

Role of Management, Supervisory Board and General Assembly of Credit Institution in Corporate Governance

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Managing a company that acts as a member of the management board and supervisory board is an extremely demanding and responsible task. Precisely for this reason, the legislation of each country has prescribed the conditions that must be met by persons who aspire to these tasks. The most important legal framework in the Republic of Croatia is the provisions of the Companies Act. The conditions that must be fulfilled by the members of the management, supervisory board, and board of directors of credit institutions are more demanding than the conditions prescribed for the members of the management structures of non-financial companies. These conditions are specified in the Credit Institutions Act. The aim of the paper is to analyse the management, supervisory board and general assembly of credit institutions in accordance with the Croatian legislation. The research was conducted on the basis of available scientific and other relevant literature.

KEY WORDS

- ~ Management structure
- ~ Credit institution
- ~ Corporate governance

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1. INTRODUCTION

According to the Croatian Companies Act, trading companies are public companies, but also limited partnerships, joint-stock companies, and limited liability companies. In addition, a trading company can be in the form of an economic interest association. All forms of trading companies are companies related to persons, in contrast to joint-stock companies and limited liability companies, which are capital companies. It is up to the founders to decide on the appropriate form of company. When it comes to credit institutions, their founders have no such dilemma. Namely, in accordance with the Croatian legislation, credit institutions are organized as joint stock companies.

Credit institutions are joint-stock companies whose registered office is in the Republic of Croatia. These institutions, which deal with receiving deposits or other repayable funds from the public and with granting credits for their own account, have to obtain a work permit from the Croatian National Bank. A credit institution may be established as a bank, savings bank or housing savings bank. In the Republic of Croatia, the operations of banks, savings banks and housing savings banks are regulated by the Credit Institutions Act. Since credit institutions are organized as joint-stock companies, it is understandable that they are also subject to the provisions of the Companies Act. The goal of this paper is to analyse from a regulatory point of view the management structures of banks, savings banks, and building societies in the Republic of Croatia.

2. MANAGEMENT STRUCTURES OF CREDIT INSTITUTIONS

In the Republic of Croatia, the continental model of corporate governance is predominantly applied. This means that trading companies, hereinafter referred to as joint-stock companies, have two levels of management - the supervisory board and the management board. In addition, the Croatian regulatory framework offers the possibility of choosing the structure of the company. Namely, "the articles of association may stipulate that the company has a board of directors instead of a management board and a supervisory board"¹. This form of company structure is rarely used in the Republic of Croatia.

As a rule, its bodies – the management board, supervisory board and general assembly - are the management structures of a joint-stock company.

What distinguishes them from one another is that some of these bodies have a managerial function, while others have an ownership function. In this respect, some of them have more and others less influence in the society. In this sense, the following forms of company management structures (Tipurić, 2006:45-46) can be identified: entrepreneurial, classic, inverse, quasi-entrepreneurial, and hybrid (Figure 1).

Corporate structure is characteristic of companies in which ownership and management roles overlap. In such a structure, there is direct control by the owners. The separation of the roles of owners and managers is characteristic of the *classical structure*, in which the owners hold the dominant position. In the

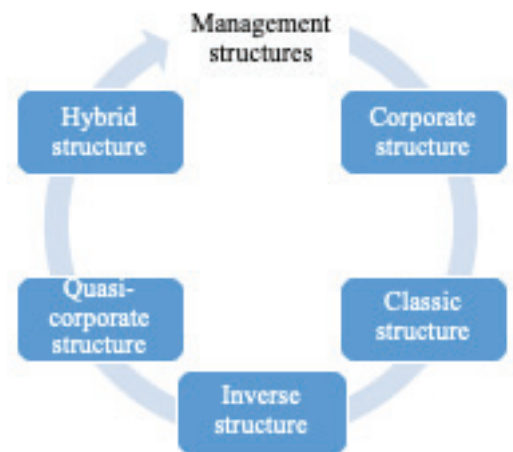


Figure 1.
Types of management structures of a trading company.
(Source: Tipurić, 2006)

inverse structure, the roles of owners and management are also separated, with the management that oversees the company. Those companies in which the management has taken on the role of supervising the company in addition to the ownership role represent a *quasi-corporate structure*. The intertwining of ownership and management roles and the balance of their power are the characteristics of a *hybrid management structure* (Tipurić, 2006:46-47).

Trading companies strive to do business successfully. In achieving this goal, corporate governance plays an important role, which deals with "management structures (management board, supervisory board, and general assembly, among others) and processes in corporate systems" (Tipurić, 2006:51). The management board, supervisory board and general assembly are the three mandatory bodies (Figure 2) that a joint-stock company must have as the only form of a commercial company (Mlikotin-Tomić, Momčinović, Gverić, Spajić, Gulin, Spremić, 1994:212).

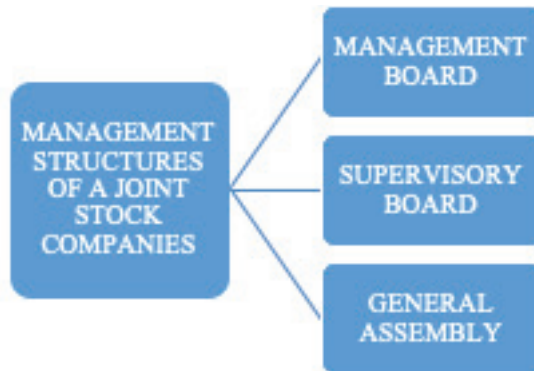


Figure 2.
Bodies of a joint-stock company.

"As a legal entity, a joint-stock company acts through its bodies" (Gorenc, Ćesić, Buljan, Brkanić, 2008:436). "In a joint-stock company, the bodies have authority, not the members of the company. The members of the company (shareholders) may or may not be members of the company's bodies, and the general assembly is the only body where they exercise their management rights" (Barbić, 2007:425). In the following paragraphs of this paper, the specifics of the management structures of the credit institution are elaborated. As already pointed out, in addition to the provisions of the Companies Act, the provisions of the Credit Institutions Act also apply to the management structures of banks, savings banks and building societies².

1. See Companies Act, Official Gazette, Zagreb, No. 111/1993, 34/1999, 121/1999, 52/2000, 118/2003, 107/2007, 146/2008, 137/2009, 152/2011, 111/2012, 68/2013, 110/2015 and 40/19, Art. 272.a.

2. Credit Institutions Act, Official Gazette, Zagreb, No. 159/2013, 19/2015, 102/2015 and 15/2018, 70/2019, 47/2020 and 146/2020.

2.1. Management Board

The management board is one of the three bodies that a joint-stock company must have. The function of managing and conducting business is related to this body. The mandatory name of that body is "management" and no other name can be used in the Articles of Association - for example, board of directors, unless the joint-stock company is organized according to the Anglo-American model of corporate governance, management, executive board, etc. (Gorenc, Ćesić, Buljan, Brkanić, 2008:441). In contrast, its members can be called directors or board members (Barbić, 2007:437).

