

CORPORATE GOVERNANCE RECOMMENDATIONS

prepared by the
Budapest Stock Exchange Company Limited by Shares

with the Co-operation of
Ernst & Young Advisory Ltd.
and
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INTRODUCTION

Introduction to Corporate Governance Recommendations published by the Budapest Stock Exchange

In mid-2002, the Budapest Stock Exchange began working out its Corporate Governance Recommendations for companies listed on the stock exchange. When compiling the Recommendations, the suggestions were formulated taking account of the most commonly used international principles, of experiences gathered in Hungary, and of the characteristics of the domestic market.

The Recommendations were formulated in cooperation with Ernst and Young Advisory Ltd. and the Kapolyi Attorney's Office (the permanent legal advisor of the Stock Exchange). Professional remarks, comments, and questions articulated by the experts of a Review Committee that was set up for this purpose, by members of the BSE Issuers' Committee, and by issuers on the stock exchange were also taken into account. The work was financially supported by the British Know How Fund.

The Recommendations were prepared in a format that divides into three segments. The first column contains the Recommendations themselves. The middle contains the references to the main Hungarian legal regulations in effect, in order to assist comprehension from a domestic legal context. Finally, in the last column, explanations and eventual specific, in-depth suggestions were formulated. The Recommendations are supplemented by a recommendation of the Stock Exchange, prepared earlier, regarding the administration of shareholders' general meetings.

The final text of the Recommendations and the attached recommendations and statements for the general meetings were published by the Stock Exchange on its website in Hungarian and in English.

The Recommendations – as expressed by the title – make suggestions regarding recommended, applicable practices. Alignment and compliance with the Recommendations are **recommended, but not mandatory** for companies listed on the stock exchange.

The publication of a Declaration, whereby the corporate issuers provide information on their management practices in comparison with the contents of the Recommendations, will be mandatory as confirmed by the Rules of the Stock Exchange.

The **Declaration** included in Appendix 2 of the Corporate Governance Recommendations requests that the issuers articulate their views **only on the issues considered to be of prime importance**, and not in respect of all the suggestions listed in detail in the Recommendations. If the practice followed by the issuer is identical with the respective item of the Recommendations, this is to be indicated by the answer YES (complies). If the issuer does not apply or applies a recommendation in a different manner, an explanation of what the discrepancies are and the reasons for said discrepancies should be provided (the “comply or explain” principle). This method allows the issuers to inform the market players, taking account of individual, sector, etc., specificities on how and why they deviate from the general principles of responsible corporate management. A negative answer, together with its explanation, allows the investors to evaluate the answer and does not necessarily reflect any fault or inadequacy.

In order to allow the corporate issuers of the stock exchange to have sufficient time to modify (if necessary) their corporate governance practices to be in line with the suggestions in the

Recommendations, the publication of the Declaration becomes mandatory only after a transitional period, in the years 2005 or 2006 for stock exchange issuers whose shares are listed in the “Equities A” and “Equities B” categories of the Budapest Stock Exchange.

A significant indicator for investors would be an announcement that is already made by an issuer voluntarily during the transitional period, stating that they are endeavouring to comply with the Corporate Governance Recommendations and disclosing information on their corporate governance practices by way of publishing the Declaration.

In accordance with the above, the issuers of the stock exchange **can make a voluntary declaration**, through the completion of the form contained in Appendix 1 of the Corporate Governance Recommendations **by March 30, 2004**, to the effect that they understand and basically agree with the formulated guiding principles, and that the Board of Directors is determined in the company’s operations and management to comply with the corporate governance recommendations. The Stock Exchange requests that issuers having made this voluntary declaration complete the disclosure declaration figuring in Appendix 2 **before June 30, 2004**.

An amendment will be made to the Rules of the Stock Exchange in the first half of 2004, according to which the **disclosure declaration** (Appendix 2) will become **mandatory**. For the issuers of shares in the “Equities A” category, the first declaration shall be completed within 120 days of the closing day of their 2004 business year (for the majority of these issuers, **by April 30, 2005**), while for the issuers of shares in the “Equities B” category, it must be completed within 120 days of the closing day of their 2005 business year (for the majority of these issuers, **by April 30, 2006**). After those dates, the Declaration shall be made within 120 days of the closing of each business year (for the majority of issuers, by April 30). According to the Recommendations, it is reasonable to combine the publication of the Declaration with the publication of an Annual Report. Therefore, the information provided shall be regarding the business year preceding the issue of the declaration. If, in the opinion of the Company, major developments occurred in the corporate governance practices of the Company in respect of the issues concerned during the period between the closing of the previous business year and the date of issuing the Declaration, it is by all means advisable to consider an announcement regarding this information within the framework of the Declaration.

The Issuers shall submit their declaration to the Stock Exchange in electronic form and the Stock Exchange will make these available to the public through its home page.

The voluntary declaration (Appendix 1) is subject to the approval of the Board of Directors of the issuer in a resolution and publication takes place on this basis. The disclosure declaration (Appendix 2) shall be issued either in the form of a resolution of the Board of the issuer or, in the absence of such a resolution, it can be signed jointly by two members of the Board.

The Stock Exchange is confident that the preparation and publication of the Corporate Governance Recommendations will represent a positive contribution to the development of the capital market.

Budapest, February 2004

Budapest Stock Exchange Company Limited by Shares

CORPORATE GOVERNANCE RECOMMENDATIONS

approved by the Board of Directors of the Budapest Stock Exchange Ltd. on December 8, 2003

Budapest, 2004

1. Competences of the Board of Directors and of the Supervisory Board

1.1. *The Role and Responsibilities of the Board of Directors*

1.1.1 The most important role of the Board of Directors is the overall stewardship of the company. The Board should determine corporate strategy guidelines; and monitor management performance. Under all circumstances, the Board should execute its responsibilities with due diligence and circumspection, in the best interest of the company, and with regard to the rights of the shareholders and stakeholders, and, to the extent possible, in the best interest of the stakeholders.

Section 21.

(1) The executive officers shall conduct the management of the business association pursuant to the provisions governing the individual forms of business associations.

(3) Unless otherwise provided by the deed of foundation of a closed company limited by shares, management of a company limited by shares shall be carried out by the board of directors, and the members of the board of directors shall qualify as executive officers.

Section 29.

(1) Executive officers shall conduct the management of the business association with the increased care generally expected from persons occupying such positions, and give priority to the interests of the business association. Executive officers shall be liable to the business association in accordance with the general rules of civil law for damages caused to such by violation of the law, or breach of the articles of association (deed of foundation, statutes), the resolutions of the business association's supreme body, or their management obligations.

Section 240.

The management body of a company limited by shares is the board of directors.

1.1.2. The competence of the Board is governed by the laws and regulations in effect; the Articles of Association of the company; the resolutions of the shareholders' meetings, as well as the charter of the

Section 26.

(1) The executive officers shall be responsible for reporting to the court of registration the foundation of the business association, alteration of the articles of

The Hungarian Companies Act (Act CXLIV of 1997 on Business Associations) does not address elements and areas of corporate governance specifically concerned with the responsibility of the Board of Directors. At the same time, it is inherent in the board's mission that a policy of responsible corporate governance shall be established in writing.

The Budapest Stock Exchange's (BSE) recommendations for corporate governance identify those areas that should be taken into consideration in corporate governance. The list does not seek to be exhaustive (it ignores certain topics); it primarily aims to serve as a frame of reference for the Board of Directors. The list may assist the Board to develop its own policy that lays down the basic guidelines and tasks concerning corporate governance.

Many companies have already developed effective procedures and guidelines for corporate governance, but their full integration into the corporate governance system has not been clearly formulated

<p>Board. The charter defines the composition of the Board and all procedures and protocols in preparation and holding meetings, drafting resolutions and other related matters.</p> <p>The Board's responsibilities cover the following main areas:</p> <ul style="list-style-type: none"> a.) Determining strategic guidelines and participation in developing strategy; supervision of business and financial plans, major capital expenditures, acquisitions and divestitures; determining succession policy b.) Setting corporate objectives and continuous oversight of company performance c.) Ensuring the integrity of financial and accounting reports d.) Defining principles of the remuneration for executives, monitoring executive performance, initiating corrective measures if necessary e.) Managing conflicts of interest, drafting a Code of Corporate Ethics f.) Defining risk-management guidelines to ensure that risk factors are identified and that internal control mechanisms, as well as appropriate regulatory and monitoring systems, are in place to handle those risks, as well as compliance with legal requirements g.) mechanisms to nominate directors and recommendations for their remuneration h.) defining guidelines for transparency of corporate operations and for disclosure of corporation information, as well as monitoring compliance with those guidelines i.) continuous oversight of the effectiveness of corporate governance j.) communication with, and reporting to, the Supervisory Board 	<p>association (deed of foundation, statutes), the rights, facts and data entered in the register of companies and changes therein, as well as any other data required by law.</p> <p>(2) Executive officers shall bear joint and several liability for any damage resulting from the incorrectness of the data, rights or facts reported, or from the delay in filing or failure to file the report.</p> <p style="text-align: center;">Section 241.</p> <p>(1) The board of directors shall exercise its rights and perform its duties as an independent body. The rules of procedure approved by the board of directors shall provide for the division of tasks and competence among the members of the board of directors.</p> <p style="text-align: center;">Section 242.</p> <p>(1) Introduction of the report of the company limited by shares prepared pursuant to the Accounting Act, and of the proposal on the appropriation of after-tax profits shall be the duty of the board of directors.</p> <p>(2) The board of directors shall prepare a report on the management, the financial situation and the business policy of the company at the regular intervals set forth in the deed of foundation (statutes), but at least once every year for the general meeting, and at least once every three months for the supervisory board.</p> <p>(3) The board of directors shall ensure that the books of the company are kept according to the rules.</p> <p style="text-align: center;">Section 243.</p> <p>(1) The board of directors shall, with simultaneous notice to the supervisory board, call a general meeting within a period of eight days in order to take necessary measures, if it learns that</p> <ul style="list-style-type: none"> a) due to losses, the equity of the company has decreased to two-thirds of the share capital, or b) the equity of the company has decreased below the amount set forth in Subsection (1) of Section 203, or 	<p>in many cases.</p> <p>Therefore, these recommendations for corporate governance will assist the clear and unambiguous identification of responsibilities for the processes and the procedures guidelines, and will contribute to the formation of an integrated corporate governance system.</p> <p>The Hungarian hybrid management system does not entirely follow either the unified Anglo-Saxon board system, nor the German two-tier model. At the same time, the Hungarian legal system regulating corporate governance includes detailed regulations (similar to the German legal system), while the Anglo-Saxon legal systems outline a framework, and so corporate governance in Anglo-Saxon countries deals itself with issues that in Hungary are incorporated into the laws and regulations. The worldwide tendency, however, is that corporate governance guidelines are used more and more often, with state-controlled companies as well.</p> <p>The definition of the roles and responsibilities of the Board of Directors is important in order to make clear the split of the tasks between the Board of Directors and executive management. The Board makes decisions in the best interest of the company. The overall guidance over the company as well as the strategy are the Board's responsibility, and cannot be transferred into the competence of the executive management.</p> <p>The tasks listed refer to the most fundamental issues of comprehensive governance, while their daily, operative realization is the responsibility of the executive managers in an employment status and of the management in general.</p>
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| k.) ensuring adequate and timely communication with shareholders | c) the company has stopped payment and its assets do not cover its debts. |
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1.2. *The Role and Responsibilities of the Supervisory Board*

