated by gender) and explain how the Stock exchange has addressed them:
<p>2.2.6 Have there been any strikes or other collective disputes related to labour and working conditions at the Stock exchange in the reporting period?</p>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	If yes, please summarise nature of disputes and how they were resolved

2.2.7 Have there been any court cases related to labour issues during the reporting period?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	If yes, please summarise the issues contested and outcome.
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Section 3: Compliance with EBRD PR4: Occupational Health and Safety (or Workplace Health and safety)

What is the name of the employee with primary overall responsibility for Occupational Health and Safety within the Institution?
Name: Igor Poljanić
Title: Head of Legal Affairs and Human Resources
Phone/mobile: +385 1 4686816
E-mail: igor.poljanic@zse.hr

Occupational and Safety (OHS) Data

Please provide details of any fatalities or major accidents that have not been reported to EBRD during the reporting period.
 There were no fatalities or major accidents in 2016.

Please summarise any emergency prevention and response training that has been provided for company personnel during the reporting period:
 One employee participated in a training related to health and safety hazards.

Please summarise any emergency response exercises or drills that have been carried out during the reporting period:
 There was one emergency response exercise in 2016.

- Abbreviations:**
 ADB – Asian Development Bank
 EBRD – European Bank for Reconstruction and Development
 EIB – European Investment Bank
 FMO – Netherlands Development Finance Company
 IFC – International Finance Corporation
 IFI – International Finance Stock exchange
 KfW/DEG – KfW Banking Group Germany Development Corporation
 MDB – Multilateral Development Bank

EBRD Environmental and Social Exclusion List

EBRD will not knowingly finance, directly or indirectly, projects involving the following:

- (a) the production of or trade in any product or activity deemed illegal under host country (i.e. national) laws or regulations, or international conventions and agreements, or subject to international phase out or bans, such as:
 - (i) Production of or trade in products containing PCBs.¹
 - (ii) Production of or trade in pharmaceuticals, pesticides/herbicides and other hazardous substances subject to international phase-outs or bans.²
 - (iii) Production of or trade in ozone depleting substances subject to international phase out.³
 - (iv) Trade in wildlife or production of or trade in wildlife products regulated under CITES.⁴
 - (v) Transboundary movements of waste prohibited under international law.⁵
- (b) Production or use of or trade in unbonded asbestos fibres or asbestos-containing products.
- (c) Activities prohibited by host country legislation or international conventions relating to the protection of biodiversity resources or cultural heritage.⁶
- (d) Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
- (e) Shipment of oil or other hazardous substances in tankers which do not comply with IMO requirements.⁷
- (f) Trade in goods without required export or import licenses or other evidence of authorization of transit from the relevant countries of export, import and, if applicable, transit.

¹ PCBs: Polychlorinated biphenyls are a group of highly toxic chemicals. PCBs are likely to be found in oil-filled electrical transformers, capacitors and switchgear dating from 1950-1985.

² Reference documents are Council Regulation (EEC) No 2455/92 of 23 July 1992 Concerning the Export and Import of Certain Dangerous Chemicals, as amended from time to time; United Nations Consolidated List of Products whose Consumption and/or Sale have been Banned, Withdrawn, Severely Restricted or not Approved by Governments; Convention on the Prior Informed Consent Procedures for Certain Hazardous Chemicals and Pesticides in International Trade (Rotterdam Convention); Stockholm Convention on Persistent Organic Pollutants; World Health Organisation Recommended Classification of Pesticides by Hazard.

³ Ozone Depleting Substances (ODSs): Chemical compounds which react with and deplete stratospheric ozone, resulting in the widely publicised 'ozone holes'. The Montreal Protocol on Substances that Deplete the Ozone Layer lists ODSs and their target reduction and phase out dates. A list of the chemical compounds regulated by the Montreal Protocol, which includes aerosols, refrigerants, foam blowing agents, solvents, and fire protection agents, together with details of signatory countries and phase out target dates, is available from the United Nations Environment Programme.

⁴ CITES: The Convention on International Trade in Endangered Species of Wild Fauna and Flora. A list of CITES listed species is available from the CITES secretariat.