The president and members of the management board are "appointed by the supervisory board for a maximum period of five years, and they can be reappointed"³. In practice, the mandate period is linked to the appointment or dismissal of its members for a specific business year (Barbić, 2007:444). If the board consists of more members, its number does not have to be odd. Namely, in the case of an even number of board members, as well as the fact that such a circumstance is not regulated by the Articles of Association, the President has the casting vote⁴. "Keeping boards small can help improve their performance. When boards get beyond seven or eight people they are less likely to function effectively and are easier for the CEO to control"⁵. Similar opinion shares Lipton and Lorsch (1992) in accordance with the fact that smaller boards are more efficient and that they should be limited to seven to eight members. A member of the supervisory board may not be appointed as a member of the management board. Nevertheless, a member of the supervisory board may be a missing⁶ deputy member of the management board who cannot perform duty⁷. A member of the supervisory board may replace a member of the management board for a maximum of one year. During that period, while replacing a member of the management board, one cannot perform the duty of a member of the supervisory board.⁸

"Management board manages company's affairs at its own risk"⁹. The management board performs these tasks neither according to the instructions of other bodies, nor according to the instructions of the largest shareholders (Gorenc, Ćesić, Buljan, Brkanić, 2008:445). Members of the management board conduct business and represent the credit institution

together, unless otherwise provided by the statute of that institution¹⁰. "The management's authority to represent the company cannot be limited. In relation to the company, the members of the management board must adhere to the restrictions imposed on them by the Articles of Association, the decisions of the supervisory board and the general assembly, and the procedural rules established for its management"¹¹. In practice, there are often situations based on the Articles of Association and the decision of the supervisory board, so that the prior consent of the supervisory board is very often required to take certain actions. In practice, there are often situations based on the Articles of Association and the decision of the supervisory board, so that the prior consent of the supervisory board is very often required to take certain actions. In this case, it is crucial to know that such supervision, through these consents, must not become managing the company. Namely, the management which has received the requested consent to take a certain action does not have to take that action. It is up to them to act according to their free will. "The meaning of consent is only that the supervisory board does not object to taking the action, and not giving an order to the management to take the action". (Barbić, 2007:460).

The mandate of the members of the management board terminates upon its expiration if they have not been re-appointed to that position before then. The mandate of the members of the board of directors terminates upon its expiration if they have not been re-appointed to that position before then. In practice, it is possible to terminate the membership in the management board of the company in one of the following ways: "a) expiration of the term of office, b) revocation of appointment, c) resignation of a member of the management board, d) agreement on termination of membership in the management board, e) death of a member of the management board, f) loss of the legally prescribed status required for a member of the board, g) change of Articles of Association of the company, h) appointment of a liquidator, i) initiation of bankruptcy proceedings against the company, j) termination of the company, k) appointment of a member of the board instead of a member appointed by the court, k) appointment of a special administration in the bank" (Barbić, 2007:476) – (credit institution, AN). All changes related to the composition of the board and its powers of representation are entered in the court register without delay¹².

The management board is obliged to report to the supervisory board on details that are of importance important for the company's operations¹³. In addition, the management is obliged to "submit a written report on the situation of the

3. *Ibid.*, art. 244, para. 1.

4. *Companies Act, op. cit.*, art. 240, para. 2.

5. Jensen, M.C. (1993), *The modern industrial revolution, exit, and the failure of internal control systems*, *The Journal of Finance*, Vol. 48 No. 3, pp. 831-80.

6. *If a joint-stock company has a number of members of the management board that is less than the number specified in the articles of association, these members of the management board are deemed to be absent.*

7. *It is considered that a member of the board cannot perform this duty due to illness.*

8. *Ibid.*, art. 261.

9. *Ibid.*, art. 240, para. 1.

10. *Ibid.*, art. 241, para. 2.

11. *Ibid.*, art. 242.

12. *Ibid.*, art. 245.a

13. *Ibid.*, art. 250, para. 1. i 3.

company to the general meeting once a year¹⁴. Similarly, the management of the parent company with its registered office in the Republic of Croatia is obliged to “submit to the general meeting of shareholders a written consolidated annual report of the company if one or more daughter companies dependent on the company's capital¹⁵. If, during the preparation of the annual financial statements, “it is determined that there is a loss in the company in the amount of half of the company's share capital, the management must immediately convene the general meeting of the company and inform it thereof¹⁶. In case of inability to pay and over-indebtedness of the company, the management is obliged, in accordance with the law that determines the reasons for initiating bankruptcy proceedings, to submit a request for the opening of such proceedings¹⁷. In the event of the occurrence of insolvency, i.e. over indebtedness, the management must act with the special attention of an orderly and conscientious businessman and stop payments¹⁸.

What significantly distinguishes the management of a credit institution from most other joint-stock companies is the fact that the management of a bank, savings bank, or building society must have a minimum of two members^{19, 20}. One of these members should have the function of president of the board. The members of the management board conduct the business and represent the credit institution together, unless the Articles of Association prescribe otherwise²¹. The members of the management board must be employed full-time by a credit institution^{22, 23}. Board members should have the appropriate expertise to perform their function²⁴. It is implied that the contracts of the members of the credit institution's management cease to be valid with the introduction of a special management and the appointment of a liquidator or the introduction of the so-called resolution management board²⁵.

Furthermore, the conditions for membership in the management of a credit institution are clearly prescribed. Thus, the management of a credit institution can include a person²⁶:

a) who has a good reputation, honesty and conscientiousness, b) who has the appropriate professional knowledge, ability and experience necessary to manage the affairs of the credit institution, c) who is capable of expressing an independent opinion i.e. has no conflict of interest that cannot be managed in such a way as to ensure independence of opinion, d) who meets the requirements for a member of the board in accordance with the provisions of the law regulating trading companies, e) who is able to devote sufficient time to the performance of the duties falling within his/her competence. It is considered that a person does not have a good reputation if he/she has been legally convicted with final effect of various criminal offenses, with an emphasis on criminal offenses prescribed by the Credit Institutions Act²⁷, or if he/she is associated with such person.

A person applying for the position of a member of the management board of a credit institution must obtain the prior consent of the Croatian National Bank to perform that duty. Such consent may be obtained on the basis of an application submitted by the supervisory board of the credit institution for a mandate with a maximum term of five years. This application shall be accompanied by evidence of the fulfilment of the prescribed conditions “and the work program of the management board with the projection of financial statements for the period of the mandate for which the member of the management board is appointed²⁸. “When deciding on prior consent, the Croatian National Bank may require the candidate for a board member a presentation on the management of the credit institution's business, that relates to the business within his/her jurisdiction.”²⁹ A person who has already obtained a consent to perform the function of a member of the management board and whom the supervisory board wishes to re-appoint must again go through the procedure prescribed by the Credit Institutions Act³⁰. “A person who has already obtained a consent to perform the function of a member of the management board and whom the supervisory board wishes to re-appoint must again go through the procedure prescribed by the Credit Institutions Act.” ... “If the management board does not sit as a full board or if the members of the management board are unable to perform their duties, the supervisory board of the credit institution may, without the prior consent of the Croatian National Bank, appoint its members as deputy members of the management board on a one-time basis for a maximum period of three months³¹.

A person who is running for the position of president of the management board of a credit institution is obliged to obtain the prior consent of the Croatian National Bank, on the basis

14. *Ibid.*, art. 250.a

15. *Ibid.*, art. 250.b

16. *Ibid.*, art. 251. para. 1.

17. *Ibid.*, art. 251. para. 2.

18. *Ibid.*, art. 251. para. 3.

19. *Insurance companies, leasing companies, and other financial institutions must also have at least two board members.*

20. *Credit Institutions Act, op. cit.*, art. 36. para. 1.