1.2.1. On behalf of shareholders, the Supervisory Board monitors the activities of the Board of Directors and ensures that it carries out its duties with due care.

Section 32.

(2) The supervisory board supervises the management of the business association for the business association's supreme body.

(3) The supervisory board shall examine all substantial business policy reports on the agenda of the meeting of the business association's supreme body, as well as any proposals relating to issues falling within the exclusive competence of the business association's supreme body. The business association's supreme body may pass resolution on the report prepared according to Act XVIII of 1991 on Accounting (hereinafter referred to as the "Accounting Act"), and on the appropriation of after-tax profits only in possession of the written report of the supervisory board.

(4) If, in the judgment of the supervisory board, the activity of the management is contrary to the law, the articles of association (deed of foundation, statutes) or the resolutions of the business association's supreme body, or otherwise infringes on the interests of the business association or its members (shareholders), the supervisory board shall call an extraordinary meeting of the business association's supreme body and shall propose its agenda.

Section 33.

(1) The deed of foundation (statutes) of a company limited by shares, or the articles of association of a limited liability company may transfer to the competence of the supervisory board the election and removal of the members of the board of directors (managing director), the establishment of their remuneration, as well as the

Due to the different management systems described above, it is impossible to establish guidelines appropriate for all countries.

In some respects, the responsibilities of Hungarian supervisory boards show similarities to those of the audit committees in the Anglo-Saxon systems.

Although Hungarian corporate law offers thorough guidance on the competence, roles and responsibilities of the Supervisory Board, the recommendations for corporate governance strengthen the role of the Supervisory Board.

The recommendations emphasize the necessity to formalize the Supervisory Board's responsibilities and protocols, and encourage the Board to take a more active role in exercising those responsibilities thereby participating in essential corporate governance duties more effectively.

1.2.2. The Supervisory Board adopts a charter and a work schedule that spell out its operation and duties, as well as procedures and processes the Supervisory Board will follow. The Charter determines the mandate of the Supervisory Board; the procedures by which the executive management and the Board of Directors supply information.

approval of the legal transactions set forth in the deed of foundation (statutes, articles of association).

Section 224.

(1) Prior consent of the supervisory board shall be required for contracts to be concluded between the company limited by shares and one of its shareholders holding registered shares or his close relatives [Paragraph b) of Section 685 of the Civil Code].

Section 32.

(2) The supervisory board may request information from the executive officers or the managerial employees of the business association, and may inspect the books and documents of the business association.

Section 34.

(1) The supervisory board shall act as an independent body. The supervisory board shall elect a chairman (if necessary, deputy chairman or deputy chairmen) from among its members. The supervisory board shall have quorum if two-thirds of its members, but at least three members are present. The supervisory board shall pass resolutions by simple majority.

(2) The members of the supervisory board shall act in person, representation is not admissible. A member of the supervisory board may not be instructed in his capacity as such by the members (shareholders) or the employer of the business association.

(4) In other respects, the supervisory board shall establish its rules of procedure itself, which shall be approved by the business association's supreme body.

Section 38.

(4) Supervisory board members shall bear unlimited, joint and several liability for damages caused to the business association through the violation of their supervisory obligation.

1.3. **Board of Directors and Supervisory Board Meetings and their Agendas**

1.3.1. In order to perform their duties, the Board of Directors and the Supervisory Board meet at designated times outlined in their respective work schedules. In addition, in the case of any extraordinary event or matter, they ensure their discussion in due time and make the appropriate decisions.

1.3.2. The meeting agenda should be made available to members prior to the meeting, for the sake of timely and effective decision making, and in accordance with the Charter. The meetings shall be conducted according to the by-laws; and provisions shall be made for the recording of minutes, and handling and storage of documentation of decisions by the Board of Directors and the Supervisory.

1.3.3. All members of the Board of Directors and the Supervisory Board shall have timely access to all Board materials, as well as to any information pertaining to their mandate. If necessary, documents shall be available in multiple languages so that they are understood by all stakeholders. It is the Chairman's duty to provide all necessary background information to external directors.

Section 34.

(3) Meetings of the supervisory board shall be convened and chaired by the chairman. Any member of the supervisory board may request the chairman in writing to convene such a meeting, indicating the reason and the purpose thereof. The chairman shall, within a period of eight days after receipt of such request, call a meeting of the supervisory board at a date within a period of thirty days. If the chairman fails to comply with such request, the member shall have the right to convene the meeting himself.

An important factor in effective corporate governance is how frequently the Board of Directors and Supervisory Board meet. Hungarian corporate law does not provide for a minimum required frequency of these meetings.

The frequency and the representation level of these meetings can best be determined by the key actors in corporate governance. It is recommended that the boards set the dates and the foreseeable agendas of the meetings in an annual or semi-annual order (work schedule). It is important for the management to have rules of procedures in place to administer unscheduled and/or emergency meetings and decision-making, if need be, through electronic channels or with the application of telecommunications solutions.

1.3.4. The charter may regulate the regular or occasional participation at the meetings of persons who are not members of the Board of Directors or the Supervisory Board. These may include stakeholders, managers, etc.

Section 44.

(1) If so required, the auditor may be invited to attend the meeting of the management body or the supervisory board with a right of consultation, or the auditor himself may initiate his attendance at such meetings. In this latter case, the request of the auditor may be refused only in exceptionally justified cases.

1.4. Board of Directors and Supervisory Board Membership

1.4.1. The Board of Directors and the Supervisory Board shall submit to the shareholders' meeting nominations for officers. The selection process of nominees shall be carried out with due care.

Section 24.

(1) Executive officers shall be elected, or appointed by the articles of association (deed of foundation, statutes), for a definite period of time, but for a period of no more than five years. If no provisions are made in the articles of association (deed of foundation, statutes) on the duration of the mandate of the executive officers by the members (shareholders), the executive officers shall be considered to have been elected for a period of five years, unless the business association is established for a shorter period of time.

(2) The mandate of an executive officer shall take effect by its acceptance by the person concerned. Executive officers may be re-elected, and may be removed by the business association's supreme body.

It is in the best interests of shareholders and stakeholders that the Board of Directors and Supervisory Board be composed of members with adequate experience and qualifications, who can contribute to the achievement of the company's objectives. In the case of larger companies, it might be worthwhile to consider to let, in the best interests of the company, independent, internationally recognized experts become members of the Board.

The Board of Directors may submit a proposal regarding the nominee, whereas any member of the Supervisory Board (in the name of the Supervisory Board), using their rights of consultation, may suggest a nominee to the Shareholders' Meeting. If shareholders agree with the opinion of the Supervisory Board, they may propose to the Shareholders' Meeting the election of such nominee. The tasks of the Board of Directors and Supervisory Board described herein, however, do not influence the right of shareholders to nominate and the fact that, after all, the Shareholders' Meeting elects the members of the Board of Directors and of the Supervisory Board.

1.4.2. Nominations should be based not only on company affiliation or personal opinion, but on competence and qualification as well. It is the candidates'

Section 25.

(1) With the exception of acquiring shares in a public company limited by shares, an executive officer may not

Hungarian corporate law does not outline criteria for selecting, nominating or appointing members of the Board of Directors or the Supervisory Board.

<p>responsibility to accept membership and be aware of obligations and duties of membership. It is recommended to set up the Board of Directors and the Supervisory Board in a way to allow, in a cooperation framework, the efficient realisation of their task.</p>	<p>acquire interest in another business association pursuing an activity identical to that of the business association, furthermore, may not be an executive officer in another economic organization pursuing an activity identical to that of the business association, unless rendered possible in the business association's articles of association (deed of foundation, statutes), or the business association's supreme body grants its consent.</p> <p>(2) An executive officer and his close relatives [Paragraph b) of Section 685 of the Civil Code] may not conclude transactions falling within the scope of activities of the business association in his own name or to his own benefit, unless specifically permitted in the articles of association (deed of foundation, statutes).</p> <p>(3) An executive officer and his close relatives [Paragraph b) of Section 685 of the Civil Code] may not be elected as a member of the supervisory board at the same business association.</p>	<p>A formalized and transparent process of nomination and appointment of members can significantly contribute to the success of corporate governance.</p>
<p>1.4.3. The size of the Board of Directors and the Supervisory Board shall be determined in accordance with effective regulations and to ensure that they can perform their corporate governance and control function as efficiently as possible.</p>	<p style="text-align: center;">Section 22.</p> <p>(1) The same person may be elected as an executive officer in three business associations at the most.</p> <p>Section 31.</p> <p>(1) ...a supervisory board consisting of no less than three, but no more than fifteen members may be established.</p> <p>Section 240.</p> <p>(2) The board of directors shall consist of at least three and at most eleven members who shall be natural persons. The board of directors shall elect its chairman from among its members. The office of the chairman or that of the members of the board of directors may not be carried out within the framework of an employment relationship.</p>	<p>Most Hungarian public corporations operate with a number of directors that is close to the minimum required by the law. Usually, company executives are also members of the Board of Directors, so the number of independent Directors is quite low; independent Directors play a role mostly at the major companies only. In determining the size and structure of the Board of Directors, an adequate level of professional experience, the right proportion of independent members, and the optimization of cost shall be targeted.</p>
<p>1.4.4. Members of the Board of Directors and Supervisory Board are to devote adequate time and effort to perform their duties.</p>		<p>The working efficiency of the Board of Directors and the Supervisory Board is significantly enhanced if the materials for the meetings are well prepared and timely distributed. The coordination of this is usually done by the company's head of administration, or a manager of the legal or financial</p>

departments. It is reasonably expected from Board members to attend all meetings well-prepared.

