

CORPORATE GOVERNANCE RECOMMENDATIONS

Prepared by
Corporate Governance Committee
of the Budapest Stock Exchange Company Limited by Shares

Approved by
Board of Directors of the Budapest Stock Exchange
Company Limited by Shares

Budapest, 2007

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INTRODUCTION

Introduction

This version of the Corporate Governance Recommendations ("CGR") replaces the Stock Exchange's earlier Corporate Governance Recommendations, published in February 2004. The new CGR were prepared by the Corporate Governance Committee of the Budapest Stock Exchange led by Mr Gábor Gadó.

Companies listed on the Stock Exchange are required to make a declaration on their application of the amended Corporate Governance Recommendations for the first time regarding the business year of 2007.

The CGR are considered to be an addition to relevant Hungarian legislation (predominantly Act IV of 2006 on business associations, hereinafter Company Act), primarily for listed, public limited companies registered in Hungary. On no account shall recommendations included in the CGR be regarded as recommendations contrary to the provisions of law. The CGR contain recommendations, suggestions and related explanations. The Appendix includes those provisions of the Company Act (in force at the time of the publication of the CGR) which regulate issues of corporate governance (Management Board/Board of Directors ("Managing Body"), Supervisory Board, members' independence, etc.) Those issues regulated by law are not covered by the CGR. However, relevant provisions of law must also be considered when evaluating the corporate governance policy of listed companies registered in Hungary. The CGR - as expressed by the title - make suggestions relating to recommended, applicable practices. Alignment and compliance with the recommendations **are recommended but not mandatory** for companies listed on the stock exchange.

One of the innovations of the Company Act is that public limited companies have the opportunity to establish a one-tier (Anglo-Saxon) board structure, where there is no Supervisory Board operating, and the board called the Board of Directors executes the management and monitoring functions at the same time (unitary board structure). Hereinafter, when the CGR refer to the "Managing Body" of listed companies they do so meaning the Management Board or Board of Directors, as appropriate, and in those cases where the peculiarities of the law require that a distinction is made between the Management Board and the Board of Directors, one is made. Based on the above, recommendations or suggestions relating to the Supervisory Board are only relevant in the case of the dual board structure.

When preparing this version of the CGR we took into consideration the latest recommendations of the European Communities, with special regard to the recommendations of the "COMMISSION RECOMMENDATION of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC)" and the "COMMISSION RECOMMENDATION of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board (2005/162/EC)".

The new provisions of the Company Act have given legal force to the regulation of disclosure obligations regarding corporate governance. In accordance with these, companies are required to submit an annual report on corporate governance to the annual general meeting. In the present amended version of the former CGR, provisions as to disclosure obligations have been developed in more detail and with more sophistication than before.

Companies listed on the stock exchange are required to express their views on their corporate governance practices in two ways. In the first part of the statement they have to give an accurate, comprehensive and easily comprehensible account of the corporate governance practices applied by their company in the given business year, including their corporate governance policy, and a

description of any unusual circumstances. In the second part of the statement, in accordance with the "comply or explain" principle, they have to indicate their compliance with those recommendations included in specified sections of the CGR ("R" - recommendation) and whether they apply the different suggestions formulated in the CGR ("S" - suggestion). In some cases, the CGR also contain explanations ("E" - explanation) which give directions regarding the relevant recommendation or suggestion or the manner of compliance with those contained therein.

It is reasonable to expect that public limited companies apply recommendations included in the CGR, and they are required to provide information as to what extent they follow the recommendations. If the practice followed by the issuer is identical with that included in the section of the CGR that is designated as a recommendation, this is to be indicated by the answer YES. If the issuer does not apply the recommendation or applies it in a different manner, an explanation of what the discrepancies are and the reasons for the said discrepancies should be provided ("comply or explain" principle). This method allows issuers to inform market participants, taking into account specific individual, sector, etc., situations 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 the case of suggestions, companies shall only indicate whether they apply the given guideline or not; there is no need for a specific explanation.

CORPORATE GOVERNANCE RECOMMENDATIONS

(Approved by Board of Directors of the Budapest Stock Exchange Company
Limited by Shares on August 6, 2007)

Budapest, 2007

1. The Shareholders' Rights and Treatment of Shareholders

1.1. General principles

R	1.1.1. The Managing Body should ensure that shareholders receive access to information in time to enable them to exercise their rights.
R	1.1.2. In its equity structure, the company should apply the 'one share - one vote' principle.
E	<p>In accordance with the 'one share – one vote' principle, in public limited companies all shares must have the same voting rights, and each share has to have one vote, which in practice represents a voting right proportionate to the face value of the share. A deviation from the principle exists when:</p> <ul style="list-style-type: none">- a company has more than one equity class;- there are shares with multiple voting rights;- there are non voting shares without preferential rights;- there are voting right ceilings;- there are ownership limitations;- there are preference shares, golden shares.
S	1.1.3. It is suggested that an investor relations department is established to ensure ongoing communication with shareholders in order to comply with the provisions regarding transparency and disclosure, as well as the company's disclosure guidelines.

1.2. Calling the General Meeting

S	1.2.1. It is suggested that the company publishes a summary document on its website in which it makes available the rules concerning the conducting of the general meeting and the manner in which its shareholders can exercise their voting rights (including by proxy). It is recommended that the company make available on its website the forms necessary for voting by proxy or by post.
S	1.2.2. It is suggested that the company makes the current articles of association available on its website.
S	1.2.3. It is suggested that the company, indicating the exact date, make available on its website for which day those authorised to participate in the given corporate event (general meeting, dividend payment, share split, bonus share issue, etc.) is determined (record date). It is suggested that in giving the date, the company also indicates on its website the day when those shares which are eligible for the given corporate event are available for trading for the last time on the regulated securities markets.
S	1.2.4. It is suggested that the company publishes on its website the invitation for each general meeting (indicating where proposals and draft resolutions may be accessed by shareholders), proposals prepared on the different items on the agenda of the given general meeting (comments from shareholders, additional proposals) and proposed resolutions and, following the general meeting, resolutions passed at the general meeting, as well as the minutes of the given general meeting.
S	1.2.5. It is suggested that the general meeting is held at a time and place that ensure the greatest possible shareholder participation in the simplest manner. It is suggested that a general meeting initiated by the shareholders is held taking into consideration the requests of the shareholders taking the initiative.
S	1.2.6. In the event that shareholders request an addition to the agenda in due time and in compliance with relevant laws and regulations, it is suggested that the Managing Body publishes the additions to the agenda in an identical way to the publication of the original invitation to the general meeting, within five days of receipt of the request.

S	1.2.7. To ensure that the meeting is conducted in a timely and satisfactory manner, the company should make the necessary preparations for voting, making sure that the decisions to be made by shareholders are defined clearly and unambiguously. If the Managing Body expects the number of participating shareholders to exceed 25, the company should use the method of electronic voting, for the integrity and reliability of which the Managing Body is responsible.
R	1.2.8. The company should not issue requirements for participation with the intention of preventing the participation of particular shareholders.
R	1.2.9. The description of the items on the agenda and the related proposals should be clearly drafted and unambiguous, leaving no room for different interpretations. It is recommended that the Managing Body does not include in the agenda the discussion of issues that are not clearly definable. In addition to the draft proposal of the Managing Body, proposals prepared for the items on the agenda should include an explanation of the impact of the decision and the opinion of the Supervisory Board .
R	1.2.10. If comments or additional suggestions by shareholders are received regarding proposals published in connection with the items included on the agenda prior to the general meeting, the company should publish them in a similar manner to the proposals within two days of receipt (but two days prior to the general meeting at the latest), thus ensuring that shareholders and market participants have the opportunity of becoming acquainted with them.
S	1.2.11. It is suggested that the company's articles of association prescribe that information related to the general meeting (invitations, proposals, comments, resolutions, minutes) are sent to shareholders requesting it in electronic form.

1.3. Organising the general meeting

S	1.3.1. It is suggested that the person of the chairman of the general meeting be approved by the general meeting before discussion of the agenda items begins.
E	The Chairman of the general meeting is responsible for compliance with regulations, for the smooth execution of the general meeting, and for ensuring that shareholders can fully exercise their rights. The chairman shall be familiar with the company's operations, its articles of association and the provisions governing the general meeting.
S	1.3.2. It is suggested that the Managing Body and the Supervisory Board are represented at the general meeting in order that they can answer any questions that may arise. If they are unable to attend, the chairman of the general meeting should inform the general meeting before discussion of the agenda items begins, giving the reason for their absence.
S	1.3.3. It is suggested that the company's articles of association enable the Chairman of the Managing Body to invite anybody to the general meeting and accord them the right to participate in the discussions if, in his opinion, their presence and expert opinion are important for providing information to shareholders and passing general meeting resolutions. In the event that shareholders find the presence of a third party necessary for the discussion of an additional agenda that they had previously requested, it is suggested that the company's articles of association enable the Chairman of the Managing Body to invite that person and accord him the right to participate in the discussions, if the shareholder has made the request in writing.
S	1.3.4. The company should ensure that shareholders attending the general meeting are accorded the same ownership rights. The company should not prevent shareholders attending the general meeting from exercising their rights to request information, make comments and submit a motion, and shall stipulate no conditions to their exercising these rights, provided they do not hinder the proper conduct of the general meeting.

E	<p>For the sake of the efficient conduct of the general meeting, it is advisable to draw shareholders' attention to the possibility of applying in writing in advance to make contributions, but shareholders should not be limited in their right to contribute by failing to do so.</p> <p>While taking into account shareholders' rights, the Chairman of the general meeting shall ensure that the remarks, proposals and comments do not obstruct the proper conduct of the general meeting or result in its extension. It is suggested that the company's articles of association contain provisions which emphasize this right of the Chairman of the general meeting.</p>
S	<p>1.3.5. In the event that certain questions at the general meeting cannot be satisfactorily answered by the representatives of the company's bodies or by the company's auditor, the chairman of the company should make arrangements for the answers to be published on the company's website within three days of the general meeting, unless company interests warrant otherwise. Should the company refrain from providing answers, an official statement should be published containing a detailed explanation for this, within three days of the general meeting.</p>
S	<p>1.3.6. The Chairman of the meeting and the company should ensure that in responding to questions at the meeting the disclosure principles of Hungarian laws and regulations and BSE regulations are not breached.</p>
S	<p>1.3.7. It is suggested that decisions passed at the general meetings of the company which have significant influence on the company's operations are published in a press release, and, in order to keep market participants informed, that a press conference is held by the company on such decisions within one hour of the end of the general meeting.</p>
R	<p>1.3.8. It is the responsibility of the Managing Body to ensure that written comments on the agenda items of the general meeting are published two working days prior to the general meeting. In the event that shareholders have not had the opportunity before the day of the general meeting to become informed about comments or modifying proposals related to any given issue on the agenda, it is recommended that the Managing Body makes them available to shareholders at least two hours before the start of the general meeting at the venue of the general meeting, but at the time of registration at the latest.</p>
R	<p>1.3.9. If the event that motions or proposals are added to the agenda such that shareholders have no opportunity to be informed about them prior to the general meeting, it is recommended that the Chairman of the general meeting should announce a break following the presentation of the motion or proposal, but before a decision is made, for a length of time at his discretion (in accordance with the length and complexity of the motion or proposal), in order that shareholders have an adequate amount of time at their disposal to form their opinion. The break announced by the Chairman of the general meeting may not hinder the proper conduct of the general meeting. If the Chairman of the general meeting decides that a motion or proposal as outlined above is of sufficient importance, he may propose that the general meeting be suspended to ensure that shareholders can make an informed decision.</p>
R	<p>1.3.10. In the case of general meeting resolutions relating to the election and dismissal of executive officers or members of the Supervisory Board, the Chairman of the general meeting should not hold a combined vote. It is recommended that an individual decision in the case of each candidate is made. In the case of executive officers and members of the Supervisory Board who are nominated with shareholder support, the name of the supporting shareholder should also be disclosed on presenting the candidate.</p>
E	<p>In the case of voting for executive officers or members of the Supervisory Board, the general meeting should vote on each candidate separately (even if the number of candidates exceeds the number of board positions to be filled). In the event that the number of elected candidates exceeds that of the available seats, additional polls should be conducted until the number of votes clearly determines the identity of the elected members.</p>

S	1.3.11. When discussing agenda items regarding the modification of the articles of association, it is suggested that prior to the amendment of the articles of association the general meeting passes a separate resolution on whether, in order to ensure the undisturbed and efficient conduct of the general meeting, it intends to decide on the different amendments of the articles of association by individual votes, joint votes or votes combined in a particular way.
S	1.3.12. It is suggested that the company publishes the minutes of the general meeting containing resolutions, the presentation of draft resolutions, as well as important questions and answers relating to draft resolutions within 30 days of the general meeting. The company may facilitate the preparation of the minutes by making an audio recording of the general meeting. Any shareholder speaking at the general meeting may only attach to the minutes the written version of his comments as made to the general meeting. Before discussion of the agenda items begins, the Chairman of the general meeting shall draw shareholders' attention to this possibility.
1.4. Other	
S	1.4.1. If a shareholder has provided all the information and documents necessary for dividend payment, it is suggested that the company pays the dividend within 10 days.
S	1.4.2. It is suggested that the company discloses 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 the strategic interest of the company.