21. *Ibid.*, art. 36. para. 3.

22. Exceptionally, “the members of the resolution management board do not have to be in an employment relationship with the credit institution under resolution
“See: *Ibid.*, art. 37. para. 4.

23. *Ibid.*, art. 37. para. 1.

24. Körner, T., Müller, O., Paul, S., Schmidt, C. M. 2013. *Supervisory Board Qualification of German Banks. Ruhr Economic Papers*, 2013.

25. *Ibid.*, art. 37. para. 2.

26. *Ibid.*, art. 38. para. 1.

27. See: *Ibid.*, art. 25. para. 2.

28. *Ibid.*, art. 39. para. 1-2. i 4.

29. *Ibid.*, art. 39. para. 8.

30. *Ibid.*, art. 39. para. 11.

31. *Ibid.*, art. 39. para. 13.

of which he can perform this duty. Similar to the procedure for deciding on approval for a board member, the "Croatian National Bank may request from the candidate for the board president a presentation on the planned way of conducting the business of the credit institution", but in full³².

The management is obliged to ensure that the credit institution operates in accordance with³³: 1) the rules of the profession, 2) the Credit Institutions Act, the regulations adopted on the basis of that Law, the regulations of the European Union governing the operations of the credit institution and the regulations of the European Central Bank, 3) other regulations which govern the operations of the credit institution.

In addition, "the management is obliged to ensure the implementation of the supervisory measures ordered by the Croatian National Bank. The management of the credit institution is obliged to establish and implement an effective and reliable management system of the credit institution"³⁴. In this regard, "the management of the credit institution is obliged to: 1) establish the credit institution's business policy, 2) approve and periodically review the strategic objectives and risk management strategies and policies, including the management of risks arising from the macroeconomic environment in which the credit institution operates and the state of the business cycle in which the credit institution operates, 3) ensure the integrity of the accounting system and the financial reporting system, as well as financial and operational control, 4) regularly review the correctness of the publication procedures and communication of information, 5) ensure effective supervision of senior management, and 6) establish well-defined, clear, and consistent internal relations regarding responsibility, which will ensure a clear demarcation of authority and responsibilities and prevent conflicts of interest"³⁵. "The members of the management of the credit institution shall be jointly and severally liable to the credit institution for damages caused by acts, omissions, and failures in the performance of their duties, unless they prove that they acted with the diligence of a prudent and conscientious businessman in the performance of their duties in the management of the credit institution"³⁶.

The management of the credit institution is obliged to inform the supervisory board of the credit institution in writing and without delay of the following events³⁷: 1) if the liquidity or solvency of the credit institution is threatened, 2) if there are circumstances for the termination of the authorization to conduct business, the reasons for the termination of the authorization for

work or reasons for the revocation of the licence to provide a particular financial service, 3) if the financial situation of the credit institution changes in such a way that one of the capital rates falls below the prescribed level³⁸, 4) if the credit institution exceeds the permitted exposure to a person or a group of related persons due to the reduction of the regulatory capital or if, pursuant to Regulation (EU) No. 575/2013³⁹ the exposure has increased due to circumstances beyond its control, and 5) about all measures taken by the Croatian National Bank and other supervisory bodies within the framework of supervision of the credit institution or its supervision.

In addition, "a member of the management board of a credit institution is obliged, without delay, to inform the supervisory board of the credit institution in writing of: 1) his election or recall to the supervisory body of another legal entity; and 2) legal affairs on the basis of which he is a member of the management board or someone has directly or indirectly acquired shares or business shares in a legal entity from members of his immediate family, on the basis of which the board member himself, together with members of his immediate family, has acquired a qualified share in that other legal entity or on the basis of which their shares have fallen below the limit of the qualified share"⁴⁰.

The Croatian National Bank will revoke the decision on granting consent for the president or the member of the management board of a credit institution to act⁴¹: 1) if the president or the member of the management board violates the provisions on the duties of the management under the Companies Act, which results in the dismissal of the member of the management board, 2) if the president or the member of the management board no longer meets the requirements for membership in the management of a credit institution in accordance with the Credit Institutions Act, 3) if the person is not appointed or does not take up the position to which the approval relates within six months from the issuance of the consent, 4) if the person ceases to hold office to which the consent relates, and that with the date of termination of duty or 5) if the person's work contract in the credit institution expires, and that with the expiration date of the contract, 6) if, in the event of renewal of the procedure, it is established that the decision was made on the basis of untrue or inaccurate information or a statement essential for reaching a decision. "If the Croatian National Bank revokes the approval for the appointment of the president or member

32. *Ibid.*, art. 40.

33. *Ibid.*, art. 41. para. 1.

34. *Ibid.*, art. 41. para. 2-3.

35. *Ibid.*, art. 41. para. 4.

36. *Ibid.*, art. 41. para. 6.

37. *Ibid.*, art. 42. para. 1.

38. See Regulation (EU) no. 575/2013 of the European Parliament and the Council of June 26, 2013 on creditworthiness requirements for credit institutions and investment companies and amending Regulation (EU) no. 648/2012, Official Journal of the European Union, 06/Vol. 13, Art. 92nd pair. 1. Available at: <http://eur-lex.europa.eu/legal-content/HR/TXT/?uri=celex:32013R0575> [Accessed: 25th August 2021].

39. See *ibid.*, art. 396-397.

40. Credit Institutions Act, *op. cit.*, art. 42. para. 2.

41. *Ibid.*, art. 44. para. 1.

of the board, the supervisory board of the credit institution is obliged without delay make a decision on the revocation of the appointment of the president or member of the board⁴². Finally, if the mandate of a board member ends, the credit institution must notify the Croatian National Bank within three days⁴³.

2.2. Supervisory Board

The supervisory board is inherent in the continental model of corporate governance. Together with management, it forms a two-level management structure of a company. "The function of management and administration is delegated to the management board, while the supervisory board has the function of control, supervision and monitoring of company's operations" (Tipurić, 2006:119). In addition, supervisory board takes part in strategic decision-making and connection of shareholders and management. Therefore, its controlling, strategic and connecting roles are often emphasised (Tipurić, 2006:120-121). In order to work more efficiently, supervisory board has the possibility to appoint commissions or committees for the preparation

of decisions to be made by that body and to supervise their implementation⁴⁴. It is understood that the powers of supervisory board cannot be transferred to these commissions/committees and that these bodies should report regularly on their work to supervisory board⁴⁵.

The supervisory board is a mandatory body of the joint-stock company. That body "has at least three members, and if the statute determines a larger number of members, that number must be odd" (Lukšić, 2000:202). In addition to the minimum number, the maximum number of members of that board is also prescribed. This number is determined by the amount of nominal share capital of the joint-stock company. Thus a supervisory board of a company with a nominal share capital of up to HRK 12,000,000.00 may have a maximum of nine members, a supervisory board of a company with a share capital of up to HRK 80,000,000.00 may have a maximum of fifteen members, while a supervisory board of a company with a share capital of over HRK 80,000,000.00 may consist of a maximum of 21 members⁴⁶ (Figure 3).