1.5. *Independence of Board of Directors and Supervisory Board Members*

1.5.1. The Board of Directors should pass resolutions objectively, representing the interest of shareholders while maintaining their independence from the influence of both executive management and individual shareholders.

It may largely support the process of objective and pragmatical decision-making about strategic issues, in the best interests of the company, if the board can work with sufficient independence from the operative management and from the key stakeholders.

1.5.2. To ensure the independence of the Board of Directors, it is recommended to elect directors who have no significant relation to the company or its executive management. In judging a director's independence, certain factors should be considered, including the director's employment, his/her business relationships (excluding relationship to the company's owners), family or personal ties, and any other areas that might result in a conflict of interest. The Charter of the Board of Directors shall outline the guidelines for its independence.

Section 25.

(1) With the exception of acquiring shares in a public company limited by shares, an executive officer may not acquire interest in another business association pursuing an activity identical to that of the business association, furthermore, may not be an executive officer in another economic organization pursuing an activity identical to that of the business association, unless rendered possible in the business association's articles of association (deed of foundation, statutes), or the business association's supreme body grants its consent.

The Hungarian Companies Act does not provide criteria either for the independence of the Board of Directors and the Supervisory Board, or for the criteria applicable to independent Directors.

There exist several interpretations concerning the independence of the Board of Directors. One approach holds that a member of the Board cannot be considered independent, if there is a relationship with the owner(s) of the company. In view of the ownership characteristics in Hungarian companies (where the presence of a strategic investor is typical) we don't consider it a violation of the board's independence if a member of the Board is delegated by one of the owners.

(2) An executive officer and his close relatives [Paragraph b) of Section 685 of the Civil Code] may not conclude transactions falling within the scope of activities of the business association in his own name or to his own benefit, unless specifically permitted in the articles of association (deed of foundation, statutes).

The appropriate level of Board independence ensures that the Board of Directors performs its duties more effectively in the strategic interest of the company, taking into consideration the interests of all shareholders.

(3) An executive officer and his close relatives [Paragraph b) of Section 685 of the Civil Code] may not be elected as a member of the supervisory board at the same business association.

Section 224.

(4) If a shareholder is a member of the board of directors or the supervisory board of the company limited

International practice shows variations in determining the number and proportion of independent directors. In view of the size of

<p>1.5.3. If necessary, independent members of the Board may hold separate meetings to form unbiased judgment on a certain matter.</p> <p>1.5.4. In order to separate the responsibilities of the Chairman of the Board from those of the the Chief Executive Officer, the competences shall be outlined in the basic documents of the Company.</p> <p>1.5.5. The members of the Supervisory Board shall be independent persons. Only those persons shall be deemed independent who have no significant relation to the company, its Board of Directors, or its executive management that may lead to conflicts of interest or may hinder the Supervisory Board's ability to perform its function of objective and unbiased control, in addition to the requirement that members of the Supervisory Board shall not be employed by the company, with the exception of the employees' representatives.</p> <p>1.5.6. The Charter of the Supervisory Board also contains the provisions for the members' independence.</p>	<p>by shares at the same time, neither he nor his close relatives may, unless otherwise provided by law, conclude a contract with the company falling within the business-like economic activities of the company.</p> <p style="text-align: center;"><i>Section 38.</i></p> <p>(2) With the exception of employee representation, employees of a business association may not become supervisory board members.</p>	<p>Hungarian public corporations, their ownership structures, the composition of their Boards of Directors, the numbers of their directors; at the present time we do not intend to define firm requirements concerning the number of independent directors; we only wish to draw attention to the significance of the Board's independence.</p> <p>The competence of the Chairman and of the Chief Executive Officer shall be clearly distinguished in the basic documents of the Company, such as the organizational rules, and/or the Articles of Association, and/or the charter of the Board of Directors.</p>
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1.6. *Appraisal of and Remuneration for the members of the Board of Directors, the Supervisory Board and of the Executive Management*

<p>1.6.1. The Board of Directors establishes guidelines and rules concerning the performance review and remuneration of the directors and of the executive management. The guidelines and rules formulated by the Board of Directors shall be assessed by the Supervisory Board, and the rules of remuneration for the members of the Board of Directors shall be approved by the shareholders' meeting, paying attention to the opinion of the Supervisory Board. For the fulfilment of this task, the legal regulations in effect, the statutes of the company and the resolutions of the shareholders' meetings provide the guidelines.</p>	<p>Section 24.</p> <p>(3) Unless forbidden by law, performance of the duties of an executive officer may be subject to remuneration. No remuneration may be granted to executive officers during the period of the liquidation proceedings following the establishment of the insolvency of the business association by a final judgment.</p> <p>Section 233.</p> <p>d) with the exception contained in Section 33, the election and removal of the (...) auditor, and the establishment of their remuneration;</p> <p>Section 33.</p> <p>(1) The deed of foundation (statutes) of a company limited by shares, may transfer to the competence of the supervisory board the election and removal of the members of the board of directors (managing director), the establishment of their remuneration.</p>	<p>It is important that the corporate governance processes aim at comprehensive transparency and ensure that the remuneration levels reflect market conditions.</p> <p>It is equally important that the performance of key individuals, who play a crucial role in company management and in the determination of company objectives in the best interests of owners and stakeholders, be properly evaluated.</p>
<p>1.6.2. Control over the performance of and establishment of the remuneration (including incentive payments, share options and other allowances) for the executive management are in the competence of the Board of Directors. It is reasonable to carry out this task based on a proposal from the Remuneration Committee (see 1.8.). In order to avoid conflict of interest, the system of share options and share remuneration, the terms of individual loans granted by the Company and the framework for other benefits applied by the company, not representing usual practice shall be approved by the Shareholders Meeting.</p>	<p>Section 28.</p> <p>(1) Unless otherwise provided by the articles of association (deed of foundation, statutes), executive officers shall exercise employer's rights over the employees of the business association. For companies limited by shares, employer's rights shall be exercised by the board of directors within the framework set forth in the deed of foundation (statutes).</p> <p>(2) The articles of association (deed of foundation) or a resolution by the business association's supreme body may, if there are several executive officers, transfer exercise of the employer's rights to a single executive officer, or to another person employed by the business association.</p>	<p>It is advisable to determine, in a resolution of the Board of Directors, the persons whose remuneration is in the competence of the Board.</p> <p>It is the task of the Board of Directors to set the actual elements of the remuneration for the management (including the volume of shares allocated in the framework of any share option or other share remuneration scheme) taking into consideration the guidelines approved by the Shareholders' Meeting.</p>
<p>1.6.3. The remuneration scheme for the Board of Directors, the Supervisory Board and the executive</p>		<p>The proportions of the remunerations for the corporate management (wages, bonuses, stocks,</p>

Relevant laws: Act CXLIV of 1997 on Business Associations (Companies Act)

Relevant laws: C Act of 2000 on Accounting

management shall be arranged in a way to serve the long-term, strategic interests of the company, and thereby those of the shareholders. The remuneration scheme shall not strive members of the Board of Directors, of the Supervisory Board or of the executive management to a short-term share price maximisation.

1.6.4. For the members of the Supervisory Board the payment of a fixed amount of remuneration is recommended.

1.7. *The System of Internal Controls*

1.7.1. It is the task of the Board of Directors to ensure the development of a reliable system of internal controls, to guarantee the achievement by the company of the performance and financial targets. As a result of the operation of this internal control and monitoring system, shareholders receive information on the efficiency of the company's operations, the reliability of its financial reports, and whether the company complies with to legal regulations in effect.

1.7.2. As an integral part of the system of internal controls, the companies set up so-called independent internal

stock options, in-kind allowances, retirement benefits) shall be determined in a way to encourage long-term strategic thinking. An oversized stock option may foster short-term profit orientation.

In case of public companies, shareholders are interested in rising share prices and expect company management to produce steadily growing profitability which may occasionally go against long-term strategic planning. Experiences in recent years, especially in the U.S., show that stock options figured disproportionately in the remuneration of the executives, so certain executives were interested more in short-term stock appreciation and subjected company policy to their personal gain and this went against the long-term objectives of the company.

It is the management's task and responsibility to establish and maintain a system of internal controls. From the point of view of corporate governance, however, the Board of Directors and the Supervisory Board have an obligation to intervene in company management to ensure the integrity and uniformity of these control systems.

The system of internal controls contains the checks carried out by the managers and the built-in checks in the framework of the work processes.

An integral part of the system of internal controls is the independent internal audit that provides

audit departments that regularly submits unbiased and independent reports to the Board of Directors or the Supervisory Board and the executive management about the adequate functioning of risk management, internal control mechanisms, and corporate governance.

1.7.3. The internal audit department is assigned and authorized by the Board of Directors or the Supervisory Board to audit the company's activities, with unlimited access to all necessary information

independent and objective feedback to the Board of Directors and the Supervisory Board, and thereby to the owners, about whether the control processes ensure the effective and proficient operation of the company, the integrity of its financial reports, and compliance with rules and regulations.