2. Responsibilities of the Managing Body and the Supervisory Board

2.1. Roles and responsibilities of the Managing Body

R 2.1.1. The responsibilities of the Managing Body cover the following main areas:

- a.) Participation in defining strategic guidelines and developing the relevant strategy, supervision of business and financial plans, the execution of major capital expenditure, acquisitions and divestitures
- b.) After discussion with the Supervisory Board, setting corporate objectives and continuous monitoring of company performance, informing the Supervisory Board about the achievement of these objectives
- c.) Ensuring the integrity of financial and accounting reports
- d.) Defining principles of remuneration for executives, monitoring executive performance, initiating corrective measures if necessary
- e.) Managing cases of conflict of interest, approving the 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 them, as well as compliance with legal requirements
- g.) Defining the mechanism regarding the nomination of the members of the Managing Body
- h.) Recommendations for the remuneration of members
- i.) Determining the basic principles and rules of succession
- j.) Defining guidelines for transparency of corporate operations and for disclosure of information on the company, as well as monitoring compliance with those guidelines
- k.) Continuous overseeing of the efficiency and effectiveness of corporate governance
- l.) Ensuring adequate and timely communication with shareholders

E The definition of the roles and responsibilities of the Managing Body makes clear the division of the tasks between the Managing Body and the management. By keeping in view at all times the best interests of the company, the rights of shareholders and other parties concerned, and, preferably, the interests of other parties concerned, the Managing Body should act with due diligence and care. The overall guidance of the company, as well as ensuring that the strategy approved by the General Meeting is applied, is the responsibility of the Managing Body, and cannot be delegated to the executive management.

S 2.1.2. It is suggested that the rules of procedure of the Managing Body contain the structure of the Managing Body, tasks relating to the preparation and conduct of meetings and the formulation of resolutions, as well as other issues regarding the operation of the Managing Body.

2.2. The Role and Responsibilities of the Supervisory Board (in the case of a dual board structure)

S 2.2.1. It is suggested that the rules of procedure and the work schedule of the Supervisory Board lists the Board's operation and responsibilities, as well as those procedures and processes that the Supervisory Board will follow. The rules of procedure determine the mandate of the Supervisory Board and the procedures by which the executive management and the Management Board supply information.

2.3. Managing Body and Supervisory Board Meetings, Agendas

R 2.3.1. In order to perform their duties, the Managing Body and the Supervisory Board should meet regularly at designated times outlined in their respective work schedules. In addition, in the case of any extraordinary event or matter, they should ensure that these are discussed in good time and that the appropriate decisions are made. The boards should set out the dates and the foreseeable agendas of the meetings in an annual or semi-annual order (work schedule). In their rules of procedure the boards should allow for unscheduled and/or emergency meetings, including decision-making by electronic means.

S	2.3.2. For the sake of timely and effective decision-making, it is the duty of the chairmen of the Managing Body and the Supervisory Board to make the agenda and the proposals available to members at least 5 days prior to the meeting. The meetings should be conducted according to the by-laws; provisions should be made for the recording of minutes, and the handling and storage of documentation of decisions by the Managing Body and the Supervisory Board.
S	2.3.3. It is suggested that the rules of procedure regulate the regular or occasional participation at the meetings of persons who are not members of the Managing Body or the Supervisory Board.(eg. parties concerned, managers, etc.)
2.4. Member of/Membership in the Managing Body and the Supervisory Board	
S	2.4.1. The nomination and appointment of the members of the Managing Body and the Supervisory Board should take place in a transparent process, which ensures that information regarding the person and professional competence of the nominees is available in good time (at least 5 days prior to the general meeting decision). It is suggested that upon the announcement of the nominees, shareholders are informed about the professional competence of nominees, and what relevant knowledge makes the nominees competent to become a member of the given Board (2005/162/EC 11.4.). It is also suggested that the presentation include which other important professional duties the nominees have (functions in other companies)(2005/162/EC 12.2.), and whether they can be viewed by the company as independent (2005/162/EC 13.3.1.).
S	2.4.2. It is suggested that the number of the members of the Managing Body and the Supervisory Board is determined in such a manner that the Boards are able to perform their corporate governance and control function in the most efficient way possible. When determining the size and structure of the Managing Body and the Supervisory Board, an adequate level of professional experience, the right proportion of independent members, and the optimization of costs shall be targeted.
E	The Managing Body and the Supervisory Board should be of sufficient size in order that members are able to represent their views, formulated on the basis of broad professional experience. However, for the sake of effective decision-making, the number of members should be limited in a reasonable manner.
E	The Managing Body consists of executive and non-executive (external) members. The number of non-executive members shall be determined in a way that ensures that their views and decisions may have a considerable effect on the decisions of the Managing Body passed as a board. (An executive member is a person who is employed by the company or a company qualified as the company's subsidiary.)
E	It is the candidates' responsibility to accept membership and be aware of the obligations and duties of membership. Members of the Managing Body and of the Supervisory Board should devote adequate time and effort to the performance of their duties. When accepting further functions or nominations, it is the Board members' duty to decide whether they are able to perform their duties in relation to their current board membership.
S	2.4.3. It is suggested that the company offers a tailored induction programme to newly elected, non-executive Board members, which enables them to become familiar with the structure and operation of the company, as well as with their duties as board members. (2005/162/EC 11.3.)
2.5. Independence of Managing Body and Supervisory Board Members	
R	2.5.1. To ensure the independence of the Management Board, it is recommended that a sufficient number of independent members be elected, who have no significant relationship with the company, its executive management or key shareholders. (2005/162/EC 4.)

E	<p>The appropriate level of independence of the Managing Body should ensure that the Board performs its duties more effectively in the strategic interests of the company, taking into consideration the interests of all shareholders.</p> <p>The Managing Body should pass its decisions objectively, attempting to keep decision-making independent of the influences of the executive management, particular shareholders, or individual members of the Managing Body. This should be achievable if the Managing Body is able to work with sufficient independence from the executive management and key shareholders. The decision-making processes of the Managing Body should ensure that all the members of the Managing Body have the opportunity to express their views on the relevant issue.</p> <p>In order to protect the interests of shareholders (all shareholders) and other stakeholders, the functions of the Managing Body should be subject to efficient and sovereign control.</p> <p>When judging a Board member's independence, certain factors should be considered, including the member's employment, his business relationships, family or personal ties, and any other areas that might result in a conflict of interest.</p> <p>Independence means lack of an important conflict of interest, incompatibility. A member of the Managing Body may be considered independent if in his case there is no such business, family or other relationship that results in a conflict of interest and therefore threatens decision-making. (2005/162/EC 13.1.)</p>
S	2.5.2. In order to separate the responsibilities of the Chairman of the Managing Body from those of the Chief Executive Officer, their responsibilities should be outlined in the basic documents of the company (articles of association, the Board's rules of procedure).
S	2.5.3. If the positions of Chairman and CEO are fulfilled by the same person at the company, it is suggested that the company provides information about the means by which it can be ensured that the Managing Body makes an objective assessment of the work of the executive management. (2005/162/EC 3.2.)
R	2.5.4. At regular intervals, the Managing Body should request confirmation of independence from those of its members who are considered independent. It is recommended that members confirm their independence in connection with the preparation of the annual report on corporate governance. (2005/162/EC 13.3.2.)
R	2.5.5. At regular intervals (in connection with the preparation of the annual report on corporate governance), the Supervisory Board should request confirmation of independence from those of its members who are considered independent. (2005/162/EC 13.3.2.)
S	2.5.6. It is recommended that the general meeting should not elect a person to the Supervisory Board who has previously (in the three years preceding his nomination for membership in the Supervisory Board) held a function in the Management Board or executive management of the company.
R	2.5.7. On the company's website, the company should publish its guidelines on the independence of the Managing Body, and the Supervisory Board, and the applied criteria for independence.
2.6.	<i>Conflict of Interest of Managing Body and Supervisory Board members, insider trading</i>
R	2.6.1. Members of the Managing Body should inform the Managing Body and (if there is one operating) the Supervisory Board (in case of a unitary board structure the Audit Committee) if he (or any other person in a close relationship to him) has a significant, personal interest in a transaction of the company (or of any of the company's subsidiaries).

R	2.6.2. Transactions and commissions between members of the Board and executive management (or persons in a close relationship to them) and the company (or the company's subsidiaries) should be conducted according to the general rules of practice of the company, but, with stricter transparency rules in place. In the case of a transaction outside the normal course of the company's business, the transaction and its terms should be approved by the Supervisory Board or, in the case of a unitary board structure, the Audit Committee.
R	2.6.3. Board members should inform the Supervisory Board (or in the case of a unitary board structure, the Audit Committee), and, if the company has one, the Nomination Committee, if they receive an offer of Board membership or an offer of an executive management position in a company which is not part of the company group. On the basis of the information received from Board members, the company should inform market participants.
R	2.6.4. In order to prevent insider trading, the Managing Body should set up guidelines on information flow within the company, the handling of insider information, and insiders trading in securities and ensure that these guidelines are complied with. It is the responsibility of the Managing Body to ensure that the records concerning persons with access to insider information are kept in accordance with the provisions of the law.
2.7. Evaluation and remuneration for the members of the Managing Body, the Supervisory Board and the Executive Management	
R	2.7.1. The Managing Body, as well as a committee set up from among the members of the Managing Body should establish guidelines and rules ("Remuneration Guidelines") concerning the performance and remuneration of the Managing Body, the Supervisory Board and the executive management. The remuneration guidelines formulated by the Managing Body should be assessed by the Supervisory Board, and the rules of remuneration (and any major changes therein) for the Managing Body and the Supervisory Board should be approved by the general meeting, as a separate item on the agenda. (2004/913/EC 4.1.).
E	It is essential that the performance of key individuals, who play a crucial role in company management and in the determination of company objectives in line with the best interest of shareholders and other stakeholders, be properly evaluated. When determining the remuneration of members of the Managing Body and the executive management, it is suggested that the responsibilities of the given members, the level of their responsibility, the extent to which the company has reached its goals and the company's economic, financial situation are considered.
R	2.7.2. The Managing Body and the Supervisory Board should evaluate the performance of the Board(s) annually. (2005/162/EC 8.)
E	The evaluation encompasses an assessment of the Board and of each Board member personally. This should involve an assessment of the competence of each member (and of the Board committees), and an assessment of how well the Managing Body, and Supervisory Board have fulfilled their tasks.
R	2.7.3. The responsibilities of the Managing Body should include control over the performance and establishment of the remuneration (including incentive payments, share options, special contracts, agreements and other allowances) of the executive management. It is recommended that this duty is performed on the basis of the Remuneration Committee's proposal (See 3.4). In order to avoid conflict of interest, it is recommended that the system of option and share allotments, the terms of individual loans granted by the company, and the framework for other benefits applied by the company (and significant changes in them), if they do not represent normal practice, should be approved by the general meeting as a separate agenda item (2004/913/EC 6.1.). The Managing Body should pass a resolution to determine the persons whose remuneration falls under the review of the Board.

E	It is the task of the Managing Body to set the actual elements of the remuneration for 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 general meeting.
R	2.7.4. In the case of share-based remuneration schemes, the structure should be approved by the general meeting, as well as the amount of actual remuneration in the case of Managing Body and Supervisory Board members. In the case of the members of the executive management, the level of actual remuneration is not the responsibility of the general meeting. Before voting, shareholders should be provided with detailed information on the share-based remuneration schemes (and any amendments to them), how the company provides the necessary shares and what cost this entails. (2004/913/EC 7.1.-7.2.).
E	In the case of share-based remuneration schemes, the finalisation of the terms of these schemes should require preliminary approval by the general meeting (the maximum number of securities concerned, the terms of exercise, within what time limit those entitled may take advantage of the rights provided to them by the scheme, how the terms of exercise may be modified, by which date the relevant Board has to determine the measure of entitlement of the individual persons). If there are amendments to the terms of share-based remuneration schemes, the changes should also be approved by shareholders.
S	2.7.5. It is suggested that the remuneration scheme for members of the Managing Body, the Supervisory Board and the executive management is arranged in a way that it serves the strategic interests of the company, and thereby those of the shareholders. The proportions of the remunerations (salaries, bonuses, shares, share options, non-cash benefits, retirement benefits) should be determined in such a way that it encourages the beneficiaries to think strategically.
E	The remuneration scheme should not encourage those concerned to aim merely for short-term share price maximisation.
S	2.7.6. In the case of Supervisory Board members, remuneration of a fixed amount is suggested, and it is suggested that their remuneration should not be connected to the share price.
R	2.7.7. On the remuneration principles and the actual remuneration of the members of the Managing Body, the Supervisory Board and the executive management the company should provide information ("Remuneration Statement - 4.1.11) for shareholders which should be submitted to the general meeting. The Remuneration Statement should contain the remuneration of each member of the Managing Body, the Supervisory Board and the executive management.
2.8. The System of Internal Controls and Risk Management	
R	2.8.1. The Managing Body or a committee operated by it should have responsibility for overseeing and controlling the complete risk management of the company and should, at regular intervals, be obliged to look into the effectiveness of risk management procedures. A report on risk management control should be submitted to the annual general meeting in the report on corporate governance. In order to ensure the successful operation of the company, it is the duty of the Managing Body to take measures necessary to identify major risk areas.
S	2.8.2. It is suggested that the Managing Body establish risk management guidelines and basic rules with those members of the executive management who are in charge of planning, operating, supervising risk management procedures and incorporating them in the daily operation of the company.
R	2.8.3. It is the duty and responsibility of the Managing Body to formulate principles regarding the system of internal controls and to ensure the development of a reliable system of internal controls by the executive management which ensures the management of risks affecting the operation of the company and the achievement of the company's performance and profit targets.