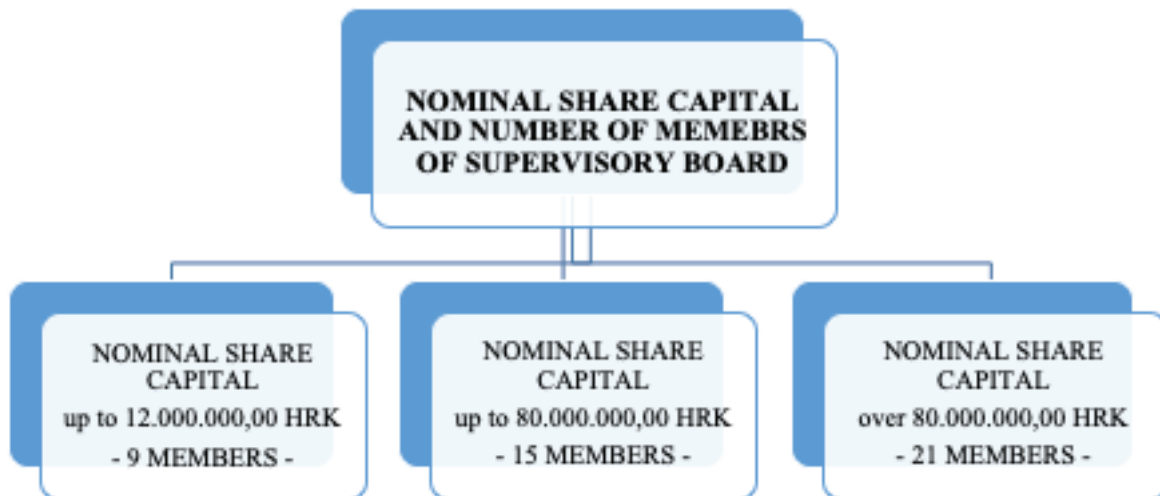


Figure 3.
The largest number of members of supervisory board.

42. *Ibid.*, art. 44. para. 5.

43. *Ibid.*, art. 35. para. 4.

44. *Companies Act, op. cit.*, art. 264. para. 3.

45. *Ibid.*

46. *Companies Act, op. cit.*, art. 254. para. 2.

The general assembly elects members of the supervisory board, although the Articles of Association may provide that some shareholders (e.g. founders, shareholders with a large number of shares, etc.) may appoint a maximum of one third of the members of that body⁴⁷. Sometimes the members of the supervisory boards of large private banks do not have sufficient expertise or are appointed in accordance with the interests of the owners, so the quality of their supervision is inadequate (Reifner, 2010). "The election is valid only when it is accepted by the person who is elected, and the entry in the court register, which is of declaratory and not of constitutive nature, is not crucial for that" (Barbić, 2007:539). Since they must perform their duties in person, it is not allowed - which is not the case with members of the management board - to elect deputy members of the supervisory board⁴⁸. The court may also appoint members of the supervisory board, those who do not have the necessary number of members to make decisions. If such circumstances arise, the appointment of members of the supervisory board from the court must be requested by the management board, a member of the supervisory board and a shareholder⁴⁹.

The mandate of the members of supervisory board is for a maximum of four years. The mandate refers to each member individually, and not to the supervisory board as a body of the company (Gorenc, Česić, Buljan, Brkanić, 2008:514). Members of the supervisory board "may be re-elected or appointed"⁵⁰. The mandate of a member of the supervisory board begins, unless otherwise stated in the decision on one's election or in the statement on appointment, on the day of making that decision or giving a statement regardless of entry in the court register⁵¹.

The chapter dealing with the management of the company, the principle of incompatibility of duties (incompatibility principle) is highlighted, according to which a member of the supervisory board cannot simultaneously be appointed as a member of the management board. In addition, a member of the supervisory board cannot at the same time be the permanent deputy of a member of the management board, a procurator or a representative of the company⁵². However, as already mentioned in the previous chapter, a member of the supervisory board may be a temporary member of the management board for a maximum of one year. When temporarily changing a member of the management board, the principle of incompatibility is not violated, which means "that one and the same person does not simultaneously perform the functions of management and supervision" (Gorenc, Česić, Buljan, Brkanić, 2008:522). All

changes in the supervisory board, in the management of the company and in the president of the supervisory board must be reported for registration in the court register without delay, in compliance with the principle of publicity.⁵³

The powers of the supervisory board are broad. Its main authority is to supervise the management of the joint-stock company. The supervisory board submits to the general assembly a written report on the performed supervision, in which it is obliged to declare: a) whether the company operates in accordance with the law, the articles of association and the decisions of the general assembly, b) whether the annual financial statements are prepared in accordance with the state in the company's business books and whether they reflect the correct financial and business conditions of the company, and c) the opinion on the management's proposal regarding the use of profits and loss coverage in the company⁵⁴.

The chairman of the supervisory board and at least one of his deputies are elected by the supervisory board⁵⁵. Due to the special position of the elected persons, the administration submits to the registration court an application for their entry in the court register⁵⁶. The chairman of the supervisory board is an intermediary between the supervisory board and the general assembly and the supervisory board and the management board (Gorenc, Česić, Buljan, Brkanić, 2008:530). If the president is prevented from exercising his/her function, his/her rights and obligations are assumed by the deputy president⁵⁷. Unless otherwise provided by the Articles of Association, the president of the supervisory board does not have - as the president of the management board does - a casting vote in the event of an equal division of votes (Gorenc, Česić, Buljan, Brkanić, 2008:530). "The chairman and deputy chairman of the supervisory board may resign at any time, but not during difficult times, while remaining members of the supervisory board" (Barbić, 2007:561-562).

In addition to the Companies Act, the provisions of the Credit Institutions Act are applied to the supervisory board as they are to the board. A member of the supervisory board of a credit institution can be a person⁵⁸: a) who has a good reputation, honesty and conscientiousness, b) who has the appropriate professional knowledge, ability and experience necessary to fulfil the obligations under his jurisdiction, c) who is capable of expressing an independent opinion and has no conflict of interest that cannot be managed in a way that ensures independence of opinion, d) who can dedicate enough time to fulfilling the obligations falling within his/her scope of responsibility, e) who

47. *Ibid.*, art. 256. para. 1-3.

48. *Ibid.*, art. 256. para. 4.

49. *Ibid.*, art. 257.

50. *Ibid.*, art. 258.

51. *Ibid.*

52. *Ibid.*, art. 261. para. 1.

53. *Ibid.*, art. 262. para. 1.

54. *Ibid.*, art. 263. para. 3.

55. *Ibid.*, art. 264. para. 1.

56. *Ibid.*

57. *Ibid.*, art. 264. para. 1.

58. *Credit Institutions Act, op. cit.*, art. 45. para. 1.

can be a member of the supervisory board according to the provisions of the Companies Act. "The employees of a credit institution are not allowed to be members of the supervisory board of that credit institution"⁵⁹. It is considered that a person does not have a good reputation if he or she has been legally convicted of criminal offences prescribed by the Credit Institutions Act⁶⁰. "The members of the supervisory board must collectively possess the professional knowledge, skills and experience necessary for independent and independent supervision of the credit institution's operations and, in particular, for understanding the credit institution's operations and significant risks"⁶¹.

A person may be elected or appointed a member of the supervisory board of a credit institution if he/she obtains the prior consent of the Croatian National Bank to perform the function of a member of the supervisory board. The application for prior consent is submitted by the credit institution or the founders for a term not exceeding four years⁶². "A person who has already obtained the prior consent to perform the function of a member of the supervisory board of a credit institution obtains the prior consent of the Croatian National Bank before being appointed to that function in another credit institution"⁶³. Also, a person who obtains the consent to perform the function of a member of the supervisory board and whom the general assembly wishes to re-elect or which a shareholder, who by statute has the right to appoint one or more members of the supervisory board, wants to reappoint is obliged to re-pass the procedure prescribed by the Credit Institutions Act⁶⁴.