The evaluations prepared by the internal audit ensure that the Board of Director and the Supervisory Board can provide for the efficient and adequate maintenance of the internal control mechanisms. In its report about the operation of the systems, the audit department informs the Board of Directors and the Supervisory Board about shortcomings that may have significant impact on the company's performance.

Internal audit originates from the independent internal control, but its scope of activities is more complex than traditional internal controls. The internal audit analyzes the whole range of risks inherent in the business processes and investigates if the established system of internal controls and the procedures applied are suitable for efficient risk management.

Although under the Hungarian Companies Act, it is not obligatory to establish an internal audit within a company, establishing such a division is part of modern corporate governance. In Hungary, financial institutions regulated by the State Supervisory of Financial Institutions are obligated to establish and maintain internal auditing.

The direct submission of the internal audit (internal control) to the Board of Directors of the Supervisory Board does not mean that the management may not assign tasks to the internal audit, however, primary

and records about the work of the employees. To maintain its independence, the internal audit department reports, through the head of the internal audit, directly to the Board of Directors or the Supervisory Board (see Audit Committee, 1.8) and it is separate, from the organisation point of view, from the company's operative management.

- 1.7.4. The head of the internal audit, on the base of the anticipated financial, operating and other risks of the company, prepares an annual audit plan with the involvement of the executive management, to be approved by the Board of Directors or the Supervisory Board.

guidance shall remain with the Board of Directors or the Supervisory Board.

1.8. **Board Committees**

- 1.8.1. It is well-proven international practice to set up independent committees from members of the Board of Directors and the Supervisory Board in order to enhance the efficiency of corporate governance. These committees do not make independent decisions, rather, they perform control and prepare and submit proposals to support the decision-making process.

It is advisable that the committees be made up of at least three members, with a majority being independent members, who hold the capabilities, professional skills and experience required to perform their duties. Committees function according to a charter, approved by the committee that contains the following:

- purpose of the committee
- composition and organization of the committee
- competences and responsibilities

Section 35.

The supervisory board may entrust any of its members to fulfill certain supervisory tasks, or may divide supervisory duties among its members on a permanent basis. Such division of supervisory duties shall not affect the responsibility of the supervisory board member, nor his right to extend his supervision to other activities falling within the supervisory duties of the supervisory board.

Section 241.

(1) The board of directors shall exercise its rights and perform its duties as an independent body. The rules of procedure approved by the board of directors shall provide for the division of tasks and competence among the members of the board of directors.

Although the Hungarian Companies Act does not contain such provisions, establishing board committees is considered good practice for the realisation of the management tasks and prudent decision-making, especially in the case of larger size boards. The establishment of these committees is generally considered a necessary part of corporate governance practice.

In view of the Hungarian hybrid management system, companies shall use their discretion in establishing committees. In establishing individual committees, companies should pay special attention to dividing responsibilities between the Board of Directors and the Supervisory Board. For example, in considering the establishment of an audit committee, it should be taken into account that the corporate law authorizes the Supervisory Board to carry out most duties that would usually be the

- schedules for meetings and reports

The committee regularly prepares reports for the Board of Directors and for the Supervisory Board.

responsibility of the audit committee. If the Supervisory Board fulfills these duties adequately, establishment of a separate audit committee may not be called for.

Board committees can best support the company if they assist in certain special corporate governance functions such as remuneration of the executives, executive and director nominations, and risk management. The committees have no decision-making authority, and essentially function as extensions of the board.

Members of board committees are generally expected to have the necessary skills and experience to serve the objectives of the committee, and they are to be able and willing to contribute their professional expertise to the successful management of the board, and consequently to that of the company.

Committee members perform their duties in cooperation with the executive responsible for the given area.

1.8.2. Audit Committee

The Audit Committee monitors, for the Board of Directors and the Supervisory Board, the efficiency of risk management, the operation of the internal control system, and the internal audit activities.

In addition, financial reporting, the accounting and control systems, the independent audit reports, and the legal and ethical compliance of the company are also in the competence of the Audit Committee. The Committee is entitled to suggest the person of the auditor and the respective remuneration.

The Audit Committee monitors communication with

Section 233.

d) with the exception contained in Section 33, the election and removal of the (...) auditor, and the establishment of their remuneration;

e) approval of the report prepared pursuant to the Accounting Act, including the decision on the appropriation of after-tax profits;

Section 33.

(1) The deed of foundation (statutes) of a company limited by shares, may transfer to the competence of the supervisory board the election and removal of the members of the board of directors (and managing director), and the establishment of their remuneration,...

the independent auditor, reviews and authorises any non-auditing services provided by the auditor firm and ensures the independence of the auditor.

1.8.3. Nomination Committee

The Nomination Committee's main task is to prepare informed and objective suggestions to the shareholders about the nomination for membership in the Board of Directors and the Supervisory Board, as well as to do the appraisal of the current members. The purpose of the Committee's operation is to ensure that members of the Board of Directors and of the Supervisory Board possess adequate qualifications and professional experience to perform their duties in the best interest of shareholders.

The Committee's charter gives details of the criteria for the appraisal of the nominees. In addition to the provisions of the Hungarian laws and regulations in effect, these criteria cover memberships in other boards or committees, the degree of the nominees' independence, and their experiences acquired.

Section 23.

(1) A person who has been sentenced to imprisonment by a final judgment due to the commission of a crime may not be an executive officer of a business association until such person is relieved from the detrimental legal consequences related to his criminal record.

(2) A person who has been barred from a certain profession by a final judgment may not be an executive officer in a business association pursuing the activity indicated in such judgment during the force of such sentence.

(3) For a period of three years after the establishment of the insolvency (order of liquidation) of a business association by final judgment, a person who acted as an executive officer at the business association to be liquidated for one year or more during the period of two years prior to the date of the final judgment ordering such liquidation may not be an executive officer of another business association, unless he was specifically appointed as executive officer for the purpose of avoiding the liquidation.

(4) For a period of two years after cancellation of a business association from the register of companies based on cancellation proceedings ex officio, a person who, during the year preceding such cancellation, acted as an executive officer of the terminated business association by the cancellation may not be an executive officer of another business association.

Section 25.

(1) With the exception of acquiring shares in a public company limited by shares, an executive officer may not acquire interest in another business association pursuing an activity identical to that of the business association, furthermore, may not be an executive officer in another

<p>1.8.4. Remuneration Committee</p> <p>The Committee's purpose is to review the remuneration system of the executive management and the Directors, ensuring adequate structure and transparency. The Committee prepares proposals for the remuneration packages, to be discussed and approved, in the case of the executive management, by the Board of Directors, in the case of the Board</p>	<p>economic organization pursuing an activity identical to that of the business association, unless rendered possible in the business association's articles of association (deed of foundation, statutes), or the business association's supreme body grants its consent.</p> <p>(2) An executive officer and his close relatives [Paragraph b) of Section 685 of the Civil Code] may not conclude transactions falling within the scope of activities of the business association in his own name or to his own benefit, unless specifically permitted in the articles of association (deed of foundation, statutes).</p> <p>(3) An executive officer and his close relatives [Paragraph b) of Section 685 of the Civil Code] may not be elected as a member of the supervisory board at the same business association.</p> <p style="text-align: center;">Section 33.</p> <p>(1) The deed of foundation (statutes) of a company limited by shares, (...) may transfer to the competence of the supervisory board the election and removal of the members of the board of directors (managing director), the establishment of their remuneration, (...).</p> <p style="text-align: center;">Section 233.</p> <p>The following shall fall within the exclusive competence of the general meeting:</p> <p>d) with the exception contained in Section 33, the election and removal of the members of the board of directors, members of the supervisory board (...).</p> <p style="text-align: center;">Section 24.</p> <p>(3) Unless forbidden by law, performance of the duties of an executive officer may be subject to remuneration. No remuneration may be granted to executive officers during the period of the liquidation proceedings following the establishment of the insolvency of the business association by a final judgment.</p> <p style="text-align: center;">Section 28.</p>	<p>When setting up board committees, the Board of Directors – taking account of the closely interrelated tasks of the committees and the persons nominated to become a member of the board committee - may decide to establish a joint Nomination and Remuneration Committee (an integrated board committee).</p>
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of Directors, by the Shareholders' Meeting. Another task of the Committee is to exercise control over the share options, cost reimbursements and other benefits in the system of allowances.

In their proposals, the Committee takes into account individual and corporate performance, the replacement possibilities of the individuals and the usual remuneration levels at similar companies. The Committee formulates remuneration guidelines and benchmarks and it controls their actual fulfilment.

(2) The articles of association (deed of foundation) or a resolution by the business association's supreme body may, if there are several executive officers, transfer exercise of the employer's rights to a single executive officer, or to another person employed by the business association.

Section 33.

(1) The deed of foundation (statutes) of a company limited by shares, (...) may transfer to the competence of the supervisory board the election and removal of the members of the board of directors (managing director), the establishment of their remuneration, (...)

Section 233.

The following shall fall within the exclusive competence of the general meeting:

d) with the exception contained in Section 33, (...) members of the board of directors, members of the supervisory (...) the establishment of their remuneration;

1.9. **Succession Planning**

1.9.1. The Board implements succession planning, with the objective to ensure a synchronised succession of the members of the Board and of the executive management, occurred due to retirement, resignation or other reasons, without disruption in the operations of the company. As a part of the corporate strategy, the identities of persons who are suitable to substitute for or replace the current executives or Board Members shall be established. As part of the succession planning, the top performers shall be identified and their career development plans shall be prepared.

Section 28.

(1) Unless otherwise provided by the articles of association (deed of foundation, statutes), executive officers shall exercise employer's rights over the employees of the business association. For companies limited by shares, employer's rights shall be exercised by the board of directors within the framework set forth in the deed of foundation (statutes).