E	<p>The system of internal controls includes controls by the management and those incorporated in the work processes. Its reliable functioning also depends on the thorough and regular assessment of the company's risks. The system of internal controls:</p> <ul style="list-style-type: none"> a.) enables the company to operate efficiently and according to its goals by ensuring appropriate responses to important operational, business, financial and other risks which have an influence on the achievement of the company's targets; b.) facilitates the preparation of internal and external reporting of adequate quality; c.) enables the company to comply with provisions of law regarding the operation of the company, as well as other rules (internal regulations).
R	<p>2.8.4. When establishing the guidelines on the system of internal controls, the Managing Body should take into consideration:</p> <ul style="list-style-type: none"> a.) what kind of risks and what degree of risk the company is exposed to during its operation; b.) what kind of risks and what degree of risk the company considers acceptable; c.) what kind of risks the company considers important; d.) what measures the company can apply to reduce the risks in the operations of the company; e.) what the proportion is between the quantity and quality of the company's risk management and internal control resources and the efficiency expected in these areas.
R	<p>2.8.5. It is the executive management's task and responsibility to establish and maintain a system of internal controls.</p>
E	<p>As a result of the operation of the internal control and monitoring system, shareholders receive information on the effectiveness, efficiency and profitability of the company's operations, the reliability of its financial reports, and whether the company complies with current legal regulations. Both the Managing Body and the Supervisory Board have intervention obligations if the thoroughness and unity of the control systems makes it necessary.</p>
R	<p>2.8.6. As an integral part of the system of internal controls, it is recommended that the company sets up an independent internal audit function ("Internal Audit") which reports directly to the Audit Committee. At least once annually, it should prepare a report on the operation of risk management, internal control mechanisms and governance functions. In its report on the operation of internal controls, the Internal Audit should provide information on deficiencies that may have a significant effect on the performance of the company.</p>
E	<p>By its work, the Internal Audit should provide independent and objective feedback for shareholders through the Audit Committee (the Managing Body or the Supervisory Board). Its evaluations should enable the Managing Body and the Supervisory Board to promote the effective and appropriate operation of the internal control environment.</p> <p>The Internal Audit should analyse the full scale of risks hidden in business processes, and examine whether the established system of internal controls and the applied procedures are suitable for managing these risks.</p>
R	<p>2.8.7. On the basis of authorisation by the Managing Body or the Supervisory Board, the Audit Committee should assign to the Internal Audit the execution of the monitoring activity specified in the internal audit strategy, the annual plan, and the internal audit charter and manual. Within this framework, it should provide unlimited access to all necessary information, documents, data and persons involved in the activity or process under review. To maintain his independence, the head of the Internal Audit should report directly to the Managing Body or the Supervisory Board (in the case of a unitary board structure, to the Audit Committee).</p>
E	<p>Alongside the annual audit schedule, reviewed by the Audit Committee and approved by the Managing Body or the Supervisory Board, additional audit tasks may also be specified by the CEO of the company, but these shall be reported to the head of the Internal Audit as well as to the Audit Committee.</p>

R	2.8.8. On the basis of the anticipated financial, operational, regulatory and other risks of the company, and with the involvement of the executive management, the head of the Internal Audit prepares an internal control schedule, which, on the recommendation of the Audit Committee, is approved by the Managing Body or the Supervisory Board.
E	The annual internal audit schedule shall be based on risk analysis prepared according to a previously determined methodology, which considers the possibility of the occurrence of various threats and ranks them on the basis of importance.
R	2.8.9. The Managing Body should regularly review the reports on the operation of internal controls (prepared by the executive management or the Internal Audit), on the basis of which – as part of the report on corporate governance – it prepares an annual evaluation for shareholders. The Managing Body should establish procedures regulating the processing and acceptance of reports and the preparation of its annual report on the operation of the system of internal controls.
E	As regards the procedure of preparing the report, it is suggested that the rules of procedure of the Managing Body also mention the frequency and topics of reports to be prepared for the Managing Body, and in what manner the Managing Body approves the report intended for the public. The obligation of the Managing Body to prepare reports ensures that the evaluation of the system of internal controls is carried out by the Managing Body in an appropriate manner.
S	2.8.10. When preparing the evaluation, the Managing Body should: <ul style="list-style-type: none"> a.) take into consideration what changes have taken place in the type and degree of risks threatening the operation of the company since the preparation of the previous year's evaluation; b.) make statements about the continuous risk-audit activity of the management and internal auditing, as well as the system of internal controls; it should report on the main findings and contents of reports prepared as a result of this audit activity; c.) evaluate whether important deficiencies, or flaws in the system of internal controls which were identified in the relevant year, had or could have had a significant influence on the financial situation of the company.
R	2.8.11. If the Managing Body detects an important deficiency or flaw in the system of internal controls, it should attempt to eliminate the deficiency. The Managing Body should identify the cause of the flaw or deficiency, and the situation which brought about the problem; it should review and re-evaluate the executive management or the Internal Audit's (planning, operational and continuous monitoring) activity regarding the systems of internal controls.
S	2.8.12. The company's auditor may assess and evaluate the company's risk management systems, as well as the executive management's risk management activity. The auditor submits his report on the issue to the Audit Committee.
2.9. External Advisor, Auditor	
S	2.9.1. It is suggested that the rules of procedure of the Managing Body, the Supervisory Board and the committees cover the procedures to be followed if the services of an external advisor are used by the company.
R	2.9.2. In the event that the company or its management give an assignment to the company's auditor to provide other professional services, the Managing Body, the Supervisory Board and the Audit Committee should 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 shareholders or may cause a conflict of interest, or affect normal business practices significantly in any other way.
R	2.9.3. If the auditor or an external advisor is assigned to audit an event that has significant bearing on the company's operations, the Managing Body should inform the Supervisory Board (Audit Committee) and shareholders about the event and the type of assignment given to such external auditor. The Managing Body should pre-determine in its resolutions what circumstances constitute 'significant bearing'.

S	2.9.4. It is suggested that the Managing Body invite the company's auditor to participate in those meetings where it debates general meeting agenda items.
S	2.9.5. In order to ensure that the audit is successfully carried out, it is recommended that the Internal Audit cooperates with the company's auditor.
E	The Internal Audit should provide all the necessary information to the company's auditor. The management letter issued by the Auditor should be handed by the executive management to the head of the Internal Audit while notifying the Audit Committee at the same time, so that the contents of the management letter can be used by the Internal Audit to further evaluate internal controls and risks.

2.10. Corporate internal co-ordination

S It is suggested that for the sake of communication between its Boards, shareholders and other stakeholders, as well as continuous exchange of information and opinions, the company co-ordinates the following activities within the company:

- press conferences and the handling of press materials
- contact with authorities, regulators
- investor relations
- legal matters
- compliance with the law and regulations
- administration of the meetings of the Managing Body
- administration of the company's rules of procedure and resolutions

It is important that these activities should be continuously co-ordinated and harmonised with the company's corporate governance principles. Furthermore it is important that other interested parties are adequately informed of the contact details of those responsible for the aforementioned activities.

3. Committees

3.1. General principles

R	3.1.1. The responsibilities of committees established with the participation of members of the Managing Body are determined by the Managing Body. These committees do not make independent decisions, rather, they perform control and prepare and submit proposals to facilitate the decision-making process.
E	Committees support the company by assisting in certain special corporate governance functions which are especially exposed to the problem of conflict of interest, such as remuneration of executives (Remuneration Committee), executive and director nominations (Nomination Committee), and risk management (Audit Committee). Companies may establish other committees as well, or they can ensure the execution of previously specified tasks through other committees. Establishing committees is considered good practice for the realisation of management tasks and prudent decision-making, especially in the case of larger boards.
S	3.1.2. It is suggested that the chairman of a committee regularly informs the Managing Body of the meetings of the committee, and that the committee prepares a report for the Managing Body and the Supervisory Board at least once a year.
S	3.1.3. It is suggested that committees consist of at least 3 members.
S	3.1.4. It is suggested that committees consist of members who hold the capabilities, professional skills and experience required to perform their duties.
E	Members of 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 work of the committee, and consequently, to the management of the company. Committee members perform their duties in cooperation with the executive responsible for the given area. In order to ensure the independence and objectivity of the committees, those Board members who are not members of a given committee may only attend the committee's meetings at the committee's invitation.
S	3.1.5. Committees should function according to approved rules of procedure, which should contain the following: <ul style="list-style-type: none">- purpose of the committee- composition and organisation of the committee- duties and responsibilities- the rules for holding meetings- requirements for the contents, form and frequency of reports- method of communication with shareholders
R	3.1.6. On its website, the company should publish the tasks delegated to the committee, the goals of the committee, its rules of procedure, composition (with members' names, short professional biography and date of nomination).
3.2. Audit Committee	
R	3.2.1. In addition to tasks specified by law, the Audit Committee should monitor the efficiency of risk management, the operation of the internal control system, and the Internal Audit activities.
S	3.2.2. It is suggested that, after being appointed, the members of the Audit Committee are fully informed about the company's accounting, financial and operational characteristics. In the case of the Audit Committee, it is of the utmost importance that members have the expertise necessary to perform their duties, and that they have the relevant financial and accounting background and experience. (2005/162/EC 11.2.)

R	3.2.3. In order to be able to perform its duties, the Audit Committee should receive accurate and detailed information about the work schedule of the Internal Audit and the company's auditor, and should receive the auditor's report on problems discovered during the audit.
R	3.2.4. Before nominating a new auditor, the Audit Committee should request a written statement from the candidate in which the auditor discloses any connection between himself (or a close relative) and a member of the Managing Body of the company (and the company's subsidiary), or a member of the Supervisory Board or the executive management.
E	The statement shall cover what assignments the auditor (both personally and as a firm) has received from and fulfilled for the company (or its subsidiaries) in the 3 years preceding the nomination, and whether there is a contractual relationship between the parties (the auditor /both personally and as a firm/ and the company or the company's subsidiaries) for the following years.
3.3. <i>Nomination Committee</i>	
R	3.3.1. The general meeting (or on the basis of authorisation by the general meeting, the Managing Body) should set up a Nomination Committee from the members of the Managing Body, which assists in selecting members for the Managing Body, the Supervisory Board, and the Chief Executive Officer.
R	3.3.2. The Nomination Committee should ensure the preparation of personnel changes with the aim that the replacement of a Managing Body member leaving due to retirement, resignation or any other reason, or the succession of members of the executive management is carried out smoothly, with the company's work continuing uninterrupted. The Nomination Committee examines the practice of the Managing Body for selecting and appointing members of the executive management, assesses the performance of members of the Managing Body, the Supervisory Board, and the executive management (and the suitability of candidates). The Nomination Committee examines all suggestions relating to the nomination of Board members which are submitted by the shareholders or the Managing Body.
E	The Nomination Committee's main task is to prepare informed and objective suggestions to the shareholders on the nomination for membership of the Managing Body and the Supervisory Board (appointment, dismissal). The purpose of the Committee's operation is to ensure that members of the Managing Body and the Supervisory Board possess adequate qualifications and professional experience to perform their duties in the best interest of shareholders. As part of company strategy those persons who have the capacity to substitute or replace appointed managers and members of the Managing Body shall be specified. Preparation for personnel changes also includes the identification of employees with outstanding performance, and the planning of their careers within the company. For the sake of the above, when judging the suitability of candidates, the Nomination Committee should not only take into consideration business and personal relations, but also examine the candidate's competence, professional ability, and estimate whether the candidate is capable of devoting enough time to carry out his duties as a Board member. (2005/162/EC App. I. 2.2.)
S	3.3.3. It is suggested that the Nomination Committee prepares an evaluation at least once a year for the Chairman of the Managing Body on the operation of the Managing Body, and the work and adequacy of the members of the Managing Body.
S	3.3.4. It is suggested that the majority of the members of the Nomination Committee are independent. (2005/162/EC App. I. 2.1.2.)
S	3.3.5. The Nomination Committee's rules of procedure should give details of the criteria used for the appraisal of nominees. In addition to the provisions of current Hungarian laws and regulations, these criteria should cover membership of the Boards' and committees' of other companies, the degree of the nominees' independence, and their experience acquired.

3.4. *Remuneration Committee*

R	3.4.1. The general meeting (or on the basis of authorisation by the general meeting, the Managing Body) should set up a Remuneration Committee from the members of the Managing Body, which assists in outlining the principles of the remuneration of the members of the Managing Body, the Supervisory Board and the executive management.
R	3.4.2. The Remuneration Committee should make a proposal for the system of remuneration of the Managing Body, the Supervisory Board and the executive management (individual level and structure of fees), and carry out a review, ensuring adequate structure and transparency. (2005/162/EC App. I. 3.2.) No member of the Managing Body may participate in formulating a suggestion on his own remuneration.
R	3.4.3. The Remuneration Committee should prepare proposal packages for the Managing Body, to be discussed and approved, in the case of the executive management, by the Managing Body, in the case of the Managing Body, by the general meeting. It is the task of the Committee to exercise control over the system of share options, cost reimbursements and allowances (agreements on pensions, severance pay) contained in the remuneration of the Board members and the members of the executive management. (2005/162/EC App. I. 3.2.)
E	When making its proposals, the Remuneration Committee takes into consideration the performance of the company and the individual, in the case of Board members and members of the executive management, other possibilities for fulfilling the given position, as well as remuneration applied by other companies. The Remuneration Committee formulates remuneration guidelines and benchmarks and it controls their implementation.
R	3.4.4. In addition to remuneration guidelines and proposals on the remuneration of given individuals, the Remuneration Committee should also deal with the terms of agreements concluded with members of the executive management, and ascertain whether the company has fulfilled its publication obligations regarding issues of remuneration. (2005/162/EC App. I. 3.2.)
S	3.4.5. The Remuneration Committee should prepare a Remuneration Statement to be published annually. ("Remuneration Statement" – 4.1.11) (2005/162/EC App. I. 3.2.)
S	3.4.6. It is suggested that the Remuneration Committee consists exclusively of non-executive members of the Managing Body. (2005/162/EC App. I. 3.1.2.)
R	3.4.7. The majority of the members of the Remuneration Committee should be independent. (2005/162/EC App. I. 3.1.2.)
3.5. <i>Grouping of Committees</i>	
R	3.5.1. When setting up the committees, the Managing Body may decide that the duties of the Nomination Committee and the Remuneration Committee will be executed by one (merged board) committee. In this case, an explanation should be given as to the causes of the decision, and it should be indicated how, according to the Managing Body, the committees, with a reduced number of members, will be able to achieve the general goals of two (remuneration and nomination) committees. (2005/162/EC 7.1.)
R	3.5.2. In the case of a small number of members, the Managing Body may carry out the duties of the Nomination and Remuneration Committees, if it meets the requirements regarding the composition of the given committee and provides adequate information on this. (2005/162/EC 7.2.)