The Croatian National Bank will revoke the legal decision on granting consent to serve as a member of the supervisory board of a credit institution⁶⁵: 1) if the member of the supervisory board no longer meets the requirements for membership in the supervisory board of the credit institution, 2) if the member of the supervisory board violates the provisions on the duties and responsibilities of the supervisory board, 3) if the person fails to take up the position to which the consent relates within six months after the consent is granted, or 4) if the person ceases to hold the position to which the consent relates, as of the date of termination of the duty, 5) if in the case of renewal of the procedure determines that the decision was made on the basis of untrue or inaccurate information or statements essential for the

59. *Ibid.*, art. 45. para. 5.

60. *Ibid.*, art. 45. para. 7.

61. *Ibid.*, art. 35. para. 3.

62. *Ibid.*, art. 46. para. 1-2. „Exceptionally, if a member of the supervisory board of a credit institution is appointed by the competent court in accordance with the provisions of the Law on Companies, his/her mandate cannot last longer than six months, but even in that case the person appointed must meet the requirements of the Law on Credit Institutions. See: *Ibid.*, art. 46th pair. 3.

63. *Ibid.*, art. 46. para. 10.

64. *Ibid.*, art. 46. para. 11.

65. *Ibid.*, art. 47. para. 1.

adoption of such decision. "If the Croatian National Bank revokes the decision granting approval for the appointment of a member of the supervisory board, the general meeting of the credit institution is obliged to make a decision on the revocation of the appointment of a member of the supervisory board without delay"⁶⁶.

In addition to the powers that the supervisory board has according to the Companies Act, the supervisory board of a credit institution has the following powers⁶⁷: 1) gives approval to the management on the business policy of the credit institution, 2) gives approval to the management on strategic goals, 3) gives approval to the management on the financial plan of the credit institution, 4) gives approval to the management on strategies and policies for taking risks and their management, including risks arising from the macroeconomic environment in which the credit institution operates with regard to the business cycle, 5) gives approval to the management on strategies and procedures for assessing the adequacy of the credit institution's internal capital, 6) gives approval to the management on the act on internal audit and on the annual work plan of internal audit, and 7) makes decisions on other matters established by this Act and the regulations issued pursuant thereto.

In addition, the members of the supervisory board are obliged to⁶⁸: 1) within 30 days of the delivery of the minutes of the Croatian National Bank on the supervision performed or the minutes of other supervisory bodies on the supervision performed, take a stand on the findings of the Croatian National Bank and other supervisory bodies in the procedures for the supervision of the credit institution or its supervision, 2) monitor the adequacy of the procedures and the effectiveness of the internal audit, 3) take a stand on the semi-annual reports of the internal audit, 4) inform the Croatian National Bank without delay on: a) the appointment or termination of his position in the administrative and supervisory bodies of other legal entities; and (b) legal transactions on the basis of which the member of the supervisory board himself or someone from his immediate family has directly or indirectly acquired shares or business interests in a legal entity, on the basis of which the member of the supervisory board together with members of his immediate family has acquired a qualified share in that legal entity, or on the basis of which their shares have fallen below the share of the branch, 5) supervise the implementation and effectiveness of the management system of the credit institution, 6) monitoring the implementation of the credit institution's business policy, strategic goals and strategy, as well as risk and management policy, 7) adopt and regularly review the basic principles of the receipts policy and monitoring the implementation of this

66. *Ibid.*, art. 47. para. 4.

67. *Ibid.*, art. 48.

68. *Ibid.*, art. 49. para. 1.

policy, 8) ensure the appropriate implementation of policies and practices of receipts in accordance with the overall framework of corporate governance, corporate culture, propensity to take risks and the related management process, and 9) monitor the process of publication and dissemination of information. "Members of the supervisory board of a credit institution are jointly and severally liable to the credit institution for any damage that occurs as a result of doing, not doing, or failing to fulfil their duties, unless they prove that they acted with the diligence of a prudent and conscientious businessman in the performance of their duties to supervise the management of the credit institution"⁶⁹.

The supervisory board of a credit institution that is not a small and simple credit institution is obliged to establish: a) a committee for appointments, b) a committee for risks and c) a committee for receipts.⁷⁰ If the credit institution is a small and simple credit institution that does not have either a committee for receipts or a committee for appointments, the supervisory board is obliged to perform the duties prescribed for these committees⁷¹. The Croatian National Bank decides on the classification of the supervised entity or supervised group as significant in accordance with the instructions of the European Central Bank⁷². The members of the board are appointed among the members of the supervisory board of the credit institution, whereby each of the boards must consist of at least three members, one of whom is appointed as the chairman of the board⁷³.

"The nominating committee is required to: 1) propose members of the management board and members of the supervisory board, 2) regularly, but at least once a year, assess the structure, size, composition and functioning of the management board and the supervisory board and, if necessary, propose changes, 3) regularly, but at least once a year, assess the knowledge, skills and experience of the individual members of the management board and the supervisory board, and the management board and the supervisory board as a whole, and report thereon to these bodies, 4) regularly review the policies for the selection of members of the management board and the supervisory board and for the appointment of senior management and make recommendations to the management and the supervisory board and, if deemed necessary, propose changes, 5) to the extent possible, continuously ensure that there is no dominance of individuals or a small group of individuals in the decision-making of the management and supervisory board in order to protect the interests of the credit institution as a whole, and 6) to perform other duties as specified in the regulations"⁷⁴.

69. *Ibid.*, art. 49. para. 2.

70. *Ibid.*, art. 50. para. 1.

71. *Ibid.*, art. 50. para. 2.

72. *Ibid.*, art. 11.c para. 1.

73. *Ibid.*, art. 50. para. 3.

74. *Ibid.*, art. 51.

"The risk committee is obliged to: 1) advise the supervisory board on the overall current and future risk-taking tendency and strategy and assist in monitoring the implementation of that strategy by senior management, without questioning the responsibility of the credit institution's management and supervisory board in overall risk management and supervision of the credit institution, 2) review whether the credit institution's business model and risk strategy were taken into account when determining the prices of receivables and liabilities to clients, and if that price does not reflect the risk taken in relation to the business model and risk strategy, propose to the management of the credit institution a plan to eliminate deficiencies, 3) independently of the receipt committee's duties, with the aim of establishing and implementing an appropriate receipt policy, verify whether risk, capital, liquidity, and the probability and expected period of profit realization have been taken into account in determining the incentives provided by the receipt system, and 4) perform other tasks as prescribed by regulations"⁷⁵. A small and simple credit institution may combine a risk committee with an audit committee, provided that the members of the combined committee have the knowledge, skills, and expertise required for the members of both committees⁷⁶.

"The remuneration committee is obliged to: 1) prepare decisions of the supervisory board related to employee remuneration, including decisions that have an impact on the credit institution's exposure to risks and risk management, and 2) perform other tasks prescribed by regulations."⁷⁷

In addition, the credit institution is required to clearly identify key function holders. Key function holders are persons who perform duties that enable them to exercise significant influence over the management of the credit institution and who are not members of the management and supervisory board⁷⁸.