(2) The articles of association (deed of foundation) or a resolution by the business association's supreme body may, if there are several executive officers, transfer exercise of the employer's rights to a single executive officer, or to another person employed by the business association.

Adequate succession planning is important to developing and realizing corporate strategy; it also plays a major role in corporate governance and is a significant element in the sustainability of the company's smooth operation. A fundamental part of succession planning is the identification of persons who are candidates to fulfill key executive positions in the future.

Succession planning does not, however, curtail the right of the shareholders' meeting to elect the members of the Board. The objective is to be dealt with the issue and to prepare the draft resolutions to be submitted to the shareholders' meeting.

1.10. *External Advisor*

1.10.1. In addition to using the independent auditor required by law, the Board of Directors, the Supervisory Board and other Committees shall be authorized to use the services of external advisors when their use is appropriately justified.

Section 42.

(1) In the case set forth in Section 41, the business association shall have the authenticity and legal compliance of the report prepared pursuant to the Accounting Act examined by the auditor. Without a statement of opinion by the auditor, the business association's supreme body may not decide on the report prepared pursuant to the Accounting Act. Furthermore, the auditor shall examine all substantial business reports proposed to the business association's supreme body from the point of view of whether such contain true data and comply with all legal regulations.

(2) The auditor may inspect the books of the business association, may request information from the executive officers, supervisory board members and employees, and may examine the bank account, the petty cash, the stocks of securities and goods, and the contracts of the business association.

Section 43.

(1) A founder or member (shareholder) of the business association may not be an auditor. Neither executive officers, supervisory board members, close relatives of such [Paragraph b) of Section 685 of the Civil Code] nor employees of the business association for a period of three years after termination of such capacity, may be elected as auditors.

(2) If the auditor is an economic organization, in addition to the person pursuing the activity of the auditor, the regulations related to personal conflict of interest shall also be applied to all members (shareholders), executive officers and managerial employees of the economic organization.

(3) The person responsible for the audit may not be commissioned to carry out any other work for the business association. Similarly, an auditor economic organization

The Board of Directors and the Supervisory Board may occasionally consider commissioning external advisors who can assist them in their duties, or offer special expertise and advice on issues regarding company operations.

Following common international practice, the charters of the Board of Directors and the Supervisory Board might establish guidelines for such occasions.

In the event the company or its executives give(s) an assignment to the official auditor of the company to provide other professional services as well, the Board of Directors and the Supervisory Board shall be notified in all cases when the fee for the services, the type of the service or any other circumstance may result in significant additional expenses for the owners or may cause conflict of interest, or affect normal business practices significantly in any other way.

1.10.2. In case the auditing firm or external advisor is assigned to audit an event that has significant bearing on the company's operation, the Board of Directors shall inform the Supervisory Board and the shareholders about the event and the fact of an assignment given to an external auditor. The Board shall pre-determine what circumstances constitute "significant bearing."

may carry out other duties only if the subject of such commission does not concern the duties of the auditor set forth in the contract indicated under Subsection (4) of Section 41.

1.11. **Corporate Affairs**

To ensure adequate communication and timely exchange of information and views between the company and its corporate bodies, shareholders and stakeholders, the following activities should be coordinated:

- press conferences and press releases
- public relations
- investor relations
- legal affairs
- statutory and regulatory compliance
- administration of board meetings
- administration of corporate charters and resolutions

Continuous coordination among these activities and their compliance with the principles of corporate governance is essential, as well as adequate information to the stakeholders on the availability of the persons in charge of the different matters.

A policy should be adopted following internationally accepted corporate governance practices to provide for timely disclosure to and adequate information provision for owners and stakeholders to ensure enhanced transparency and access to public information.

2. Transparency and Disclosure

2.1.1. The Board of Directors adopts guidelines to ensure that all relevant information about the operations of the company and circumstances influencing its share price are disclosed accurately, timely, and in full. The purpose of this is to provide investors with reliable and comparable information, with which they can understand and evaluate the company's performance and business activities, and can make their selection among the investment opportunities. The company's management shall ensure that disclosure practices follow the guidelines adopted by the Board of Directors.

Section 4.

(1) Economic entities shall prepare an annual report - in the Hungarian language - on their operation, as well as their financial and earnings positions, supported by an accounting system prescribed in this Act, following the closing of the books pertaining to the financial year.

(2) The annual report specified under Subsection (1) must give a true and fair view of the holdings of the economic entity and its contents (assets and liabilities), of its financial standing and profit or loss.

(3) Further information must be provided in the notes on the accounts, if the information prescribed by this Act and proper application of accounting principles prove to be inadequate to give a true and fair view in the balance sheet and in the profit and loss account.

Section 95.

(1) The purpose of the business report is to demonstrate the financial and earnings position, and course of business of the undertaking through evaluating the figures contained in the annual report in a manner that provides a fair view reflecting the actual circumstances on the basis of facts from the past and of estimated future data.

(2) The following shall be described in the business report:

a) any significant events and particularly important developments which took place following the balance sheet date;

b) planned development (in line with the development of the business environment, known or estimated, and with the proposed impact of internal policies);

c) figures concerning the acquisition of repurchased own shares and own partnership shares;

d) the area of research and experimental development;

e) business premises.

(3) The business report shall contain a separate explanation of

Transparency and openness about the activities of the different boards and committees are important parts of corporate governance policy. Consequently, the company's disclosure practices may be crucial to the perception of the company.

For an adequate evaluation of the company, shareholders and potential investors need adequate, in-depth, regular, reliable and comparable information. The greater the transparency in the company's operations, the more accurately its share prices can be evaluated. Disclosure about the efficiency of company operations plays a strategic role since it strengthens shareholder- and stakeholder confidence in the company.

In addition, the company's disclosure practices demonstrate to what extent its Directors and Executives are willing to cooperate with the market players and the company's owners.

Insufficient or ambiguous information may shake confidence in the company, its Directors or executive management, to the extent that poor disclosure practices might have an unfavourable effect on fund raising

Besides laws and regulations on transparency and disclosure, a large professional literature explores the relevant issues. One of the main recurring issues is the roles and responsibilities of governing boards with respect to transparency and disclosure.

In addition to compliance with the Companies Act, the Accounting Act (Act C, 2000, on Accounting),

	<p><i>a) any effect of environmental considerations on the undertaking's financial standing, and the undertaking's environment-related responsibilities;</i></p> <p><i>b) environmental protection related projects, completed and planned, and any aid in connection therewith;</i></p> <p><i>c) the undertaking's policy in terms of the means of environmental protection;</i></p> <p><i>d) the introduction of measures relative to environmental protection and the current status of such measures.</i></p> <p><i>(4) The business report shall be prepared in the Hungarian language, and shall be signed by the undertaking's authorized representative, with the place and date indicated.</i></p>	<p>the Act on Capital Markets, and with the provisions of the Budapest Stock Exchange rule book, the management boards and the operative managers of the company must continuously ensure that the company's disclosure guidelines are followed, in line with the corporate governance principles.</p> <p>Recommendations on disclosure touch on certain areas that should be taken into account in developing disclosure guidelines and procedures. The list of areas is not exhaustive, it only serves as a pointer for those responsible for developing transparency and disclosure guidelines and rules.</p>
<p>2.1.2. In establishing the basic principles of disclosure, the endeavour shall be that the system and procedures of disclosure, established on the base of these basic principles ensure the disclosure of the information intended for disclosure within the shortest possible period of time.</p>		<p>For the sake of fast and effective disclosure, it is recommended that the company develop forms of electronic and Internet-based disclosure. The company's own website could be designed to accommodate disclosure and to inform shareholders. The current recommendations suggest that the place of disclosure normally be the company's website, complemented in certain cases (listed in the recommendations) by disclosure in the annual report.</p> <p>Information with bearing on the company's operations and its share prices shall be disclosed, in the best interest of investors, as soon as possible, promoting market efficiency and eliminating the chance for insider trading.</p>
<p>2.1.3. The Board of Directors shall determine methods by which it measures the significance of company events and new businesses in order to continuously inform the shareholders. In the course of an annual review, the Board shall assess the efficiency of the</p>	<p style="text-align: center;"><i>Section 154.</i></p> <p><i>(2) Employees and members of an undertaking may inquire about the annual report, the simplified annual report and the simplified report at the registered office of the undertaking, or at the registered office of the parent</i></p>	<p>The company disclosure policy shall cover at least the following areas</p> <ul style="list-style-type: none"> ▪ Corporate objectives ▪ Operational and business results

<p>disclosure procedures and report on them to the shareholders in the company's annual report.</p>	<p><i>company in respect of the consolidated annual report; these documents shall be available to all without any discrimination....</i></p> <p><i>(10) The business report that is not part of the annual report, the consolidated business report shall be available for review to all interested parties without discrimination, and for making copies thereof in part or in whole, at the registered office of the undertaking, or at the registered office of the parent company.</i></p>	<ul style="list-style-type: none"> ▪ Members of the boards and the executive management, principles of their remuneration ▪ Risk factors affecting the company and the risk management principles of the company ▪ Relevant information on employees and other stakeholders ▪ Corporate governance practices, the structure of the corporate governance system ▪ Ownership structure
<p>2.1.4. The public shall be informed about the company's corporate strategy, its main business activities, business ethics and its policies regarding other stakeholders.</p>		<p>It is recommended that the company disclose its main goals, ethical guidelines, environmental protection and community relationship strategies and policies. This enables shareholders and potential investors to form an accurate judgment of the company and its relationship to the community, as well as evaluate its character and significance more effectively. The company's strategic objectives have to be disclosed in the annual report as well.</p>
<p>2.1.5. Published financial information must reflect the company's actual situation. All published information shall be uniform and compliant with the laws in effect and other regulations, to be guaranteed by the Board of Directors, through the system of internal controls.</p> <p>The Board shall declare its responsibility in connection with the financial statements and the data and declarations contained in the annual report, and that it has not hidden any facts relevant to the overall assessment of the company's situation.</p> <p>The Board shall, in the annual report, disclose the character and size of any other assignments given to the auditing firm in charge of auditing the financial</p>	<p style="text-align: center;"><i>Section 155.</i></p> <p><i>(1) The purpose of an audit is to ascertain that the annual report, simplified annual report, or consolidated annual report of an undertaking has been drawn up in accordance with the provisions of this Act and, accordingly, provides a true and fair view of the financial and earnings position and of the operations of the undertaking (and that of the undertakings included in the consolidation). The audit shall also investigate whether there is agreement between the annual report, the consolidated annual report and the associated business report.</i></p>	<p>The company's financial statements and business reports are the most widely used tools for its evaluation. Consequently, the company shall make every effort to provide reliable and true information.</p> <p>It is recommended that the company's financial reports follow IAS/IFRS guidelines. The company shall make sure that a cooperation between the auditor and the internal controls result in the most effective auditing procedure.</p>

statements.