⁵ Reference documents are: Regulation (EC) No 1013/2006 of 14 June 2006 on shipments of waste; Decision C(2001)107/Final of the OECD Council concerning the revision of Decision C(92)39/Final on the control of transboundary movements of wastes destined for recovery operations; Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal.

⁶ Relevant international conventions include: Convention on the Conservation of Migratory Species of Wild Animals (Bonn Convention); Convention on Wetlands of International Importance, especially as Waterfowl Habitat (Ramsar Convention); Convention on the Conservation of European Wildlife and Natural Habitats (Bern Convention); Convention Concerning the Protection of the World Cultural and Natural Heritage; Convention on Biological Diversity.

⁷ This includes: tankers which do not have all required International Convention for the Prevention of Pollution from Ships (MARPOL), International Convention for the Safety of Life at Sea (SOLAS) certificates (including, without limitation International Safety Management Code compliance), tankers blacklisted by the European Union or banned by the Paris Memorandum of Understanding on Port State Control (Paris MOU) and tankers due for phase out under MARPOL regulation 13G. No single hull tanker over 25 years old should be used.



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The Zagreb Stock
Exchange, Inc.

2016

Breakdown of listed companies into the
sectors

Zagreb, February 2017

Sector	Title	Number of shares
A	Agriculture, forestry and fishing	8
CA	Manufacture of food products, beverages and tobacco products	19
CB	Manufacture of textiles, apparel, leather and related products	6
CC	Manufacture of wood and paper products, and printing	2
CD	Manufacture of coke, and refined petroleum products	1
CE	Manufacture of chemicals and chemical products	3
CF	Manufacture of basic pharmaceutical products and pharmaceutical preparations	1
CG	Manufacture of rubber and plastics products, and other non-metallic mineral products	1
CH	Manufacture of basic metals and fabricated metal products, except machinery and equipment	2
CI	Manufacture of computer, electronic and optical products	2
CJ	Manufacture of electrical equipment	6
CL	Manufacture of transport equipment	4
CM	Other manufacturing, and repair and installation of machinery and equipment	3
F	Construction	6
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	14
H	Transportation and storage	10
I	Accommodation and food service activities	30
JA	Publishing, audiovisual and broadcasting activities	2
JB	Telecommunications	2
K	Financial and insurance activities	25
L	Real estate activities	2
MA	Legal, accounting, management, architecture, engineering, technical testing and analysis activities	11
MB	Scientific research and development	2
R	Arts, entertainment and recreation	1

Ivana Gažić

President of the Management Board

Tomislav Gračan

Member of the Management Board

Attachment 2. Compliance with Social Laws

Our most important resource is our employees. It is our policy to comply with all applicable laws and regulations, including those concerning hours, compensation, opportunity, human rights and working conditions.

The Zagreb Stock Exchange was compliant with the following laws in 2016:

1. Labour Act
2. Occupational Health and Safety Act

The Company is not obliged to follow the provisions of the Environmental Protection Act.

In 2016, there were no inspections carried out by any regulatory authority, no violations of applicable laws, regulations or standards and no remedial actions or fines relating to such violations.

There were no material notices, reports and other communication on Environmental and Social Matters relating to the Company's business and operations submitted by the Company to any regulatory authority.

Attachment 3. Information on workplace health and safety management

The Zagreb Stock Exchange recognises the importance of avoiding or mitigating adverse health and safety impacts and issues on workers.

The Company has adopted Occupational and Safety Regulation that sets out its approach to its size and workforce in accordance with national law.

In 2016 there were no inspections carried out by any regulatory authority or violations of applicable laws, regulations or standards. The Company hadn't submitted any material notice or report on Environmental and Social Matters relating to the Company's business and operations to any regulatory authority.

In November 2016, authorised company "Institut za sigurnost Zagreba" performed surveillance and gave conclusion that the Company is compliant with all workplace health and safety management rules.

The Company provides its workers with relevant information, guidance and training related to health and safety hazard, risks, protective and preventive measures and emergency arrangements that are necessary for their safety.

In 2016 there were no accidents, lost time incidents and near-misses, preventive or mitigative measures taken or planned by the Company. One employee participated in a training related to health and safety hazards.