2.3. General Assembly

The general assembly is one of the bodies of a joint-stock company. This body, without which a joint-stock company cannot be established, consists of shareholders. Shareholders exercise their rights through the general assembly, unless otherwise specified by law⁷⁹. "The general assembly is not a permanent body of the society, but gathers on a case-by-case basis" (Barbić, 2007:633). Members of the management board, i.e. executive directors and members of the supervisory or management board have to take part in the work of the general assembly⁸⁰. They are obliged to do so regardless of the fact that they are

75. *Ibid.*, art. 52. para. 2.

76. *Ibid.*, art. 52. para. 3.

77. *Ibid.*, art. 53. para. 2.

78. *Ibid.*, art. 54. para. 1.

79. *Companies Act, op. cit.*, art. 274. para. 1.

80. *Ibid.*, art. 274. para. 3.

not shareholders. Unlike the general assembly, “supervisory board meetings cannot be attended by persons other than its members or board members of the company, even if they are shareholders” (Gorenc, Česić, Buljan, Brkanić, 2008:582). The general assembly decides on: “1. the election and recall of members of the supervisory or management board, unless they are appointed to that board, 2. use of profits, 3. policy of receipts and reports on receipts for members of the management board and members of the supervisory board, i.e. executive directors and members of the board of directors, companies the shares of which are listed on the regulated market for trading, 4. granting approval⁸¹ to the members of the management and supervisory board, 5. appointing the auditor of the company, 6. amending the articles of association, 7. increasing and decreasing the share capital of the company, 8. appointing an auditor to examine actions performed in the establishment of the company or activities of managing the company's affairs and determining the compensation for its work, 9. listing of the company's shares on the regulated market for trading and the withdrawal of shares from that listing, 10. termination of the company. The general assembly can only decide on matters of running the affairs of the company if it is requested to do so by the management, i.e. the executive directors of the company”⁸² (Figure 4).

“The general assembly is the only body of the company in whose work all shareholders can directly take part” and thus express their will, and the will of the company (Gorenc, Česić, Buljan, Brkanić, 2008:584). Therefore, it can be found in the literature that the general assembly is “the main voluntary body of a company” (Gorenc, Česić, Buljan, Brkanić, 2008:584). This main voluntary body of the company decides only on the issues that are explicitly determined by law and the company's statute⁸³.

“A valid reason is needed to convene the general assembly of the company.” (Barbić, 2007:642). The general assembly must convene: a) in cases determined by law, b) in cases determined by the statute, and c) when required by the interests of company⁸⁴. The management board or executive directors are obliged to convene the general assembly without delay after receiving the report of the supervisory or management board on the annual financial statements, the report on the state of the company and the proposal of the decision on the use of profits and the report on the state of the concern⁸⁵. “The general assembly must be held in the first eight months of the business year.”⁸⁶

“The president of the general assembly may or may not be a permanent position.” (Gorenc, Česić, Buljan, Brkanić, 2008:619). It can be chosen from assembly to assembly. The Articles of Association can predict who could perform that duty.

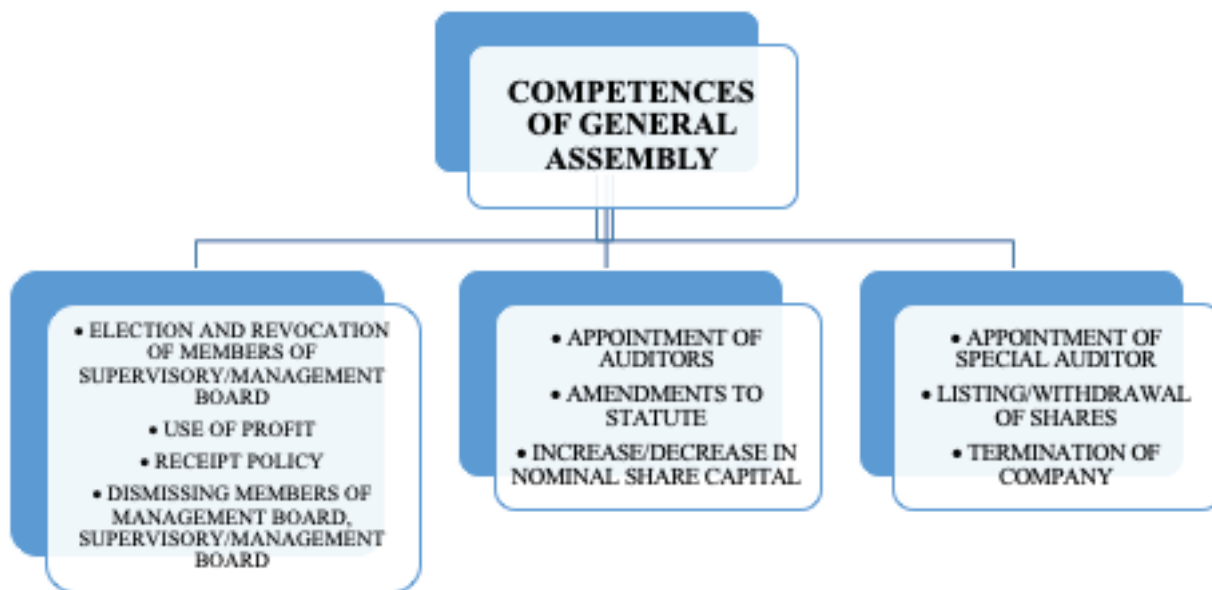


Figure 4. Competences of the general assembly.

81. “A letter of approval is an acknowledgement of the work performed by a person serving on a company body and an expression of confidence for the performance of the work in the future.” (Barbić, 2007:641).

82. *Ibid.*, art. 275. para. 1-2.

83. *Ibid.*, art. 275. para. 1.

84. *Ibid.*, art. 277. para. 1.

85. *Ibid.*

86. *Ibid.*

It should be borne in mind that it could not be a public notary and a member of the board, because these duties are mutually exclusive (Gorenc, Česić, Buljan, Brkanić, 2008:620).

Minutes are kept on the work of the general assembly. A notary public is in charge of that. All decisions made at the general meeting must be entered in the minutes⁸⁷. "If this is not done, it is considered as if they were not adopted." (Gorenc, Česić, Buljan, Brkanić, 2008:622). The minutes, which are signed by a notary public, should be accompanied by a list of all participants of the general meeting and proof of its convening^{88, 89}. The management, i.e. the executive directors, must submit a publicly certified copy of the minutes of the general meeting with all attachments to the registry court⁹⁰.

The required representation (quorum) of shareholders participating in the general assembly is determined by the Articles of Association⁹¹. As a rule, the quorum is set in a fraction or percentage representing the share capital of the company (Gorenc, Česić, Buljan, Brkanić, 2008:631). "When convening the general assembly, it must be determined when the next general assembly will be held if the quorum specified in the articles of association is not present at the convened general meeting."⁹² At that reserve general assembly, unless the Articles of Association stipulate otherwise, valid decisions can be made regardless of the number of shareholders represented on it⁹³.