Capital Market Act Section 53.

(2) Yearly and half-yearly flash reports and annual accounts shall have a declaration attached in which the issuer guarantees that all data and information contained therein are true and correct, and that it contains all information necessary for investors to make an informed judgement of the issuer.

2.1.6. The company shall disclose information on the professional career of the members of the Board of Directors, of the Supervisory Board and of the executive management of the company, as well as the guidelines for the evaluation of their performance and for the establishment of their remuneration. The disclosure shall contain the amount of the aggregate remuneration of the Board of Directors, and the Supervisory Board detailing the fixed and variable elements, any other benefits and a debriefing of the guidelines for the remuneration system.

2.1.7. The Board of Directors shall disclose the risk management guidelines ensuring that all risks of essential internal and external operations, financial and legal compliance and other risks are evaluated and managed adequately by a stable internal mechanism. The disclosure shall include the review of adopted risk management policy and main areas of risk management. It is the Board of Director's responsibility to provide information to shareholders, at least once a year in the annual report, on the risk factors relevant to the company's operations and business activities.

2.1.8. The Board of Directors shall declare to what extent does it actually adopts corporate governance set out in the present recommendations.
The Board of Directors is responsible for the

Shareholders need information with which they can evaluate and judge the performance of the Board of Directors, the Supervisory Board and executive management. Remuneration plans of the Directors and Executives shall take into account shareholders' interest.

The Board of Directors is responsible for the company's risk management and is mandated to evaluate the efficiency of risk management procedures. To ensure adequate company operations, the Board of Directors shall identify major risk areas.

It is recommended that the Board of Directors develop its risk management policy with the cooperation of those executives who are responsible for the design, maintenance and control of risk management procedures and their integration into the company's daily operations.

For the adequate information of the market players, simultaneously with the publication of the annual report the company shall disclose its position on corporate governance. The disclosure shall include

disclosure of corporate governance guidelines, regulations and the company's Charters. If the company has a code of ethics, the Board is recommended to disclose it as well.

2.1.9. The company shall disclose its guidelines regarding insider trading.

Members of the Board of Directors, the Supervisory Board, and executive management are obliged to report their transactions in company shares. The share of these individuals the securities issued by the company, as well as the extent of their involvement in the equity-based incentive system shall be indicated in the annual report.

2.1.10. Without a violation of the confidentiality rules, in the annual report, any relationships of the members of the Board of Directors and of the executive management with any third parties that might influence the operation of the company, shall be disclosed.

2.1.11. In the interest of certain shareholders and stakeholders who require communication in a language different from the official language of the

Annex 6 to Capital Market Act

16) any changes in management positions and any holding of a newly appointed executive officer in the issuer's securities, (...)

18) any changes in the quantity of the issuer's securities held by the issuer's executive employees,

the guidelines for corporate governance, based on which the Board of Directors provides for the efficient operation of the Company.

The Stock Exchange has issued a questionnaire (Appendix 2) that contains statements and information in response to some of the recommendations. Using the questionnaire, companies can make clear statements about the degree their corporate governance and practices comply with the recommendations, and in case of differences, they shall furnish an explanation (comply or explain)

The company shall disclose the factors that can lead to conflicts of interest in regard to Directors and executive management. Such factors include membership on another company's Board, or business ties to a third party that might affect independence.

In the interest of foreign investors, English can be used in disclosures as it is the generally accepted language in international financial relations. If

company, we recommend that disclosures be released in English as well.

2.1.12. The company shall make efforts for the disclosures to be available at low cost to all shareholders at the same time.

2.1.13. In providing information, the company shall ensure that all shareholders, market players receive equal treatment.

English is not suitable as the language of communication for some major or principal owner, a language of his/her choice shall be used. In case of discrepancies between the company's language and the foreign language of communication, the company's language takes precedence.

To reduce the potential for insider trading, disclosure shall be carried out to all stakeholders at the same time and on the base of the same principles.

The company shall not accord preferential treatment to any one group of shareholders over others. This shall be observed especially at press discussions, analyst meetings or conferences.

3. The Shareholders' Rights and Treatment of Shareholders

3.1.1. The Board of Directors shall ensure that all voting practices and the treatment of shareholders comply with the laws and regulations in force, the company's Articles of Association, the resolutions of the Shareholders' Meetings, and the Board's charter.

Section 51.

(1) Members (shareholders) representing one-tenth or more of the votes may at any point in time request that the business association's supreme body be convened, indicating the reason and the purpose thereof. The articles of association (deed of foundation, statutes) may also grant this right to members (shareholders) representing a smaller proportion of the votes. If the management does not comply with this request within a period of thirty days, upon the request of the members making the proposal, the court of registration shall convene the meeting of the business association's supreme body within a period of thirty days after the submission of a request to this effect. There shall be no appeal against a judgment of the court of registration admitting such a request.

Section 220.

(1) Shareholders in possession of the shares, or the certificate of deposit or certificate of ownership set forth in the statutory provisions on securities, and for registered shares, following entry into the register of shareholders shall be entitled to the exercise the rights set forth in this Chapter.

(2) One share may have several owners who shall qualify as one shareholder in respect of the company limited by shares; their rights may only be exercised by their joint representative and they shall bear joint and several liability for the obligations due from such shareholders.

Section 227.

All shareholders are entitled to participate, to request information and to make remarks at the general meeting. Shareholders are entitled to make proposals and, if holding shares with voting rights, to vote.

The main objective of corporate governance is the protection of shareholders' interest. Consequently, procedures that promote the protection of these interests are especially important.

Beyond the requirements of the Companies Act, areas enlisted in the recommendations further contribute to the establishment of protocols that serve shareholders' interest.

It is important that the rights of minority shareholders be represented adequately. In the event the Board of Directors receives claims provided by laws from the minority shareholders, the Board shall properly treat those claims, even if some of its directors have been delegated by majority shareholders.

<p>3.1.2. The Board of Directors adopts measures to ensure shareholders' rights in compliance with the laws in force, the company's Articles of Association, the resolutions of the Shareholders' Meetings and the Board's charters.</p> <p>3.1.3. Shareholders shall be able to participate in decisions</p>	<p style="text-align: center;">Section 229.</p> <p>(1) With the exceptions set forth in this Act, voting rights attached to shares shall be determined by the face value of such shares.</p> <p>(2) For registered shares, the statutes of a public company may stipulate the maximum level of voting rights which may be exercised by a single shareholder. When establishing maximum voting rights, shareholders must not be discriminated against in any way.</p> <p>(4) Within the framework of this Act and the statutory regulations on securities, the method of exercising voting rights shall be set forth in the deed of foundation (statutes). The statutes of a public company may stipulate that shareholders of registered shares may exercise their voting rights only if entered into the register of shareholders at least sixty days in advance of the date of the general meeting.</p> <p style="text-align: center;">Section 230.</p> <p>(1) Shares representing one-tenth or more of the votes may, indicating the reason thereof, request the board of directors in writing that a certain issue be placed on the agenda. The deed of foundation (statutes) may grant this right to shareholders representing the smallest possible proportion of the votes.</p> <p>(2) Shareholders may exercise their rights under Subsection (1) within a period of eight days after receipt of the invitation to the general meeting, or the publication of the announcement on calling the general meeting.</p> <p style="text-align: center;">Section 220.</p> <p>(3) Shareholders holding shares belonging to the same series of shares shall not be discriminated against in any way in connection with the exercise of their shareholders' rights.</p>	<p>When preparing these rules, it is recommended to take into account the Recommendations on Shareholders' Meetings prepared by the Budapest Stock Exchange.</p> <p>Although it is not required by law, under all</p>
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that have a major effect on the corporate strategy and the operations of the company (in the form of attending the Shareholders' Meetings). Therefore, it is recommended that their approval be solicited about any measures that result in fundamental changes.

3.1.4. Shareholders shall be informed about the time, place and agenda of shareholders' meetings in due time. The place and time of the shareholders' meetings shall be determined so that shareholder participation be not hindered in any way. Board proposals and draft resolutions on the agenda shall be made available to shareholders prior to the meeting. Minutes of the meeting shall also be made available to shareholders within 30 days.

Section 220.

(4) Shareholders' representatives acting on the basis of the statutory provisions on securities shall exercise shareholders' rights in respect of the company in their own name and for the benefit of the shareholder.

Section 228.

(1) The board of directors shall provide the necessary information to all shareholders in connection with the items placed on the agenda of the general meeting, in the case of a close company, upon the discussion of the item, whereas for a public company, upon the request of shareholders submitted at least eight days in advance of the date of the general meeting. The board of directors may deny such information only if, in its opinion, provision of such would infringe upon the business secrets of the company. The information shall be provided even in this case if a resolution of the general meeting obliges the board of directors thereto.

(3) A public company shall publish the documents set forth in Subsection (2) at least fifteen days in advance of the general meeting in accordance with the provisions of the statutes on the publication of announcements by companies limited by shares.

Section 234.

circumstances, nevertheless, shareholders shall be enabled to participate in major strategic decisions and not just be informed of them. This may be done through the approval of the company's business strategy to be followed at the shareholders' meeting, or through the approval of certain business decisions at shareholders' meetings before or after they are made. Some of these include activities that have significant impact on the company's operations, or that are realised with terms different from the market conditions.