4. Transparency and disclosure

R	4.1.1. In its disclosure guidelines, the Managing Body – if it considers it necessary – may adopt guidelines and procedures which ensure that all relevant information on the operations of the company and circumstances influencing its share price are disclosed accurately, in time and in full, and that it is available to market participants at the same time. It is the responsibility of the Managing Body to provide adequate information to shareholders and other stakeholders about the company’s key issues, strategic goals, and about how the company manages risks and handles issues of conflict of interest.
E	<p>Transparency and a proper level of openness about the activities of the different boards and committees are important parts of corporate governance policy, so the company’s disclosure practices may be crucial to the perception of the company.</p> <p>The company’s disclosure practices and disclosure about the efficiency of company operations play a strategic role as they strengthen shareholder and stakeholder confidence in the company and demonstrate to what extent its Managing Body and executive management are willing to cooperate with market participants and the company’s shareholders. Insufficient or ambiguous information may undermine confidence in the company, its Managing Body and executive management.</p> <p>The role of the company’s Managing Body and executive management in company communication should be clearly specified. The company’s executive management should ensure that the company’s disclosure practices follow the guidelines adopted by the Managing Body.</p>
R	4.1.2. When providing information, the company should ensure that all shareholders and market participants are treated equally. The company should not give preference to any group of market participants over others (it is especially important to keep this in mind during press discussions, analysts meetings and conferences).
R	4.1.3. The company's disclosure guidelines (basic principles and procedures relating to disclosures) should ensure that information intended for disclosure is published as soon as possible, and for that reason, the company's disclosure principles should cover the procedures for electronic, on-line disclosure. The company should attempt to ensure that disclosed information is available to all shareholders at reasonable cost and at the same time. The company should develop its website by taking into consideration disclosure principles and the notification of investors.
E	Information with a bearing on the company’s operations and its share price should be disclosed, in the best interest of investors, as soon as possible, promoting market efficiency and eliminating the opportunity for insider trading.
R	4.1.4. The Managing Body should determine methods by which it measures the significance of company events and new businesses in order to continuously inform the shareholders. The Managing Body should assess the efficiency of disclosure procedures.
S	<p>The company’s disclosure guidelines should cover at least the following areas:</p> <ul style="list-style-type: none"> - corporate objectives; - operational and business results, - principles of the election and appointment of the company’s Board and executive management members; principles of the remuneration and compensation of Board and executive management members, - 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>It is recommended that the Managing Body inform shareholders about the findings of its annual investigation in the annual report.</p>

R	4.1.5. Prior to a given business year, the company should publish on its website a corporate events calendar, which informs market participants of the timing of the publication of the company's most important announcements (financial reports) and the expected dates of the anticipated major events (planned dates of general meetings, investors' meetings, road shows).
R	4.1.6. The public should be informed of the company's corporate strategy, its main business activities, business ethics, and its guidelines regarding other stakeholders. The company's strategic goals should appear in the annual report, as well as on the company's website. (2005/162/EC 9.2.)
E	It is suggested that the company disclose its main business goals, ethical guidelines, environmental protection and community relationship strategies and procedures. This enables shareholders and potential investors to form an accurate judgement on the company and its relationship to the community, as well as to evaluate the character and significance of this relationship more effectively.
S	4.1.7. It is suggested that the company's financial reports follow IFRS guidelines (even if they are not required by provision of law or stock exchange rule).
R	4.1.8. In the annual report, the Managing Body should disclose the character and size of any other assignments given by the company or its subsidiaries to the auditing firm in charge of auditing the financial statements.
R	4.1.9. In its annual report and on its website, the company should disclose information on the professional career of the members of the Managing Body, the Supervisory Board and the executive management.
E	In the case of Board members, in addition to presenting the criteria of independence applied by the company, the disclosure should include which members are considered independent. The information on Board members should include special areas of knowledge which enable the different members to fulfil their positions, as well as their professional functions fulfilled outside the company (market participants should also be informed if there has been a change in these in the given business year).
R	4.1.10. The company should publish information about the internal structure and operations of both the Managing Body and the Supervisory Board, and the criteria considered when evaluating the work of the Managing Body and the executive management, as well as of the individual members. The information should also include whether evaluation carried out in the relevant period has resulted in any changes. (2005/162/EC 9.1.)
R	4.1.11. It is recommended that, after considering all the factors influencing the company's operations, in a manner acceptable to the company, the company should provide information to the public in a "Remuneration Statement" in its annual report and on its website on the remuneration guidelines applied by the company, in which it informs its owners about the remuneration provided for members of the Managing Body, the Supervisory Board and the executive management. (2004/913/EC 3.1.) It is recommended that the Remuneration Statement should explain the guidelines relating to the members of the Managing Body, the Supervisory Board and the executive management, according to which their performance is evaluated and their remuneration is established. The disclosure should contain the amount of aggregate remuneration of the Managing Body and the Supervisory Board, detailing the fixed and variable components, any other benefits, and an outline of the guidelines for the remuneration system, as well as major changes as compared to the previous financial year. (2004/913/EC 3.2.)

In addition to information about the given business year, it is recommended that the Remuneration Statement covers the remuneration framework for members of the Managing Body, the Supervisory Board and the executive management for the following year (or preferably years) with information on major changes in remuneration.

The Remuneration Statement should contain the following information on the guidelines for the remuneration of members of the Managing Body, the Supervisory Board and the executive management:

- the proportion of variable (connected to a variable factor) and non-variable components in the remuneration (2004/913/EC 3.3. a));
- performance criteria forming the basis of entitlement regarding a share option, share allotment or other variable remuneration element; (2004/913/EC 3.3. b));
- link between remuneration and performance criteria (2004/913/EC 3.3. c));
- main features of annual bonuses or any non-cash benefits, and the entitlement thereto(2004/913/EC 3.3. d));
- the description of the main features of any supplementary pension and early retirement scheme (2004/913/EC 3.3. e));
- a short description of the preparatory and decision-making process for the determination of the principles of remuneration, the mandate and composition of the Remuneration Committee, the names of external advisors; the description of decision-making authorities (committees, general meeting) (2004/913/EC 3.5.)

and also cover the following elements:

- Contract terms and conditions of executive members of the Managing Body (with special regard to contract terms, notice period) (2004/913/EC 3.4.)

It is recommended that the Remuneration Statement – in the case of persons fulfilling functions in the given business year in the Managing Body, Supervisory Board and executive management - should include the following for each person separately:

- fees paid, other payments (including attendance fees for a function fulfilled in the Managing Body, or profit sharing with reasons shown; or additional remuneration) in absolute amounts (2004/913/EC 5.3. a), c), d));
- Remuneration received from the subsidiaries of the company's Group (financial benefits and other advantages) (2004/913/EC 5.3. b));
- in the case of the executive members of the Managing Body, compensation paid in connection with the termination of their activities (2004/913/EC 5.3. e));
- loans, deposits and guarantees provided by the company or the company's subsidiaries (i.e. companies consolidated in the financial accounts);
- the estimated value of non-cash benefits considered as remuneration components in addition to the above (2004/913/EC 5.3. f)).

The Remuneration Statement should give detailed information on the conditions of the share incentive scheme to which members of the Managing Body, the Supervisory Board and the executive management are entitled, as well as on the cost to the company of maintaining these schemes (provision of securities, other costs).

As regards shares, share options (or other share incentive schemes):

- in the relevant year, the number of share options or shares offered, and detailed conditions of application (2004/913/EC 5.4. a));
- the number of share options exercised and the number of shares affected, giving the exercise price, the extent of the shareholding which the acquired shares represent (2004/913/EC 5.4. b));
- information regarding share options not exercised - exercise price, exercise date, main conditions for the exercise of the right (2004/913/EC 5.4. c));
- annual changes in the terms of share options (2004/913/EC 5.4. d) and

	<p>In the case of supplementary pensions schemes (depending on the type of system) in the financial year:</p> <ul style="list-style-type: none"> - accrued benefits under that scheme (2004/913/EC 5.5. a)); - contributions paid (or payable) by the company (2004/913/EC 5.5. b)). <p>The company is not obliged to disclose information of a commercially sensitive nature, but it should justify the reasons for not disclosing any information on remuneration in the Remuneration Statement. (2004/913/EC 3.3.).</p>
R	4.1.12. The Managing Body should disclose the risk management guidelines ensuring that all significant risks of internal and external operational, financial and legal compliance and other risks are evaluated and managed adequately by a sound internal mechanism. The disclosure should include the review of the system of internal controls, adopted risk management policy and main areas of risk management.
E	<p>It is the responsibility of the Managing Body to ensure that shareholders receive information on the system of internal controls and the risk factors influencing the operations and management of the company through the annual report and the company's website.</p> <p>In the disclosure statement the Managing Body records that in a given business year the identification, evaluation and management of risks affecting the operations of the company were carried out on a continuous basis, and that these activities were regularly reviewed by the Managing Body. The Managing Body provides summarised information on the procedures and methods applied when reviewing the efficiency of the system of internal controls (if in a given business year no activity was carried out by the Managing Body the information shall include that fact), as well as on the methods applied when handling problems in connection with the system of internal controls.</p>
R	4.1.13. In order to provide adequate information to market participants the company should submit to the general meeting for approval and, simultaneously with the publication of the annual report, disclose on its website its Corporate Governance Report. The Managing Body should declare to what extent it actually adopts corporate governance set out in the present document. The Managing Body should specify those principles from which the company deviated in the relevant year and should provide reasons why the relevant recommendations were not applied.
E	<p>The report on corporate governance submitted to the general meeting should be approved by the general meeting in a separate agenda item.</p> <p>It is the responsibility of the Managing Body to disclose the principles and rules of applied corporate governance and the rules of procedure. The disclosure should include the detailed and concrete presentation of those applied corporate governance principles based on which the Managing Body provides for the efficient operation of the company.</p> <p>Disclosure on corporate governance methods should include the structure and activity of the Managing Body in the relevant period, and of the Supervisory Board, and should also cover any changes in the operation of the Boards as a result of annual evaluation of these Boards.</p> <p>The disclosure on the activity of the Managing Body and the Supervisory Board should include information on the operation of the committees working within the company. The report on the operation of committees should briefly introduce the committee's role, members, the number of meetings held in the relevant period, the number of members attending, and the most important issues discussed.</p> <p>If a member of the Managing Body, Supervisory Board or a committee participates in less than half of the meetings, this fact shall be recorded in the disclosure on the activities of the Boards.</p>
R	4.1.14. A company should disclose on its website its guidelines on insider trading in the company's shares.
	<p>Ownership of the company's securities and interest in any company share-incentive scheme of the members of the Managing Body, the Supervisory Board and the executive management should be disclosed in the annual report and on the company's website.</p>

R	4.1.15. Without revealing trade secrets, any relationship between members of the Managing Body or the executive management and a third party which might have an influence on the operation of the company should be disclosed in the annual report and on the company's website.
E	The company should disclose any factors which may result in a conflict of interest on the part of the members of the Managing Body or the executive management. Such factors may include for example a board position in another company, or a business relationship with a third party which might influence their independence.
S	4.1.16. It is suggested to lay down that disclosures are also released in English. It is suggested that in the case of discrepancies between the company's official language and the foreign language of communication, the company's official language takes precedence.

APPENDICES

Disclosure on Corporate Governance

In their report on corporate governance (Corporate Governance Report), companies should give an overview of their corporate governance practices, including cases where their practice is different from the recommendations formulated in the Corporate Governance Recommendations, and should provide reasons for the differences. Points to be considered in connection with the preparation of the Corporate Governance Report:

- A brief presentation of the operation of the Managing Body, and a description of the division of responsibility and duties between the Managing Body and the executive management.
- The introduction of the members of the Managing Body, the Supervisory Board and the executive management (in the case of Board members, including the status of independence of the different members), a description of the structure of committees.
- The number of meetings held in the relevant period by the Managing Body, Supervisory Board and committees, including the number of members attending.
- The presentation of viewpoints considered when evaluating the work of the Managing Body, the Supervisory Board, the executive management, as well as of the different members. Reference to whether evaluation carried out in the relevant period has resulted in any changes.
- Report on the operation of different committees, including the introduction of the members of the committees (professional background), the number of meetings held, the number of members attending the meetings, as well as the most important issues discussed at the meetings and the general operation of the committee. If the Managing Body has passed a resolution on an issue contrary to the recommendations of the committee, the presentation of the operations of the Audit Committee shall include that fact (as well as the reasons of the Managing Body for doing so). It is recommended that reference be made to the company's website, where the tasks delegated to the committees, the rules of procedure of the committees and the date of appointing the members should be disclosed. (If this information is not available on the company's website, it should be presented in the Corporate Governance Report.)
- The presentation of the system of internal controls and the evaluation of the activity in the relevant period. Report on the efficiency and effectiveness of risk management procedures. (Information on where the report on internal controls by the Managing Body may be viewed by shareholders.)
- Information on whether the auditor has carried out any activities not related to auditing.
- A detailed presentation of the company's disclosure policy, and its policy on trading by insiders
- A detailed demonstration of the methods of exercising shareholders' rights
- A brief presentation of rules on the conducting of the general meeting.
- Remuneration statement.
- Declaration on Corporate Governance (See Appendix 2).