"At the general assembly, decisions are adopted by a majority of the votes cast (simple majority), unless the law or the Articles of Association stipulate that a larger majority is required for this purpose or the fulfilment of additional requirements."⁹⁴ The fundamental right of shareholders is the right to vote. They may participate in person or through their representatives at the general assembly. "Voting rights are exercised according to the nominal value of the shares, and in the case of shares without a nominal value, according to their number. Voting at the general assembly must be public." (Barbić, 2007:710)

A shareholder does not have the right to vote at the general assembly if a decision is made on: a) his/her discharge, b) his release from an obligation, or (c) the fulfilment of claims of the company against him.⁹⁵ "A shareholder whose right to vote at the general meeting is excluded has the right to participate, i.e. he can also submit motions at the meeting, only he/she cannot vote." (Gorenc, Česić, Buljan, Brkanić, 2008:643)

Holders of preferred shares⁹⁶ may have the same rights as all other shareholders, including the right to vote. However, it may be determined that the right to vote at the general meeting of the company is not assigned to holders of preferred shares⁹⁷. The holders of such shares can acquire the right to vote in the general meeting if "in one year they are not paid or only partially paid the preferential amount in the name of profit, so they are not compensated for it in the following year in addition to the full amount they should receive for that year"⁹⁸. Holders of preferred shares may exercise the voting right acquired in this way "until the arrears are paid to them"⁹⁹.

If they want to abolish or limit the rights provided by preferred shares, then the decision of the general assembly is not sufficient; the consent of their holders is also required¹⁰⁰. This is decided at a special assembly convened by privileged shareholders or by separate voting at the general assembly. "A majority of at least three quarters of the votes cast is required for making a decision."¹⁰¹ The consent of the holders of that class of shares is also required for the issue of new preferred shares. Preferred shareholders have the right to acquire newly issued preferred shares¹⁰². With the abolition of preferred shares, "they become shares with the right to vote"¹⁰³.

3. MANAGEMENT STRUCTURES OF NON-FINANCIAL BUSINESS ENTITIES

In the previous chapters, the management structures of financial companies were presented and analysed, focusing on examples from the practice related to Croatian credit institutions. In addition, the division of business entities into those of a financial and non-financial nature as well as the conditions that the members of the management bodies of the aforementioned institutions must necessarily meet is given in the introduction. The default conditions are significantly more demanding than the conditions prescribed for the members of the management bodies of non-financial business entities, which is the subject of the analysis in the continuation of this paper.¹⁰⁴

87. *Ibid.*, art. 286. para. 1.

88. *Dokaze o sazivanju glavne skupštine ne treba priložiti, ako su uz navođenje njihova sadržaja navedeni u zapisniku. See ibid.*, art. 286. para. 3.

89. *Ibid.*, art. 286. para. s 3-4.

90. *Ibid.*, art. 286. para. 5.

91. *Ibid.*, art. 289. para. 1.

92. *Ibid.*, art. 289. para. 2.

93. *Ibid.*

94. *Ibid.*, art. 290.

95. *Ibid.*, art. 293. para. 1.

96. *Preferred shares give their holders privileged rights, such as: a) the right of priority in the payment of dividends, b) the right of priority in the payment of the rest of the liquidation or bankruptcy estate, etc. (Gorenc, Česić, Buljan, Brkanić, 2008:649).*

97. *Ibid.*, art. 296. para. 1.

98. *Ibid.*, art. 296. para. 2.

99. *Ibid.*

100. *Ibid.*, art. 297. para. 1.

101. *Ibid.*, art. 297. para. 3.

102. *Ibid.*, art. 297. para. 2.

103. *Ibid.*, art. 297. para. 4.

104. *Regulation on the conditions for the selection and appointment of members of supervisory boards and management of legal entities of special interest to the Republic of Croatia (Official Gazette 12/19).*

3.1. Selection of Management Bodies of Legal Entities of Strategic Interest for the Republic of Croatia

The management bodies of trading companies, as well as other legal entities of strategic and special interest to the Republic of Croatia, which may be referred to as non-financial business entities, are appointed on the basis of Art. 6. *Regulation on the conditions for the selection and appointment of members of supervisory boards and management of legal entities of special interest to the Republic of Croatia and the manner of their selection*. The aforementioned decision defines all the conditions for the selection of the aforementioned persons, as well as the legal steps necessary for the proper conduct of the procedures and selection of candidates for the management structures (the management and its president) of companies of strategic and special interest for the Republic of Croatia¹⁰⁴.

3.1.1. Selection of management of legal entities of strategic interest for the Republic of Croatia

Candidates for board members and presidents of legal entities of strategic interest for the Republic of Croatia, in addition to what is prescribed in the aforementioned decision, must also meet all the conditions prescribed by the previously mentioned *Companies Act*, as well as the following conditions: a) have completed at least a bachelor's degree or a specialist degree professional study, b) have at least ten years of work experience in jobs have work experience in business management, c) highlight the absence of conflicts of interest in accordance with the provisions of the *Act on the Prevention of Conflicts of Interest*¹⁰⁵ (Official Gazette No. 26/11, 12/12, 124/12, 48/13 and 57/15) and the *Code of Corporate Governance of Companies* in which the Republic of Croatia has shares (Official Gazette No. 112/10.), d) demonstrate knowledge of at least one world foreign language, f) prove the existence of the circumstances referred to in Article 239, paragraph 2 of the *Companies Act* (prove that the candidate has not previously been punished for criminal offenses related to bankruptcies, keeping business books and other elements related to the management of companies; that the candidate has not been banned from practicing his profession which is similar to the subject of the company's business; the absence of a final decision of the competent court on the conduct of the investigation, confirmed indictment or verdict).

¹⁰⁵ *Act on the Prevention of Conflicts of Interest*.

3.1.2. Selection of members of the supervisory board of legal entities of strategic interest for the Republic of Croatia

The procedure for the selection of members of the supervisory board for legal entities of strategic interest to the Republic of Croatia begins with the collection of candidatures and all meritorious documents of the candidates on the fulfilment of the requirements from Article 3. of *The Regulation on the conditions for the selection and appointment of members of supervisory boards and management of legal entities of special interest to the Republic of Croatia and the manner of their selection* with whom the interview is conducted in accordance with the *Code of Practice on Consultation with the Interested Public in Procedures of Adopting Laws, Other Regulations and Acts* (Official Gazette, No. 140/09)¹⁰⁶ and *Code of Practice on Consultation with the Interested Public in Process of Adopting Laws, Other Regulations and Policies*¹⁰⁷, for the purpose of information on the official website of the competent ministry. The ministry responsible for conducting the procedure submits its official report on the candidates and submits a proposal to the Government of the Republic of Croatia for a decision on the selection or appointment of the candidate, together with all the accompanying documents and evidence. The Government of the Republic of Croatia then proposes the selection and appointment of members of the supervisory board to the competent body as a legal entity, which in the formal part is done through an official act of the Government of the Republic of Croatia, which, in this part, completes the procedure.

3.2. Organisational Structure of Management Bodies of Legal Entities of Strategic Interest for the Republic of Croatia

Very similar to the examples of financial business entities, in the case of non-financial business entities, and therefore also in the case of legal entities of strategic interest for the Republic of Croatia, the organisational structure of the management bodies is made up of: a) the company's general assembly; b) supervisory board; c) management board, as shown in Figure 5.

¹⁰⁶ *The Code of Practice on Consultation with the Interested Public in Procedures of Adopting Laws, Other Regulations and Acts*.

¹⁰⁷ *Code of Practice on Consultation with the interested public in the process of adopting laws, other regulations and policies*.