The shareholders' meeting shall actually be the most important forum representing shareholders' interests. The shareholder's meeting shall be more than just a formal venue where shareholders cannot exercise their rights properly because the meeting's time and location are unacceptable to them. It is equally important that shareholders receive all relevant proposals and drafts in writing and in a timely fashion so necessary deliberations can take place and decisions made.

It is recommended that the companies, when calling and administering the Shareholders' Meetings, take into consideration the BSE recommendations regarding shareholders' meetings.

3.1.5. It is recommended that an investor relations department be established to ensure ongoing communication with shareholders in order to comply with the transparency and disclosure guidelines.

3.1.6 The company shall disclose its policy regarding anti-takeover devices to assure shareholders that these devices will not hinder a merger or acquisition of the company, if this serves a strategic interest of the Company.

(3) The general meeting shall be called according to the method set forth in the deed of foundation (statutes), in the case of a close company, by means of invitations sent to the shareholders at least fifteen days in advance of the first day of the general meeting, whereas in the case of a public company, by means of the announcement published according to the provisions of the statutes at least thirty days in advance of the first day of the general meeting.

(4) Such invitation or announcement shall contain the following:

- a) the company name and registered office of the company;
- b) the place and time of the general meeting;
- c) the agenda of the general meeting;
- d) the conditions for exercising voting rights, as stipulated in the statutes;
- e) the place and time of the repeated general meeting in the event of failure to have quorum.

Section 239.

(3) A certified copy of the minutes of the general meeting or an abstract thereof, the attendance sheet, and one copy of the publication containing the announcement on calling the general meeting shall be submitted to the court of registration by the board of directors within a period of thirty days after the end of the general meeting.

4. The Role of Stakeholders in Corporate Governance

<p>4.1.1. The Board of Directors shall always respect the rights of all stakeholders provided by laws, including its employees, creditors, clients, suppliers, and the local communities. It is widely believed that shareholder interests can be best served if the interests of other stakeholders are equally respected.</p>	<p style="text-align: center;">Section 154.</p> <p>(10) The business report that is not part of the annual report, the consolidated business report shall be available for review to all interested parties without discrimination, and for making copies thereof in part or in whole, at the registered office of the undertaking, or at the registered office of the parent company.</p>	<p>Corporate governance means accepting the challenge of social responsibility as well. Companies are advised to devote their attention to larger social issues, above and beyond the narrow ownership interests. Consumers, employees, suppliers and the whole of the community where the company operates all have specific ties to the company so it might be worthwhile to get them involved in the process of corporate governance in some form.</p>
<p>4.1.2. It is recommended that companies publish a Code of Ethics that define the ethical guidelines accepted and applied by the company.</p>		<p>Today, most major companies have adopted a Code of Ethics that defines the standards of conduct and procedures that the company applies. These function as important guides for both the internal and external relationships of the company. In most major companies, it is primarily the employees who need these guidelines regarding standards of conduct.</p>
<p>4.1.3. The Board of Directors shall make every effort to perform its duties in a socially responsible manner. This means that its decisions shall take into consideration the interests of employees, creditors, clients, suppliers, the working and natural environments, and local communities, and it shall consider the impact of those decisions on all stakeholders.</p>		<p>Large companies can have a major impact on the life of a particular region. Therefore, a given decision should take into account, to the extent possible, the influence it may have on the life of a region or of the settlements and communities within it.</p>

RECOMMENDATIONS ON SHAREHOLDERS' MEETINGS

The Objective of the Recommendations

In recent years, officials of the Budapest Stock Exchange Company Limited by Shares (BSE) have visited Shareholders' Meetings of the listed issuers regularly and have encountered procedures whose elimination would let these meetings better comply with the claims of shareholders and potential investors.

The Recommendations aim to establish principles, in compliance with relevant laws, that provide a basis for future Shareholders' Meetings carried out on this basis to support the validation of the shareholders' interests, to take into account the interests of potential investors, and facilitate the decision-making process.

The Recommendations on the Shareholders' Meetings is a supplement to the Corporate Governance Recommendations and is published as part thereof.

1. Recommendations on Procedures Prior To Meetings

- 1.1 The call of the Shareholders' Meeting, the disclosure of the documents to the agenda of the meeting shall take place in compliance with relevant laws and regulations, taking into consideration shareholders' interests, in a way to ensure the ability for each shareholder to prepare for the meeting appropriately. It is recommended that the company provides access to the rules regarding the administration of the meetings and the exercise of the voting rights by its shareholders.

If the company has a website, all relevant information is recommended to be also published there, for shareholders and other interested parties. Information about the meeting includes the document mentioned above; the Articles of Association; the official invitation to the meeting; the meeting's agenda, including proposals and draft resolutions; passed resolutions and minutes of the meeting. The company shall send all relevant information about the meeting electronically to any shareholder who properly requested it (based on positive identification).

It may be useful that the company website offer a forum for both shareholders and other interested parties to facilitate communication among them, and between them and the Company.

- 1.2 The meeting has to ensure, in compliance with relevant laws and regulations, that all absentee shareholders can exercise their rights and receive adequate representation through proper authorization (for example through nominee or a Power of Attorney issued by the shareholder). If the Company introduces requirements for absentee shareholder in addition to those required by law, they have to appear in the official invitation.
- 1.3 It is recommended that the Board of Directors include the Company's auditor at least to the board meetings establishing the agenda for the Shareholders' Meeting.
- 1.4 In the event that shareholders request an addition to the agenda in due time and in compliance with relevant laws and regulations, the Board of Directors shall make a decision – preferably within three days - and inform the market players of its decision – preferably within two days - by the publication of the additions. Should the Board of Directors refuse the request of the shareholders and decline to implement any addition to the agenda, it is recommended to publish the decision within two days as well, with the reasons for the refusal.
- 1.5 It is recommended that the Shareholders' Meeting conducted at a time and place that ensure the greatest shareholder participation possible at the simplest manner. It is recommended that the Shareholders' Meeting to start in the morning or early afternoon on a weekday.

A Meeting initiated by shareholders is recommended to hold at a date requested by the shareholders, in compliance with the above.

- 1.6 To ensure that the meeting is conducted in a timely and adequate manner, the Company shall make necessary preparations for the voting, making sure that the decisions to be made by shareholders are defined clearly and unambiguously. If the Board of Directors expects the number of participating shareholders to exceed 25, the Company should consider the option of electronic voting whose integrity and reliability the Board of Directors is responsible for.
- 1.7 The Company cannot issue requirements for participation that could block certain shareholder's participation. Any shareholder who owns Company share on the day of the Shareholders' Meeting appears on the E-5 day share register update prepared and submitted by KELER Rt to the Company can exercise its right to participate and vote at the Meeting.
- 1.8 The Company shall make available proposals and draft resolutions of the upcoming Shareholders' Meeting that have been examined and approved by the Board of Directors and the Supervisory Board one day following their preparation publish on the Company's website as well as on the Budapest Stock Exchange website, in order to inform all shareholders and market players and assist them in the well-founded decision-making process.
- 1.9 In the event the Board of Directors considers the publication of the entire text of any given proposal a violation of confidentiality rules for shareholders and market players, limited disclosure shall be provided to shareholders and market players in lieu of the full text. It is recommended that the limited disclosure refer to confidentiality rules that would be violated by the publication of the full text, but it shall contain all necessary information that can be made available to shareholders and market players without violating confidentiality rules.
- Using the violation of confidentiality rules for limiting disclosure is not permitted with respect to certain data and facts whose publication (in the annual report, prospectus, and other disclosures) is required by the Hungarian Companies Act, the Accounting Act, the Capital Market Act, as well as BSE rules.
- 1.10 It is recommended that the Articles of Association stipulate that proposals for the Shareholders' Meeting - submitted by either the Board of Directors or the shareholders -be made available to all shareholders and market players ten days prior to the meeting in order that the shareholder could require information in a timely manner, in accordance with Section 228 (1) of the Companies Act. In the event there are relevant provisions in the Articles of Association but the Board of Directors is unable to meet this requirement, it has to make a disclosure about the fact and its justification for noncompliance.

- 1.11 The Articles of Association may stipulate that proposals by the Board of Directors or the shareholders that have not been made available to all shareholders within the required timeframe would not be discussed at the meeting.
- 1.12 The definition of the proposals on the agenda as well as the process of their submission shall be clear and unambiguous leaving no room for different interpretations. It is recommended that the Board of Directors should not, either at its own initiative or that of the shareholders, include in the agenda the discussion of issues that have not been clearly defined. It is recommended that the proposals contain the draft resolutions and their justifications prepared by the Board of Directors, as well as the Supervisory Board's opinion and its explanation of the decisions' impact.
- 1.13 Shareholder comments and suggestions for modifications of the proposals is recommended to be published by the Company the same way as proposals, within two days after receiving them and prior to the meeting, providing access to all shareholders and market players.

2. Recommendations on Conducting the Shareholders' Meeting

- 2.1 The Chairman of the Shareholders' Meeting is responsible for compliance with regulations, for the Shareholders' Meeting's smooth execution, and for assuring that shareholders' can fully exercise their rights. The Chairman of the Meeting shall be familiar with the Company's operations, with its Articles of Association, and all the provisions governing Shareholders' Meetings. It is highly recommended that the Chairman of the Meeting be a member of the Board of Directors or an individual previously appointed by the Board. The Chairman of the Shareholders' Meeting shall be elected by the Meeting prior to the discussion of the agenda. Unless the person of the Chairman of the Meeting is elected, the Meeting cannot pass relevant resolutions regarding the issues on the agenda.
- 2.2 The Board of Directors and the Supervisory Board shall be represented at the Meeting to respond to questions by participants. In the event the Board of Directors and the Supervisory Board are not represented at the Shareholders' Meeting, the Chairman of the Meeting shall disclose the fact and give an explanation for their absence, before discussion of the agenda begins.
- 2.3 The Chairman of the Board may invite anybody to the Meeting and accord him or her the right to make statements if, according to his opinion, that person's presence and expert opinion is important for providing information to the shareholders and for a more effective decision-making. In the event the shareholders wish to invite a third party to discuss the additional agenda they previously requested in writing, the Chairman of the Board shall invite that person and accord him or her the right to participate in the discussions.
- 2.4 The Shareholders' Meeting is the most important venue for communicating with shareholders and exchanging views. The Company cannot restrict the shareholders' right to request information, make statements or proposals, and it cannot set any preconditions for their exercising those rights. Shareholders participating at the Shareholders' Meeting shall have equal ownership rights in accordance with the same guidelines. For a more effective Shareholders' Meeting, shareholders may be notified of the opportunity to submit written requests to make statements; however, their right to make statements at the meeting cannot be restricted for lack of a written request.