Corporate Governance Declaration on Compliance with the Corporate Governance Recommendations

As part of the Corporate Governance Report, by completing the following tables, the company declares to what extent it applied in its own practice of corporate governance the recommendations and suggestions formulated in the different points of the Corporate Governance Recommendations published by the Budapest Stock Exchange Ltd.

By reviewing the tables, market participants may receive information on the extent to which the corporate governance practice of different companies meets certain requirements included in the CGR, and may easily compare the practices of the different companies.

Level of compliance with the Recommendations

The company should indicate whether it applies the relevant recommendation or not, and in the case of a negative answer, it should provide the reasons for not applying the given recommendation.

R 1.1.1	The Managing Body ensured that shareholders received access to information in time to enable them to exercise their rights.	Yes (Complies)	No (Please explain)
R 1.1.2	The company applies the "one share - one vote" principle.	Yes (Complies)	No (Please explain)
R 1.2.8	The company ensures that shareholders must meet the same requirements in order to attend at the general meeting.	Yes (Complies)	No (Please explain)
R 1.2.9	Items on the general meeting agenda only include subjects which are correctly detailed and summarized clearly and unambiguously.	Yes (Complies)	No (Please explain)
	The proposals included the suggestions of the Supervisory Board and a detailed explanation of the effects of the decision.	Yes (Complies)	No (Please explain)
R 1.2.10	Shareholders' comments on and supplements to the items on the agenda were published at least two days prior to the general meeting.	Yes (Complies)	No (Please explain)
R 1.3.8	Comments on the items of the agenda were made available to shareholders simultaneously with registration at the latest.	Yes (Complies)	No (Please explain)
	Written comments made on the items on the agenda were published two working days prior to the general meeting.	Yes (Complies)	No (Please explain)
R 1.3.10	The election and dismissal of executives took place individually and by separate resolutions.	Yes (Complies)	No (Please explain)
R 2.1.1	The responsibilities of the Managing Body include those laid out in 2.1.1.	Yes (Complies)	No (Please explain)
R 2.3.1	The Managing Body held meetings regularly, at times designated in advance.	Yes (Complies)	No (Please explain)

The Supervisory Board held meetings regularly, at times designated in advance.

Yes (Complies)

No (Please explain)

The rules of procedure of the Managing Body provide for unscheduled meetings and decision-making through electronic communications channels.

Yes (Complies)

No (Please explain)

The rules of procedure of the Supervisory Board provide for unscheduled meetings and decision-making through electronic communications channels.

Yes (Complies)

No (Please explain)

R 2.5.1 The Management Board of the company has a sufficient number of independent members to ensure the impartiality of the board.

Yes (Complies)

No (Please explain)

R 2.5.4 At regular intervals (in connection with the CG Report) the Managing Body requested a confirmation of their independent status from those members considered independent.

Yes (Complies)

No (Please explain)

R 2.5.5 At regular intervals (in connection with the CG Report) the Supervisory Board requested a confirmation of their independent status from those members considered independent.

Yes (Complies)

No (Please explain)

R 2.5.7 The company disclosed on its website the guidelines on the independence of the Managing Body and the Supervisory Board, as well as the criteria applied for assessing independence.

Yes (Complies)

No (Please explain)

R 2.6.1 Members of the Managing Body informed the Managing Body (Supervisory Board/Audit Committee) if they (or any other person in a close relationship to them) had a significant personal stake in a transaction of the company (or the company's subsidiary).

Yes (Complies)

No (Please explain)

R 2.6.2 Transactions between board and executive management members (and persons in close relationship to them) and the company (or its subsidiary) were conducted according to general rules of practice of the company, but with stricter transparency rules in place.

Yes (Complies)

No (Please explain)

Transactions which according to 2.6.2, fell outside the normal course of the company's business, and their terms and conditions were approved by the Supervisory Board (Audit Committee).

Yes (Complies)

No (Please explain)

R 2.6.3 Board members informed the Supervisory Board/Audit Committee if they received an offer of Board membership or an offer of an executive management position in a company which is not part of the company group.

Yes (Complies)

No (Please explain)

R 2.6.4	The Managing Body established its guidelines on information flow within the company and the handling of insider information, and monitored compliance with those guidelines.	Yes (Complies)	No (Please explain)
	The Managing Body established its guidelines regarding insiders' trading in securities and monitored compliance with those guidelines.	Yes (Complies)	No (Please explain)
R 2.7.1	The Managing Body formulated remuneration guidelines regarding the evaluation and remuneration of the work of the Managing Body, the Supervisory Board and the executive management.	Yes (Complies)	No (Please explain)
	The Supervisory Board formed an opinion on the remuneration guidelines.	Yes (Complies)	No (Please explain)
	The guidelines regarding the remuneration for the Managing Body and the Supervisory Board and the changes in those guidelines were approved by the general meeting, as a separate item on the agenda.	Yes (Complies)	No (Please explain)
R 2.7.2	The Managing Body prepared an evaluation of the work it carried out in the given business year.	Yes (Complies)	No (Please explain)
	The Supervisory Board prepared an evaluation of the work it carried out in the given business year.	Yes (Complies)	No (Please explain)
R 2.7.3	It is the responsibility of the Managing Body to monitor the performance of and determine the remuneration for the executive management.	Yes (Complies)	No (Please explain)
	The frameworks of benefits due to members of the executive management that do not represent normal practice, and the changes in those benefits were approved by the general meeting as a separate agenda item.	Yes (Complies)	No (Please explain)
R 2.7.4	The structure of share-incentive schemes were approved by the general meeting.	Yes (Complies)	No (Please explain)
	Prior to the decision by the general meeting on share-incentive schemes, shareholders received detailed information (at least according to those contained in 2.7.4).	Yes (Complies)	No (Please explain)
R 2.7.7	The Remuneration Statement was prepared by the company and submitted to the general meeting.	Yes (Complies)	No (Please explain)
	The Remuneration Statement includes information about the remuneration of individual members of the Managing Body, the Supervisory Board, and the executive management.	Yes (Complies)	No (Please explain)

R 2.8.1	The Managing Body or the committee operated by it is responsible for monitoring and controlling the company's entire risk management.	Yes (Complies)	No (Please explain)
	The Managing Body requests information on the efficiency of risk management procedures at regular intervals.	Yes (Complies)	No (Please explain)
	The Managing Body took the necessary steps to identify the major risk areas.	Yes (Complies)	No (Please explain)
R 2.8.3	The Managing Body formulated the principles regarding the system of internal controls.	Yes (Complies)	No (Please explain)
	The system of internal controls established by the executive management guarantees the management of risks affecting the activities of the company, and the achievement of the company's performance and profit targets.	Yes (Complies)	No (Please explain)
R 2.8.4	When developing the system of internal controls, the Managing Body took into consideration the viewpoints included in 2.8.4	Yes (Complies)	No (Please explain)
R 2.8.5	It is the duty and responsibility of the executive management to develop and maintain the system of internal controls.	Yes (Complies)	No (Please explain)
R 2.8.6	The company created an independent Internal Audit function which reports to the Audit Committee.	Yes (Complies)	No (Please explain)
	The Internal Audit reported at least once to the Audit Committee on the operation of risk management, internal control mechanisms and corporate governance functions.	Yes (Complies)	No (Please explain)
R 2.8.7	The internal audit activity is carried out by the Internal Audit function based on authorisation from the Audit Committee.	Yes (Complies)	No (Please explain)
	As an organisation, the Internal Audit function is independent from the executive management.	Yes (Complies)	No (Please explain)
R 2.8.8	The Internal Audit schedule was approved by the Managing Body (Supervisory Board) based on the recommendation of the Audit Committee.	Yes (Complies)	No (Please explain)

R 2.8.9	The Managing Body prepared its report for shareholders on the operation of internal controls.	
	Yes (Complies)	No (Please explain)
	The Managing Body developed its procedures regarding the receipt, processing of reports on the operation of internal controls, and the preparation of its own report.	
	Yes (Complies)	No (Please explain)
R 2.8.11	The Managing Body identified the most important deficiencies or flow in the system of internal controls, and reviewed and re-evaluated the relevant activities.	
	Yes (Complies)	No (Please explain)
R 2.9.2	The Managing Body, the Supervisory Board and the Audit Committee were notified in all cases when an assignment given to the auditor may have resulted in significant additional expense, caused a conflict of interest, or affected normal business practices significantly in any other way.	
	Yes (Complies)	No (Please explain)
R 2.9.3	The Managing Body informed the Supervisory Board of any assignment given to the external auditor or an external advisor in connection with any event which held significant bearing on the operations of the company.	
	Yes (Complies)	No (Please explain)
	The Managing Body pre-determined in a resolution what circumstances constitute "significant bearing".	
	Yes (Complies)	No (Please explain)
R 3.1.6	On its website, the company disclosed duties delegated to the Audit Committee, the Nomination Committee and the Remuneration Committee, as well as the committees' targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).	
	Yes (Complies)	No (Please explain)
R 3.2.1	The Audit Committee monitored the efficiency of risk management, the operation of internal controls, and the activity of the Internal Audit.	
	Yes (Complies)	No (Please explain)
R 3.2.3	The Audit Committee received accurate and detailed information on the work schedule of the Internal Auditor and the independent auditor, and received the auditor's report on problems discovered during the audit.	
	Yes (Complies)	No (Please explain)
R 3.2.4	The Audit Committee requested the new candidate for the position of auditor to submit the disclosure statement according to 3.2.4	
	Yes (Complies)	No (Please explain)
R 3.3.1	There is a Nomination Committee operating at the company.	
	Yes (Complies)	No (Please explain)

R 3.3.2	The Nomination Committee provided for the preparation of personnel changes.	Yes (Complies)	No (Please explain)
	The Nomination Committee reviewed the procedures regarding the election and appointment of members of the executive management.	Yes (Complies)	No (Please explain)
	The Nomination Committee evaluated the activity of board and executive management members.	Yes (Complies)	No (Please explain)
	The Nomination Committee examined all the proposals regarding the nomination of board members which were submitted by shareholders or the Managing Body.	Yes (Complies)	No (Please explain)
R 3.4.1	There is a Remuneration Committee operating at the company.	Yes (Complies)	No (Please explain)
R 3.4.2	The Remuneration Committee made a proposal for the system of remuneration for the boards and the executive management (individual levels and the structure of remuneration), and carries out its monitoring.	Yes (Complies)	No (Please explain)
R 3.4.3	The remuneration of the executive management was approved by the Managing Body based on the recommendation of the Remuneration Committee.	Yes (Complies)	No (Please explain)
	The remuneration of the Managing Body was approved by the general meeting based on the recommendation of the Remuneration Committee.	Yes (Complies)	No (Please explain)
	The Remuneration Committee also monitored the share option, cost reimbursement and other benefits in the remuneration system.	Yes (Complies)	No (Please explain)
R 3.4.4	The Remuneration Committee made proposals regarding remuneration guidelines and the remuneration of individual persons.	Yes (Complies)	No (Please explain)
	The Remuneration Committee reviewed the terms and conditions of contracts concluded with the members of the executive management.	Yes (Complies)	No (Please explain)
	The Remuneration Committee ascertained whether the company fulfilled its disclosure obligations regarding remuneration issues.	Yes (Complies)	No (Please explain)
R 3.4.7	The majority of the members of the Remuneration Committee are independent.	Yes (Complies)	No (Please explain)

R 3.5.1	The Managing Body disclosed its reasons for combining the Remuneration and Nomination Committees.	
	Yes (Complies)	No (Please explain)
R 3.5.2	The Managing Body carried out the duties of the Remuneration and Nomination Committees and disclosed its reasons for doing so.	
	Yes (Complies)	No (Please explain)
R 4.1.1	In its disclosure guidelines, the Managing Body established those principles and procedures which ensure that all relevant information about the operations of the company and circumstances influencing its share price are disclosed and made available accurately, in a timely fashion and in full.	
	Yes (Complies)	No (Please explain)
R 4.1.2	The company ensured in its disclosure activities that all shareholders and market participants were treated equally.	
	Yes (Complies)	No (Please explain)
R 4.1.3	The company's disclosure guidelines include the procedures governing electronic, on-line disclosure.	
	Yes (Complies)	No (Please explain)
	The company develops its website taking into consideration disclosure guidelines and the provision of information to investors.	
	Yes (Complies)	No (Please explain)
R 4.1.4	The Managing Body assessed the efficiency of disclosure processes.	
	Yes (Complies)	No (Please explain)
R 4.1.5	The company published its corporate events calendar on its website.	
	Yes (Complies)	No (Please explain)
R 4.1.6	In the annual report and on the website of the company, the public was informed about the company's corporate strategy, its main business activities, business ethics and its policies regarding other stakeholders.	
	Yes (Complies)	No (Please explain)
R 4.1.8	In the annual report the Managing Body disclosed the character and size of any other assignments given by the company or its subsidiaries to the auditing firm responsible for auditing the financial statements.	
	Yes (Complies)	No (Please explain)
R 4.1.9	In the annual report and on the website the company discloses information on the professional career of the members of the Managing Body, the Supervisory Board and the executive management.	
	Yes (Complies)	No (Please explain)
R 4.1.10	The company provided information on the internal organisation and operation of the Managing Body and the Supervisory Board and on the criteria considered when evaluating the work of the Managing Body, the executive management and the individual members thereof.	
	Yes (Complies)	No (Please explain)
R 4.1.11	In the annual report and in the Remuneration Statement on the company's website, the company informed the public about the applied remuneration guidelines, including the remuneration and fees provided for members of the Managing Body, the Supervisory Board and the executive management.	
	Yes (Complies)	No (Please explain)

R 4.1.12 The Managing Body disclosed its risk management guidelines, including the system of internal controls, the applied risk management principles and basic rules, as well as information about major risks.
Yes (Complies) No (Please explain)

R 4.1.13 In order to provide market participants with information, the company publishes its report on corporate governance at the same time that it publishes its annual report.
Yes (Complies) No (Please explain)

R 4.1.14 The company discloses its guidelines governing insiders' trading in the company's securities on its website.
Yes (Complies) No (Please explain)

The company published in the annual report and on its website ownership in the company's securities held by the members of the Managing Body, the Supervisory Board and the executive management, as well as any interests held in share-incentive schemes.