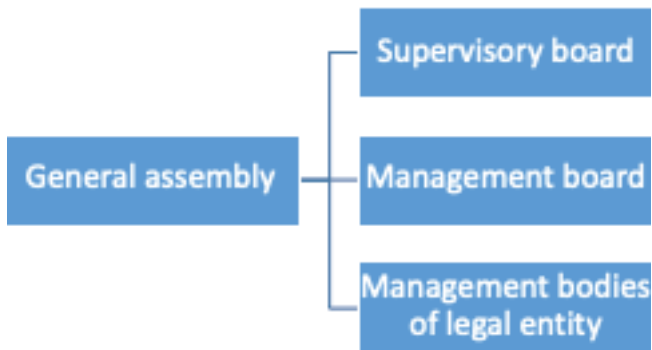


Figure 5.

Organizational structure of management bodies of legal entities of strategic interest in the Republic of Croatia.

3.3 Management Structures of a Legal Entity of Strategic Interest for the Republic of Croatia

Management structures in any trading company are of crucial importance for successful business operations and the performance of the core activities of an individual trading company. If it is a legal entity of special and strategic interest for the Republic of Croatia, which also implies that it is a public interest of the Republic of Croatia, the importance of management and management structure becomes crucial. Trading companies of special state interest are defined by the Government of the Republic of Croatia in the *Decision on legal entities of special interest to the Republic of Croatia*. The Decision contains a total of 36 commercial companies in the territory of the Republic of Croatia¹⁰⁸, and most of them are commercial companies that, through their core activity, deal with key activities such as infrastructure (road transport, maritime transport, rail transport), finance, energy, telecommunications and others.

A good example of the aforementioned is the trading company Plovput d.o.o. from Split. Plovput d.o.o. is a trading company wholly owned by the Republic of Croatia. The fundamental activity of Plovput is related to the safety of navigation and as such is of strategic interest to the Republic of Croatia¹⁰⁹. Plovput operates in accordance with the Maritime Code and Plovput Split Act, and its activities include the maintenance and establishment of waterways in the inland waters and territorial sea of the Republic of Croatia, installation of facilities for the safety of navigation on waterways in the inland waters and territorial sea of the Republic of Croatia and

ensuring their proper operation, performance of radio services on the maritime waterways of the Republic of Croatia, and the performance of research and planning work for the purpose of fulfilling tasks arising from its own activities. Considering the importance of the activity that Plovput d.o.o. performs, emphasizing the public interest of the Republic of Croatia, by the Decision on the internal structure of the organization of work processes and operations in organisational units (Odluka o unutarnjem ustroju organizacije procesa rada i poslovanja u organizacijskim jedinicama), which was amended on October 1, 2021, the internal structure of the Company is determined in more detail¹⁰⁸. The aforementioned decision established that the Company's activities and other Company affairs are carried out through the following organizational units: a) Navigation Safety Sector; b) Sector for construction and maintenance; c) Sector for economic affairs; d) Legal and personnel sector. Informatics and business systems, internal auditing, controlling and the secretary of the management are organizationally directly assigned to the Company's Management. The Navigation Safety Division and the Construction and Maintenance Division organizationally fall under the technical, while the remaining two sectors fall under the corporate affairs.

The navigation safety sector performs design and development work related to works and services in the field of navigation safety at sea, i.e. maritime signalling and maritime radio services. An integral part of the unit's organisation are the lower organisational units, which consist of chief engineers, as experts from various professions, as well as inspectors for nautical affairs. Dislocated lower organizational units, Navigation Areas, of which there are seven in total, distributed along the entire Adriatic, are part of the Navigation Safety Sector. Navigable areas perform simpler tasks of regular maintenance and control of maritime signalling facilities.

The construction and maintenance sector, as an operational sector, performs significant regular maintenance works, as well as carrying out investment work and work for third parties in accordance with the projects of the Navigation Safety Sector.

As lower organizational units within the Sector, the departments for radio-electrical engineering, hydro-construction, ship-engineering, nautical and business of general importance have been established.

The sector for economic affairs is divided into financial and economic affairs, which together include finance, accounting, procurement, sales and insurance. The legal and human resources sector deals with various forms of legal processes, as well as personnel matters for the entire trading company and the implementation of public tenders. The department for occupational safety, fire and environmental protection is part of the legal and human resources division. Figure 6 shows the updated organisational structure of Plovput d.o.o. trading company.

¹⁰⁸ Development strategy of Plovput d.o.o. for the period 2022-2024 (*Strategija razvoja Plovputa d.o.o. za razdoblje od 2022. do 2024.*)

¹⁰⁹. *Decision on legal entities of special interest to the Republic of Croatia.*

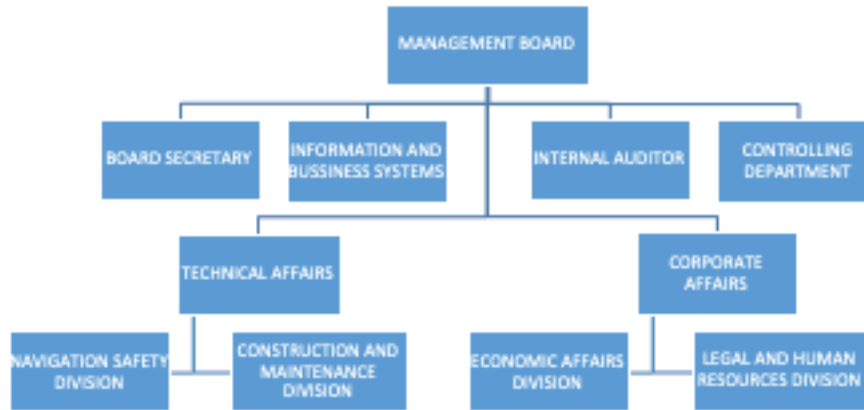


Figure 6.
Organisational structure of Plovput d.o.o. trading company.

4. CONCLUSION

From the analysis of the management structures of credit institutions, it can be concluded that the Croatian regulatory framework has considered the importance of banks, savings banks and building societies in our society and that, for this reason, there are prescribed conditions that someone must fulfil in order to be appointed a member of the management board or the supervisory board of these institutions is more demanding than in the case of most other companies. Since credit institutions are organised as joint-stock companies, it is understandable that their mandatory bodies in the two-level model of corporate governance are the management board, supervisory board, and general assembly.

The management function is related to administration, and this body deals with the management of the business of the credit institution. Unlike most other commercial companies, the board of directors of banks, savings banks, and building societies consists of at least two members, which gives importance to this body of the credit institution. The supervisory board is immanent to the continental model of corporate governance and is concerned with the management, supervision and monitoring the company's operations. The board of directors and the supervisory board of the credit institution have in common that their members can perform these functions only with the prior consent of the Croatian National Bank. This fact particularly underlines the quality of the personnel who pretend to perform these extremely responsible duties.

The general assembly of every joint-stock company, including credit institutions, consists of shareholders, and its powers are strictly prescribed by the Companies Act. It is important to point out that the relationship between the bodies of credit institutions as well as other joint-stock companies is not

hierarchical. This relationship is based on their balance. Each of these bodies derives its powers from the Companies Act. In this respect, the general assembly is neither above the management board and the supervisory board, nor can it decide as a mandatory body on the tasks that fall within the competence of these bodies of the credit institution.

CONFLICT OF INTEREST

The author(s) declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

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