While taking into account shareholders' rights, the Chairman of the Meeting shall ensure that the remarks, proposals, and comments do not obstruct the smooth conduct of the Shareholders' Meeting or result in its extension. It is recommended that the regulations on the right of the Chairman of the Meeting to maintain the Shareholders' Meeting's integrity be defined in the Articles of Association.

In the event certain questions at the Shareholders' Meeting cannot be satisfactorily answered by the representatives of the bodies of the Company or by the Company's auditor, the Chairman of the company shall make arrangements for the answers to be published within 3 days following the Shareholders' Meeting, unless company interests warrant otherwise. Should the Company refrain from offering answers, an official statement shall be published containing a detailed explanation within 3 days following the Shareholders' Meeting.

- 2.5 The Chairman of the Meeting shall ensure that in responding to questions at the Meeting the disclosure principles of Hungarian laws and regulations and BSE regulations shall not be violated.
- 2.6 It is recommended that the representatives of the media be allowed to participate at Shareholders' Meetings. In the event the information required to pass resolutions is confidential, the media can be excluded from the Meeting, but a press conference shall be held in 1 hour after the Meeting to inform market players of all decisions.
- 2.7 In the event shareholders have not had the opportunity before the day of the Shareholders' Meeting to get informed about comments or modifying proposals related to any given issue on the agenda, it is recommended that the Board of Directors make them available to shareholders at least two hours before the start of the Shareholders' Meeting at the venue of the Shareholders' Meeting.
- 2.8 In the event an initiative or proposal relating to a particular issue on the agenda has been submitted but which the shareholders haven't had a chance to get informed about, it is recommended that the Chairman of the Meeting temporarily suspend the Meeting at his own discretion (taking into account the extent and complexity of the initiative or proposal) thereby providing sufficient time for shareholders to form an opinion on the issue. The temporary suspension of the Shareholders' Meeting by the Chairman of the Meeting cannot result in the disruption of the Shareholders' Meeting. It is recommended that the provisions governing the right of the Chairman of the Meeting to do so be defined in the Articles of Association.
- In the event the Chairman of the Meeting finds that the significance of an initiative or proposal warrants it, he may suggest that the Meeting be postponed to serve shareholders' interests to make well-informed decisions. It is recommended that the regulations governing the right of the Chairman of the Meeting to do so be defined in the Articles of Association.
- 2.9 Decisions on board members shall not be made in combined votes; each nomination shall be decided in separate resolutions. In case of nominations initiated by a shareholder, information on the nominee has to include the name of the initiating shareholder.
- The Shareholders' Meeting shall vote on each nominee even if the number of nominees exceeds the number of membership positions to be filled. In the event the number of elected nominees exceeds that of the available seats, additional polls have to be conducted until the number of votes clearly determines the identity of the elected members.
- 2.10 Concerning the modification of the Articles of Association, the Shareholders' Meeting has to pass a separate resolution to determine whether to decide on each modification by individual votes, joint votes, or votes combined in a specific way, to ensure the smooth and efficient execution of the meeting.

3. Recommendations on Concluding the Shareholders' Meeting

- 3.1 Unless the Shareholders' Meeting regulates the manner of dividend payments, the Board of Directors may pass a resolution on paying dividends only when the amount of the dividends is known. Payment of dividends can only begin only twenty workdays after the publication of the resolution on paying dividends.
- 3.2 If a shareholder has submitted all necessary information and documentation, the Company has to make arrangements for the payment of dividends within 10 workdays, if feasible.
- 3.3 It is recommended for the company to prepare and publish the minutes of the Shareholders' Meeting within 30 days after the conclusion of the Shareholders' Meeting. To preserve the integrity of the briefings, statements, comments, and resolutions, it is recommended that audio recordings made at the Meeting be used to assist the preparation of the minutes.
- 3.4 It is recommended that shareholders have an opportunity to attach to the minutes exclusively the written versions of their comments made at the Shareholders' Meeting. The Chairman of the Meeting shall inform participants of this opportunity before discussion of the agenda items begins.

CORPORATE GOVERNANCE RECOMMENDATIONS

APPENDIX 1.

Declaration
in connection with the Corporate Governance Recommendations
(the “Recommendations”)
published by the Budapest Stock Exchange Company Limited by Shares
regarding Corporate Governance Practices

The Board of Directors of [.....] Company Limited by Shares (the Company) in its resolution/200 . declares/declared the following:

The Board of Directors of the Company is familiar with the Corporate Governance Recommendations published by the Budapest Stock Exchange Company Limited by Shares dated December 8, 2003 and basically agrees to it. The Board of Directors of the Company will make an effort to comply with the Corporate Governance Recommendations published by the Budapest Stock Exchange Company Limited by Shares in the operation and management of the Company.

Date

[The execution/authentication of the document shall comply with the requirements of the Articles of Association and/or the Charter of the Board of Directors of the Company.]

CORPORATE GOVERNANCE RECOMMENDATIONS

APPENDIX 2.

.../200.. Resolution of the Board of Directors*

DECLARATION

in connection with the Corporate Governance Recommendations (dated December 8, 2003) published by the Budapest Stock Exchange Company Limited by Shares regarding corporate governance practices

The Board of Directors of [.....] Company Limited by Shares (the “Company”) in its resolution No...../declares/declared as set forth below and provides/ provided the following information in the name of the Company:

1. to Section 1.1.2 of the Recommendations

The mission of the Board of Directors covers matters set forth in this Section.

Yes (Complies)

No (Please explain)

The Board of Directors established its Charter.

Yes (Complies)

No (Please explain)

2. to Section 1.2.2 of the Recommendations

The Supervisory Board established its Charter and work schedule.

Yes (Complies)

No (Please explain)

3. to Section 1.3.2 of the Recommendations

Minutes have been prepared on meetings of the Board of Directors and the Supervisory Board, respectively, and resolutions had been properly administered.

Yes (Complies)

No (Please explain)

* in the absence of a Board resolution 2 member of the Board of Directors may sign jointly the declaration as an alternative

4. to Section 1.6.1. and Section 2.1.6 of the Recommendations

The Board of Directors has prepared the guidelines regarding the evaluation and remuneration of the management.

Yes (Complies)

No (Please explain)

The Board of Directors has published the guidelines regarding the evaluation and remuneration of the management.

Yes (Complies)

No (Please explain)

(when, where)

5. to Section 1.7. of the Recommendations

An independent internal audit department (independent internal control) functions at the Company.

Yes (Complies)

No (Please explain)

The independent audit department has an auditing plan approved by the Board of Directors or the Supervisory Board.

Yes (Complies)

No (Please explain)

6. to Section 1.10. of the Recommendations

The shareholders' meeting and the Supervisory Board have been informed about the fact that the outside audit firm of the Company received a material assignment in addition to the audit.

Yes (Complies)

No (Please explain)

No material assignment.

7. to Section 2.1.1. of the Recommendations

The guidelines for disclosures have been prepared by the Company.

Yes (Complies)

No (Please explain)

8. to Section 2.1.4. of the Recommendations

The Board of Directors published its actual business strategy.

Yes (Complies)

No (Please explain)

(when, where)

9. to Section 2.1.6. of the Recommendations

The Company published in accordance with Section 2.2.6 of the Recommendations the information relating to the career of the members of the Board of Directors, the Supervisory Board and executive management.

Yes (Complies)

No (Please explain)

(when, where)

10. to Section 2.1.7. of the Recommendations

The Company published in accordance with Section 2.1.7 of the Recommendations its risk management guidelines.

Yes (Complies)

No (Please explain)

(when, where)

11. to Section 2.1.9 of the Recommendations

The Company published its guidelines on insider dealings.

Yes (Complies)

No (Please explain)

(when, where)

12. to Section 2.1.10. of the Recommendations

The Board of Directors published in accordance with Section 2.1.10 of the Recommendations information regarding the relationships of the directors and members of the management with third parties.

Yes (Complies)

No (Please explain)

(when, where)

Information and other notes

1. to Section 1.3.1. of the Recommendations

The Board of Directors held with % average participation ratio (number of meetings in the business year of

The Supervisory Board held with % average participation ratio (number of meetings in the business year of

2. to Section 1.5.2. of the Recommendations

The ratio of the independent directors compared to the total number of directors: ...% independent.

3. to Section 1.5.5. of the Recommendations

The ratio of the independent Supervisory Board members to the total number of Supervisory Board members: ...% independent

4. to Section 1.8. of the Recommendations

At the Company the below board committees held the below number of meetings per committee in the business year of

5. to Section 3.1.4. of the Recommendations

In preparing and holding the shareholders' meeting at the Company the relevant recommendations on preparation and holding of shareholders' meeting had been taken into account in the business year of

6. The Company established a Corporate Governance Code.

Yes No

(available at....)

7. The Company established a Code of Ethics.

(available at ...)

Yes No

8. The function of the Chief Executive Officer and the Chairman of the Board of Directors is fulfilled by the same person.

Yes No

Date

The execution/authentication of this document shall comply with the requirements of the Deed of Foundation of the Company and/or the Charter of the Board of Directors of the Company.

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