Yes (Complies) No (Please explain)

R 4.1.15 In the annual report and on its website, the company disclosed any relationship between members of the Managing Body and the executive management with a third party, which might have an influence on the operations of the company.
Yes (Complies) No (Please explain)

Level of compliance with the Suggestions

The company should indicate whether the relevant suggestion of the CGR is applied or not (– Yes / No)

S 1.1.3	The company has an investor relations department.	Yes / No
S 1.2.1	The company published on its website the summary document regarding the conducting of the general meeting and the exercise of shareholders' rights to vote (including voting via proxy)	Yes / No
S 1.2.2	The company's articles of association are available on the company's website.	Yes / No
S 1.2.3	The company disclosed on its website information according to 1.2.3 (on the record date of corporate events).	Yes / No
S 1.2.4	Information and documents according to 1.2.4 regarding general meetings (invitations, proposals, draft resolutions, resolutions, minutes) were published on the company's website.	Yes / No
S 1.2.5	The general meeting of the company was held in a way that ensured the greatest possible shareholder participation.	Yes / No
S 1.2.6	Additions to the agenda were published within 5 days of receipt, in the same manner as the publication of the original invitation for the general meeting.	Yes / No
S 1.2.7	The voting procedure applied by the company ensured unambiguous, clear and fast decision-making by shareholders.	Yes / No
S 1.2.11	At the shareholders' request, the company also provided information on the general meeting electronically.	Yes / No
S 1.3.1	The identity of the chairman of the general meeting was approved by the company's general meeting prior to the discussion of the items on the agenda.	Yes / No
S 1.3.2	The Managing Body and the Supervisory Board were represented at the general meeting.	Yes / No
S 1.3.3	The company's articles of association render possible that at the initiation of the chairman of the Managing Body or the shareholders of the company, a third party be invited to the company's general meeting and be granted the right of participation in the discussion of the relevant items on the agenda.	Yes / No
S 1.3.4	The company did not prevent shareholders attending the general meeting from exercising their rights to request information, make comments and proposals, and did not set any pre-requisites to do so.	Yes / No
S 1.3.5	The company published on its website within three days its answers to those questions which it was unable to answer satisfactorily at the general meeting. Where the company declined to give an answer it published its reasons for doing so.	Yes / No
S 1.3.6	The chairman of the general meeting and the company ensured that in answering the questions raised at the general meeting, national laws and regulations of the Stock Exchange pertaining to disclosure were complied with.	Yes / No
S 1.3.7	The company published a press release and held a press conference on the decisions passed at the general meeting.	Yes / No

S 1.3.11	The company's general meeting decided on the different amendments of the articles of association in separate resolutions.	Yes / No
S 1.3.12	The minutes of the general meeting containing the resolutions, the presentation of draft resolutions, as well as the most important questions and answers regarding the draft resolutions were published by the company within 30 days of the general meeting.	Yes / No
S 1.4.1	The dividend was paid within 10 days to those shareholders who had provided all the necessary information and documentation.	Yes / No
S 1.4.2	The company disclosed its policy regarding anti-takeover devices.	Yes / No
S 2.1.2	The rules of procedure define the composition of the Managing Body and all procedures and protocols for the preparation and holding of meetings, the drafting of resolutions and other related matters.	Yes / No
S 2.2.1	The rules of procedure and the work schedule of the Supervisory Board gives a detailed description of its operation and duties, as well as procedures and processes which the Supervisory Board followed.	Yes / No
S 2.3.2	Board members had access to the proposals of a given meeting at least five days prior to the board meeting.	Yes / No
S 2.3.3	The rules of procedure regulate the regular or occasional participation at board meetings of persons who are not members of the boards.	Yes / No
S 2.4.1	The election of the members of the Managing Body took place in a transparent way, information on candidates was made public at least five days prior to the general meeting.	Yes / No
S 2.4.2	The composition of boards and the number of members complies with the principles specified in 2.4.2	Yes / No
S 2.4.3	Newly elected, non-executive board members were able to familiarize themselves with the structure and operations of the company, as well as their duties as board members through a tailored induction programme.	Yes / No
S 2.5.2	The separation of the responsibilities of the Chairman of the Managing Body from those of the Chief Executive Officer has been outlined in the basic documents of the company.	Yes / No
S 2.5.3	The company has published a statement about the means it uses to ensure that the Managing Body gives an objective assessment of the executive management's work where the functions of Chairman and CEO are combined.	Yes / No
S 2.5.6	The company's Supervisory Board has no member who held a position in the Managing Body or the executive management of the company in the three years prior to his nomination.	Yes / No
S 2.7.5	The development of the remuneration system of the Managing Body, the Supervisory Board and the executive management serves the strategic interests of the company and thereby those of the shareholders.	Yes / No
S 2.7.6	In the case of members of the Supervisory Board, the company applies a fixed amount of remuneration and does not apply a remuneration component related to the share price.	Yes / No

S 2.8.2	The Managing Body developed its risk management policy and regulations 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.	Yes / No
S 2.8.10	When evaluating the system of internal controls, the Managing Body took into consideration the aspects mentioned in 2.8.10	Yes / No
S 2.8.12	The company's auditor assessed and evaluated the company's risk management systems and the risk management activity of the executive management, and submitted its report on the matter to the Audit Committee.	Yes / No
S 2.9.1	The rules of procedure of the Managing Body, the Supervisory Board and the committees cover the procedure to be followed when employing an external advisor.	Yes / No
S 2.9.4	The Managing Body may invite the company's auditor to participate in those meetings where it debates general meeting agenda items.	Yes / No
S 2.9.5	The company's Internal Audit function co-operated with the auditor in order to help it successfully carry out the audit.	Yes / No
S 3.1.2	The chairmen of the Audit Committee, Nomination Committee, Remuneration Committee (and any other committees operating at the company) regularly inform the Managing Body about the meetings of the committee, and the committees prepared at least one report for the Managing Body and the Supervisory Board in the given business year.	Yes / No
S 3.1.4	The company's committees are made up of members who have the capabilities, professional expertise and experience required to perform their duties.	Yes / No
S 3.1.5	The rules of procedure of committees operating at the company include those aspects detailed in 3.1.5	Yes / No
S 3.2.2	The members of the Audit Committee were fully informed about the accounting, financial and operational peculiarities of the company.	Yes / No
S 3.3.3	The Nomination Committee prepared at least one evaluation for the chairman of the Managing Body on the operation of the Managing Body and the work and suitability of the members of the Managing Body.	Yes / No
S 3.3.4	The majority of the members of the Nomination Committee are independent.	Yes / No
S 3.3.5	The rules of procedure of the Nomination Committee includes those details contained in 3.3.5	Yes / No
S 3.4.5	The Remuneration Committee prepared the Remuneration Statement.	Yes / No
S 3.4.6	The Remuneration Committee exclusively consists of non-executive members of the Managing Body.	Yes / No
S 4.1.4	The disclosure guidelines of the company at least extend to those details contained in 4.1.4	Yes / No
	The Managing Body informed shareholders in the annual report on the findings of the investigation into the efficiency of disclosure procedures.	Yes / No

S 4.1.7 The company's financial reports followed IFRS guidelines. Yes / No

S 4.1.16 The company also prepares and releases its disclosures in English. Yes / No

Terms Used in the Corporate Governance Recommendations

Corporate Governance:

The equivalent of the term specified by law used in the Recommendations

Persons in close relationship

Persons in close relationship constitute spouses, direct-line relatives, adopted, step and foster children, adoptive, step and foster parents, siblings; common-law spouses, the spouses of direct-line relatives, fiancés/fiancées, the spouse's direct-line relatives or siblings, the siblings' spouses; and persons living in the same household with the given person.

Executive management

The persons determined by the Managing Body or the Remuneration Committee, but at least the Chief Executive Officer of the company and his direct deputies.

Board of Directors: See Appendix 4, Part: "Setting up a Management Board, agenda", primarily sections 308-309

Management Board: See Appendix 4, Part: "Setting up a Management Board, agenda", primarily sections 243-244

Managing Body: The Board of Directors or the Management Board of the company.

Supervisory Board: See Appendix 4, Part: "Setting up a Supervisory Board, agenda", primarily sections 33-34

Boards

The company's Management Board/Board of Directors and Supervisory Board (if one was set up).

Management letter

Letter written to the executive management of the company audited by the auditor, in which the auditor formulates his comments, recommendations regarding deficiencies which were discovered during the audit but which did not have a significant effect on the annual report numerically, and therefore, had no influence on the auditor's opinion.

**The most important parts of Act IV on business associations, 2006, regarding CGR
General Meeting**

Section 19.

- (1) The business association's supreme body for general partnerships and limited partnerships is the meeting of members, for private limited-liability companies it is the members' meeting, and for (public or private) limited companies it is the general meeting. The supreme body of a grouping is the members' meeting.
- (2) Meetings of the supreme body may be attended by the members (shareholders) of the business association, and - without voting rights - any person invited according to legal regulation or the memorandum of association. All members (shareholders) of the business association shall have the right to partake in the activities of the supreme body.
- (3) The principal duty of the supreme body of a business association is to adopt decisions on fundamental and strategic issues. The matters rendered under the exclusive competence of the supreme body are defined by the provisions pertaining to the specific company forms.
- (...)
- (6) The supreme body of the business association, or the company's management body it has authorized, may contract the services of organizations other than the company organs specified in this Act (e.g. committees, advisory boards) in connection with the preparation of decisions. The activities of these bodies shall have no relevance concerning the powers and competencies of the company organs specified in this Act.

Section 20.

- (1) The supreme body shall adopt its decisions - unless otherwise prescribed by law or by the memorandum of association by statutory authorization - at its meetings. The memorandum of association may allow members (shareholders) or their proxies to exercise their membership rights by means of electronic communications instead of attending the sessions of the supreme body in person.
- (...)
- (4) The supreme body may discuss any issues that were not included in the invitation (public notice) only if all members (shareholders) are present at the meeting and if they unanimously agree to discuss such issues on the agenda.
- (...)
- (6) Unless otherwise prescribed by law or the memorandum of association, the supreme body shall adopt its decisions if supported by a simple majority of the members (shareholders) present.

Section 217.

- (1) A group of shareholders controlling at least five per cent of the voting rights may request in writing the Management Board to place an issue of their choosing on the agenda, indicating the reason and the purpose thereof. The articles of association may contain provisions to afford this right to a group of shareholders controlling a lesser percentage.
- (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 notice for calling the general meeting.

Section 231.

- (1) The supreme body of a private limited company is the general meeting, which consists of all shareholders.
- (2) The following shall fall within the exclusive competence of the general meeting:
- a) decisions to approve and amend the articles of association, unless this Act contains provisions to the contrary;
 - b) decisions on changing the operating form of the private limited company;
 - c) decisions on transformation or termination of the company without succession;
 - d) with the exception contained in Section 37, the election and removal of the members of the Management Board or the general director (Section 247), members of the supervisory board and the auditor, and establishing their remuneration;
 - e) approval of the annual report prepared pursuant to the Accounting Act;
 - f) decisions to pay interim dividends, unless this Act contains provisions to the contrary;
 - g) decisions to convert printed share certificates into dematerialized shares;
 - h) alteration of the rights attached to the various series of shares, and the conversion of categories or classes of shares;
 - i) decisions to issue convertible bonds or bonds with subscription rights, unless this Act contains provisions to the contrary;
 - j) decisions to increase the share capital, unless this Act contains provisions to the contrary;
 - k) decisions to reduce the share capital, unless this Act contains provisions to the contrary;
 - l) decisions to abolish pre-emptive subscription rights;
 - m) decisions on all issues which are assigned to the competence of the general meeting by law or the articles of association.

Section 232.

- (1) The general meeting shall be convened at the intervals specified in the articles of association, but at least once every year. An extraordinary general meeting may be held at any time when deemed necessary.
- (2) Unless otherwise provided by this Act, the general meeting shall be called by the Management Board.
- (3) The general meeting shall be called according to the procedure set out in the articles of association, by means of an invitation sent to the shareholders at least fifteen days prior to the first day of the general meeting. The articles of association may contain provisions for sending the invitation to the general meeting by way of electronic means to the shareholders who specifically requested it.
- (4) The invitation shall contain:
- a) the corporate name and registered office of the company;
 - b) the place and time of the general meeting;

- c) the procedure for holding the general meeting;
 - d) if the general meeting is held by conferencing, the name and means of access of the authorized voting agent;
 - e) the agenda of the general meeting;
 - f) the conditions for exercising voting rights, as laid down in the articles of association;
 - g) the place and time of the reconvened general meeting in the event of failure to meet quorum requirements.
- (5) Unless otherwise prescribed by the articles of association or the Management Board, general meetings are held at the registered office or the place of business of the private limited company.

Section 234.

- (1) The general meeting has quorum if shareholders representing at least half of the votes embodied by shares with voting rights are present.
- (2) If the general meeting fails to have quorum, the reconvened general meeting shall, unless otherwise provided by the articles of association, have a quorum on the issues of the original agenda irrespective of the number of those present. If the general meeting did not have quorum, the reconvened general meeting shall be held after a period of between three and twenty-one days have lapsed, unless the articles of association provides otherwise.
- (3) The articles of association may contain provisions for the suspension of general meetings. If the general meeting is suspended, it shall be resumed within a period of thirty days. In this case, the rules on calling the general meeting and on the election of the officers of the general meeting shall not apply. General meetings may be suspended only on one occasion.

Section 235.

The articles of association may grant an exemption from quorum requirements [Subsection (1) of Section 234] in connection with issues requiring a simple majority, or may install different quorum requirements for such cases.

Section 236.

- (1) Unless otherwise prescribed by law, the general meeting shall adopt its resolutions on the issues listed under Paragraphs a)-c), h) and k) of Subsection (2) of Section 231 by a majority of at least three-quarters of the votes adopting the draft resolution. The articles of association may prescribe a three-quarters majority of the votes for other matters as well.
- (2) Where an amendment to the articles of association is adopted in connection with the implementation of a general meeting resolution to increase or reduce the share capital (i.e. to determine the size of the share capital), the approval of the general meeting for the amendment of the articles of association shall be considered granted when the resolution to increase or reduce the share capital is adopted.

Section 237.

Unless otherwise provided by the articles of association, any resolution of the general meeting that discriminates against the rights attached to a certain series of shares may only be passed if, according to the procedure set out in the articles of association, the shareholders of the share series in question grant their explicit consent. In the course thereof, the provisions on the restriction or exclusion of the voting rights attached to such shares may not be applied, save where voting rights are restricted under Section 227. The detailed rules for the granting of such consent shall be laid down in the articles of association.

Section 238.

- (1) The events of general meetings shall be recorded in minutes, which shall contain the following:
- a) the corporate name and registered office of the private limited company;
 - b) the place and time and the procedure for holding the general meeting;
 - c) the names of the chairman of the general meeting, the keeper of the minutes, the person appointed to witness the minutes and the official vote counters;
 - d) major events and proposals made during the general meeting;
 - e) draft resolutions, the number of votes cast for and against draft resolutions, and the number of abstentions from the vote.
- (2) The minutes shall be signed by the keeper of the minutes and the chairman of the general meeting, and shall be witnessed by an elected shareholder present.
- (3) The Management Board shall submit a certified copy of the minutes of the general meeting or an abstract thereof and the attendance sheet to the court of registry within a period of thirty days after the close of the general meeting.
- (4) Any shareholder may request an abstract or copy of the minutes of general meetings from the Management Board.

Section 239.

- (1) The articles of association may contain facilities for general meetings in a way to allow the shareholders to participate - as prescribed in the articles of association instead of attending in person as prescribed - by way of proper electronic means of communication, designed to handle dialogues between members and providing adequate facilities for debates without any restriction whatsoever, and that features facilities for exercising shareholders' rights equivalent with personal participation. Where the general meeting is held by conferencing the type of electronic means of communication without facilities for the identification of the persons participating in the general meeting held by conferencing may not be used, nor may the general meeting be held under such conditions, furthermore, the meeting may not be held under facilities that may be discriminatory to any shareholder or any group of shareholders in any way or form.
- (2) If according to the articles of association a general meeting may be held by conferencing and unless it provides otherwise, shareholders may freely decide the way in which they wish to participate. In these cases the shareholders who wish to attend the general meeting in person shall so notify the private limited company at least five days in advance. Any shareholders who fail to notify the private limited company concerning their intention to participate in due time shall be treated as participating in the general meeting through telecommunication connection.
- (3) All costs arising in connection with the general meeting and with providing telecommunication connections on the part of the private limited company shall be borne by the private limited company, and they may not be charged to the shareholders.

Section 240.

- (1) The articles of association may contain provisions requiring that the annual general meeting of private limited companies must be attended in person, and may specify the issues that cannot be debated in a general meeting held by conferencing.
- (2) The articles of association may prescribe that a general meeting may be held by conferencing only through an internet link that supports voice transmission.
- (3) The articles of association may contain provisions prescribing that a general meeting may not be held by conferencing if objected to in writing by a group of shareholders controlling at least five per cent of the total number of votes - indicating the reason - at least five days before the general meeting is held, and if they request that the general meeting be held the conventional way.

Section 241.

- (1) Before the opening of a general meeting that is held by conferencing the entitlement of shareholders wishing to participate in person shall be checked on the basis of the data contained in the register of shareholders. The articles of association, or a general meeting resolution adopted by authorization of the articles of association, shall define the procedure for checking the identification of shareholders participating through a telecommunications connection, along with the voting procedure and the authentic conclusion of the results, furthermore, define the procedure for the election of general meeting officers, and the requirements for shareholders to make their opinions known and to make proposals.
- (2) The discussions of a general meeting held by conferencing and the resolutions adopted shall be recorded using a reliable medium so that it can be retrieved at any time in the future. Where the discussions of the meeting have been recorded, however, the resolution adopted by the general meeting has to be submitted to the court of registry, minutes shall be drawn up based on the said recording and it shall be signed by a member of the Management Board.

Section 297.

- (1) If the Management Board of a public limited company contracts the services of a third party for keeping the register of shareholders (Section 202), a notice on the outsourcing of these activities and the name of the service provider shall be published in the company's official journal and shall be posted on its official website.
- (2) In the case of public limited companies, the certificate referred to in Section 212 is not required where entitlement is verified - as instructed in the articles of association - by way of the identification procedure prescribed in the act on securities.
- (3) Where the identification procedure is requested by the public limited company, if it pertains to the closing of the register of shareholders prior to the next general meeting, the keeper of the register of shareholders shall delete all data contained in the register of shareholders at the time of the identification procedure, and shall simultaneously enter the data obtained upon the identification procedure into the register of shareholders.

Section 298.

- (1) The Management Board shall provide the necessary information to all shareholders in connection with the items placed on the agenda of the general meeting upon written request at least eight days before the scheduled date of the general meeting.
- (2) The Management Board may refuse to provide such information if it is of the opinion that it would infringe upon the company's business secrets. The information shall be provided nonetheless, if the Management Board is so instructed by resolution of the general meeting. Disclosure of information that does not contain any business secrets may not be restricted.
- (3) Unless otherwise provided in the articles of association, the right of shareholders to information shall include - subject to the provisions of Subsection (2) - their entitlement to inspect the company's books and other business documents.
- (4) In connection with public limited companies, the director, an executive employee of the company, or a supervisory board member, may not serve as a shareholder's proxy.
- (5) Apart from the procedure referred to in Subsection (4) of Section 213, shareholders may confer their appointment of a proxy at the general meeting by filling out a standard form received from the public limited company through the postal service in the form of an electronic document and return it to the public limited company following the procedure and according to the conditions laid down in the articles of association. The articles of association of the public limited company may derogate from the provisions contained in Subsection (4) of Section 213 as relating to the filling out of the form.

Section 299.

- (1) The articles of association of a public limited 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.
- (2) The provision of the articles of association for the restriction of voting rights according to Subsection (1) shall be abolished in accordance with the act governing securities upon the closure of a bid defined therein, if it results in the acquisition of at least seventy-five per cent of the voting rights in the public limited company.

Section 300.

- (1) The right to request additional items for the agenda of the general meeting of a public limited company (Section 217) may be exercised by the shareholders controlling at least one per cent of the votes.
- (2) The shareholders controlling at least one per cent of the votes in a public limited company may request the appointment of an independent expert according to Subsection (2) of Section 222.

Section 302.

The following shall fall within the exclusive competence of the general meeting in addition to what is contained in Subsection (2) of Section 231:

- a) a decision concerning the approval of a public takeover offer;
- b) a decision for taking measures to intervene in a public takeover bid (Section 305);

- c) a decision - mandatory or otherwise depending on the provisions of the articles of association - concerning the guidelines and framework for a long-term salary and incentive scheme for executive officers, supervisory board members and executive employees; and
- d) the election of members of the audit board (Section 311).
- e) approval of the annual report in accordance with the Hungarian Accounting Law.

Section 303.

(1) The general meeting shall be convened by way of a public notice published in accordance with the articles of association at least thirty days in advance. The articles of association may contain provisions to stipulate that the notice for calling the general meeting may be posted on the company's official website instead of being published by means of the printed press. In addition to being posted on the website, the articles of association may require the notice to be published in the press as well, and that it shall be sent by way of electronic means to the shareholders who specifically requested it, in addition to being posted on the website or published in the press.

(2) In the event of any deviation between the public notice and the notice sent to the shareholders by way of electronic means, the public notice shall prevail.

(3) If an extraordinary general meeting is called in consequence of the shareholders' opinion relating to a public takeover offer for the shares of a public limited company or at the request of the person having obtained a qualifying holding upon the successful conclusion of the public takeover offer, the general meeting shall be convened in the manner specified in Subsection (1) at least fifteen days in advance.

Section 304.

(1) Public limited companies shall publish the key data of the annual report prepared pursuant to the Accounting Act and of the report of the Management Board and the supervisory board at least fifteen days before the general meeting, together with a summary of the proposals relating to the items on the agenda and the draft resolution in accordance with provisions of the articles of association pertaining to the disclosure of official notices of public limited companies. The articles of association may contain provisions for the public limited company to post its official notices on its website.

(2) Unless otherwise provided in the articles of association, the names of shareholders and proxies wishing to participate in the general meeting shall be entered into the register of shareholders before the commencement of the general meeting. If the articles of association contain provisions to specify the time by which the above entry has to be made, it may not precede the first day of the general meeting by more than seven business days.

(3) At the general meeting shareholders' rights may be exercised only by the persons whose name is contained in the register of shareholders at the time it was closed. Unless otherwise provided in the articles of association, closing the register of shareholders shall not impede the right of a person whose name is contained in the register of shareholders in transferring his shares after the closure of the register of shareholders. The transfer of shares before the opening day of the general meeting shall not preclude the right of a person whose name is contained in the register of shareholders from attending the general meeting and from exercising his shareholder's rights.

(4) Public limited companies shall apply the provisions relating to general meetings held by conferencing (Section 239) with the exception that the Management Board shall appoint an authorized voting agent for the duration of the general meeting held by conferencing, who will be available for all shareholders during the general meeting held by conferencing. Shareholders may exercise their voting rights through the authorized voting agent. The name of the authorized voting agent and his contact information during the general meeting held by conferencing shall be indicated in the invitation to the general meeting.

(5) The venue of a general meeting held by conferencing must be the registered office or place of business of the public limited company.

Section 305.

(1) A three-quarters majority shall be required for a decision to be adopted by the general meeting of a public limited company to take measures - upon receiving notice - to intervene in an imminent public takeover offer made in accordance with the provisions of specific other legislation, such as to increase the company's share capital or to acquire its own shares. With respect to such operations, any restriction or exclusion of voting rights attached to shares, save where voting rights are restricted under Section 227, shall not be applied.

(2) The provisions of Section 237 may not be applied with respect to public limited companies.

Section 306.

Public limited companies shall publish their general meeting resolutions by the procedure and at the time specified in specific other legislation relating to securities.

Section 307.

In public limited companies the shareholders may not adopt any decision without holding a general meeting.

* * * * *

Setting up a Management Board, agenda

Section 21.

(1) The executive officers or a board made up of executive officers shall conduct the management of the business association pursuant to the provisions governing the specific forms of business associations. For the purposes of this Act, 'management' shall mean the passing of decisions other than those conferred by the memorandum of association under the competence of the supreme body or other company organ, and which are necessary in connection with the company's operations.

(...)

(4) The management of (public or private) limited companies shall be conducted by the Management Board, except where the powers of the Management Board are conferred under articles of association of private limited companies upon a single executive officer (general director - Section 247). The articles of association of public limited companies may also contain provisions to tender management and supervisory functions upon the board of directors (public or private limited companies operated by the one-tier system). Such a (public or private) limited company shall have no supervisory board, and the members of the board of directors shall be treated as executive officers.

Section 22.

(1) Executive officers - with the exception of general partnerships and limited partnerships - must be natural persons. Executive officers must discharge their duties relating to the company's internal affairs and its bodies and other officers in person; no representation is allowed.

(...)

(4) Executive officers shall discharge their duties independently and are superseded only by legal regulations, the memorandum of association, and the resolution of the company's supreme body and, subject to the exception set out in Subsection (4), may not be instructed by the members (shareholders) of the business association.

((...))

(6) The company's supreme body shall be allowed to reduce the powers of executive officers or the management body in relation to the management of the company where so authorized by law or under the memorandum of association.

Section 23.

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

(2) Any person who has been banned by a standing court verdict from accepting an executive office may not serve as an executive officer under the duration of such ban. Any person who has been banned by a standing court verdict from any profession may not serve as an executive officer in a business association whose main business activity covers such profession.

(3) For a period of two years after cancellation of a business association from the register of companies based on winding-up proceedings, a person who, during the calendar year preceding such cancellation served as an executive officer of the terminated business association, may not be an executive officer of another business association.

Section 24.

(1) Unless otherwise prescribed in the memorandum of association, executive officers shall be elected for a fixed term of maximum five years, or designated in the memorandum of association. If the members (shareholders) did not install any provisions in the memorandum of association concerning the term of executive officers, the executive officers shall be considered elected for five years, with the exception if the business association is established for a shorter period.

(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 freely removed by the business association's supreme body at any time.

(3) Within fifteen days of accepting a new executive office, the executive officer shall notify in writing any other company in which he already serves as an executive officer or a supervisory board member.

Section 25.

(1) An executive officer may not acquire any share - other than shares in public limited companies - in any economic operator [Paragraph c) of Section 685 of the Civil Code] whose main business activity is similar to that of the business association, and may not accept an executive office in a business association or cooperative whose main business activity is similar to that of the business association, with the exception if so permitted by the memorandum of association of the business association affected or if the supreme body of the business association has granted consent.

(2) An executive officer and his close relatives [Paragraph b) of Section 685 of the Civil Code] or domestic partner may not conclude any transactions falling within the scope of the main activities of the business association in his own name and on his own account, unless specifically permitted in the memorandum of association.

(3) The memorandum of association may specify that the restriction specified in Subsections (1)-(2) applies with respect to any economic operator [Paragraph c) of Section 685 of the Civil Code] whose main business activity is similar to that of the business association or to transactions falling within the scope of activities of the business association.

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

(5) Claims for damages caused to the business association by any infringement of the regulations set out in Subsections (1)-(4) may be enforced for a period of one year from the occurrence of such damage.

Section 27.

(1) Executive officers must treat all business secrets (Section 81 of the Civil Code) of the business association as strictly confidential.

(2) Unless otherwise provided by law, upon request by the members (shareholders), executive officers shall provide information concerning the affairs of the business association, and allow inspection of its books and documents. In the event of any executive officer's failure to comply with such request, upon request of the member concerned, the court of registry may instruct the business association affected to provide the information in question and/or to provide for inspection.

(3) Exercise of the right pursuant to Subsection (2) by the members (shareholders) may not infringe upon the business interests or business secrets of the business association.

Section 30.

(1) The business association shall be liable for damages caused to third parties by its executive officer when acting in an official capacity.

(2) Executive officers shall conduct the management of the business association with due care and diligence as generally expected from persons in such positions and - unless otherwise provided in this Act - 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 by any infringement of the law or any breach of the memorandum of association, the resolutions of the business association's supreme body, or their management obligations.

(...)

(5) The memorandum of association may contain provisions for the company's supreme body to evaluate on an annual basis the work of the executive officers in the previous financial year, and to decide concerning the granting of any discharge of liability to certain executive officers. Granting a discharge of liability constitutes the supreme body's verification that the executive officers in question have performed their work during the period under review by giving priority to the interests of the business association. The discharge of liability shall be abolished in the event of a subsequent court ruling declaring the information based on which the discharge of liability was granted false or insufficient.

Section 243.

(1) Unless an exemption is made in this Act, the administrative duties of private limited companies is handled by the management body, consisting of minimum three and maximum eleven members, all natural persons. The management body shall elect its chairman from among its members. The articles of association may prescribe that the chairman of the Management Board be elected directly by the general meeting.

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

(3) The rules of procedure of the Management Board may contain facilities to allow its members to participate by way of electronic communications instead of attending in person. In this case, the detailed regulations for holding such meetings shall be laid down in the rules of procedure.

(4) The members of the Management Board may attend sessions of the general meeting of the company in an advisory capacity.

Section 244.

(1) The responsibility for presenting the annual report of the private limited company prepared pursuant to the Accounting Act to the general meeting lies with the Management Board.

(2) The Management Board shall prepare a report on the management, the financial situation and the business policy of the company at the intervals set out in the articles of association, or at least once every year for the general meeting, and at least once every three months for the supervisory board.

(3) The Management Board shall ascertain that the books of the company are kept according to the rules.

Section 308.

(1) Where the articles of association of a public limited company so provides, it shall be controlled by the board of directors under the one-tier system instead of the Management Board and the supervisory board. In this case, the board of directors shall discharge the duties of the Management Board and the supervisory board conferred upon them by law.

Section 309.

(1) The board of directors shall consist of minimum five and maximum eleven members, all natural persons, unless the articles of association provides otherwise with a view to employee participation. The board of directors shall elect its chairman from among its members. The articles of association may prescribe that the chairman of the board of directors be elected directly by the general meeting.

(2) The majority of the board of directors - with the exception set out in Subsection (4) - shall be made up of independent persons, unless the articles of association prescribe a higher percentage. A board member shall be considered independent if holding an office only on the board of directors of the public limited company.

(3) A board member shall not be considered independent, in particular, if:

a) an employee of the public limited company, or if a former employee for five years following the termination of such employment;

b) providing services to the public limited company or its executive officers for consideration as an expert or other similar services;

c) a shareholder of the public limited company controlling at least thirty per cent of the votes, whether directly or indirectly, or is a close relative [Civil Code, Paragraph b) of Section 685] or a domestic spouse of such person;

d) a close relative of any - non-independent - executive officer or executive employee of the public limited company;

e) entitled to receive financial benefits based on his board membership if the public limited company operates profitably, or receives any other form of remuneration from the company apart from the salary for his board membership, or from a company that is affiliated to the public limited company;

f) engaged in a partnership with a non-independent member of the public limited company in another business association on the strength of which the non-independent members attains control;

- g) an independent auditor of the public limited company, or an employee or partner of such auditor, for three years following the termination of such relationship;
 - h) an executive officer or executive employee of a business association, whose independent board member also holds an executive office in the public limited company.
- (4) The requirement for the majority of the board of directors to be made up of independent persons shall not apply if the public limited company is a controlled company belonging to a recognized group.

Section 311.

- (1) Public limited companies shall set up an audit board consisting of three members elected by the general meeting from the board of directors, or from the independent members of the supervisory board, where applicable.
- (2) The competence of the audit board shall cover the following:
- a) to opionate on the annual report prepared according to the Accounting Act;
 - b) making a recommendation concerning the person and remuneration of the auditor;
 - c) preparation of the contract to be concluded with the auditor, and signing the contract on the company's behalf by authorization conferred under the articles of association;
 - d) monitoring compliance with the qualification requirements and with the regulations on conflict of interest on the part of the auditor, discharging the duties relating to cooperation with the auditor and - where necessary - tabling recommendations to the board of directors or the supervisory board for taking measures;
 - e) analysis of the financial reporting system and making recommendations when any action is deemed necessary; and
 - f) assisting the board of directors and the supervisory board so as to exercise proper control of the financial reporting system.
- (3) The articles of association may confer additional duties upon the audit board.

Section 312.

- (1) If the shares of a public limited company are admitted for trading on the Budapest Stock Exchange, the Management Board shall present to the annual general meeting the corporate governance and management report together with the annual report prepared pursuant to the Accounting Act.
- (2) The report shall contain the Management Board's conclusions on the company's policy adopted with a view to sound governance and management in the previous financial year, and shall demonstrate any derogation from the Recommendations of the Budapest Stock Exchange for Sound Corporate Governance. The report shall be posted on the official website of the public limited company.
- (3) The report shall be approved by a separate resolution of the general meeting. If the public limited company has a supervisory board, the report may not be presented to the general meeting without the consent of the supervisory board.

* * * * *

Setting up a Supervisory Board, agenda

Section 33.

- (1) For the purpose of supervision of the business association's management, the members (shareholders) shall have the option - or the obligation in the cases specified under Subsection (2) - to prescribe in the memorandum of association the creation of a supervisory board.
- (2) Establishment of a supervisory board shall be mandatory:
- a) for public limited companies, except for any public or private limited company that is controlled by the one-tier system;
 - b) for private limited companies if requested by the founders or members (shareholders) controlling at least five per cent of the total number of votes;
 - c) irrespective of the form and operational structure of the company, where prescribed by law with a view to the protection of public assets or to the activities in which the company is engaged;
 - d) where so prescribed in this Act with a view to the exercise of the control rights of employees (Section 38).

Section 34.

- (1) The supervisory board shall consist of minimum three and maximum fifteen members.
- (2) The supervisory board shall act as an independent body. Unless otherwise prescribed by law or the memorandum of association, the supervisory board shall elect a chairman and, if necessary, a deputy chairman from among its members. The supervisory board shall have a quorum if two-thirds of its members, but at least three members, are present. The supervisory board shall pass resolutions with a simple majority.
- (3) The members of the supervisory board shall act in person; representation on the supervisory board is not allowed. A member of the supervisory board may not be instructed in this capacity by the business association's members (shareholders), or by the employer. Members of the supervisory board may attend sessions of the supreme body in an advisory capacity.
- (4) The supervisory board shall establish its own rules of procedure, subject to approval by the business association's supreme body. The rules of procedure of the supervisory board may contain facilities to allow its members to participate by means of electronic communications instead of attending in person. In this case the detailed regulations for holding such meetings shall be laid down in the rules of procedure.
- (5) If the number of supervisory board members falls below the number set forth in the memorandum of association, or there is no person to convene the meeting of the supervisory board, the management of the business association shall convene the business association's supreme body in the interest of restoring proper operation of the supervisory board.

Section 35.

- (1) 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.
- (2) The supervisory board may request information from the executive officers and from the executive employees of the business association, and it shall be provided in the manner and within the time limit specified in the memorandum of association. The supervisory board may inspect the books and documents of the business association with the help of experts when deemed necessary.
- (3) The supreme body of any business association that is supervised by a supervisory board may adopt a decision concerning the annual report prescribed in the Accounting Act only if 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, to the memorandum of association or to the resolutions of the business association's supreme body, or otherwise infringes upon 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 309.

- (1) The board of directors shall consist of minimum five and maximum eleven members, all natural persons, unless the articles of association provides otherwise with a view to employee participation. The board of directors shall elect its chairman from among its members. The articles of association may prescribe that the chairman of the board of directors be elected directly by the general meeting.
- (2) The majority of the board of directors - with the exception set out in Subsection (4) - shall be made up of independent persons, unless the articles of association prescribe a higher percentage. A board member shall be considered independent if holding an office only on the board of directors of the public limited company.
- (3) A board member shall not be considered independent, in particular, if:
 - a) an employee of the public limited company, or if a former employee for five years following the termination of such employment;
 - b) providing services to the public limited company or its executive officers for consideration as an expert or other similar services;
 - c) a shareholder of the public limited company controlling at least thirty per cent of the votes, whether directly or indirectly, or is a close relative [Civil Code, Paragraph b) of Section 685] or a domestic spouse of such person;
 - d) a close relative of any - non-independent - executive officer or executive employee of the public limited company;
 - e) entitled to receive financial benefits based on his board membership if the public limited company operates profitably, or receives any other form of remuneration from the company apart from the salary for his board membership, or from a company that is affiliated to the public limited company;
 - f) engaged in a partnership with a non-independent member of the public limited company in another business association on the strength of which the non-independent members attains control;
 - g) an independent auditor of the public limited company, or an employee or partner of such auditor, for three years following the termination of such relationship;
 - h) an executive officer or executive employee of a business association, whose independent board member also holds an executive office in the public limited company.
- (4) The requirement for the majority of the board of directors to be made up of independent persons shall not apply if the public limited company is a controlled company belonging to a recognized group.

Section 310.

If the public limited company has a supervisory board, the provisions of Subsections (2)-(4) of Section 309 shall apply - in due consideration of what is contained in Subsection (5) of Section 41 - to the supervisory board.

* * * * *

Auditor

Section 40.

- (1) The auditor appointed by the supreme body of the business association shall be responsible for carrying out the audits of accounting documents as specified in the Accounting Act, including - first and foremost - to determine as to whether the annual report that the business association has filed as prescribed in the Accounting Act is in conformity with legal requirements, and whether it provides a true and fair view of the company's assets and liabilities, financial position and profit or loss.
- (2) The auditor may not provide any service to a business association that may imperil his ability to carry out the duties referred to in Subsection (1) in the protection of public interest objectively and independently. The scope of ancillary activities in which an auditor may engage, and the conditions and restrictions for providing such services shall be defined in another act.

Section 41.

- (1) If a business association is required by the Accounting Act to employ a statutory auditor, or if it so prescribed in the business association's memorandum of association, the supreme body of the business association shall elect an auditor for the company and shall define the contents of the essential elements of the contract to be concluded with the auditor.
(...)
- (3) Persons included in the register of auditors in accordance with the relevant legal regulations may be elected as an auditor. Further requirements for auditors in terms of qualifications and conduct, and conflict of interest shall be laid down in specific other legislation.
(...)

(5) A founder or member (shareholder) of the business association may not be an auditor. Executive officers, supervisory board members, their close relatives [Paragraph b) of Section 685 of the Civil Code] or domestic spouses, or employees of the business association during the life of their relationship and for a period of three years thereafter, may not be elected as auditors.

Section 42.

(1) The supreme body of the company shall appoint the auditor for a fixed term of maximum five years. The term for which the auditor is appointed may not be less than the period commencing at the time of the members' meeting (general meeting) when the auditor is appointed and ending at the time of the members' meeting (general meeting) for adopting the annual report for the financial year as prescribed in the Accounting Act, for which period the accounting records are to be audited. The company's auditor may not be removed based on his findings contained in the independent auditor's report or the refusal to grant an audit certificate for the company's annual report prescribed in the Accounting Act.

Section 43.

(1) With a view to carrying out his duties 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 accounts, client accounts, the accounting system, and the contracts of the business association.

(2) The supervisory board of a business association, where applicable, may request the company's auditor to attend its meeting for the purpose of a hearing. The auditor may also request the supervisory board to put any item of his suggestion on the agenda, or may request to attend a meeting of the supervisory board in an advisory capacity.

(3) The auditor of a business association, in the course of the proceedings referred to in Subsections (1)-(2), may not engage in any professional collaboration with the company's management that may impair his ability to carry out the statutory audits of the company's accounts in an impartial and unbiased way.

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