



**CIG PANNÓNIA**  
BIZTOSÍTÓ

# **CORPORATE GOVERNANCE REPORT**

Prepared on the basis of the recommendation from the Corporate Governance Committee, approved by the Board of the Budapest Stock Exchange Co. Ltd.

on 23 July 2018 and

entered into force on 1 August 2018

## Introduction

The shares of CIG Pannónia Life Insurance Plc. (registered address: H-1033 Budapest, Flórián tér 1., hereinafter: Company) were classified by Budapest Stock Exchange Company Limited by Shares (hereinafter: BSE) in Category "Premium" from 1 July 2013. The decisive proportion of 94,428,260 shares are held by Hungarian businesses and Hungarian private individuals. Based on indirect and direct participation the participation of a single person reaches 24.85%, while that of one person exceeds 10%, and 5% respectively, while the number of further shareholders exceeds seven thousand. The Company considers its responsibility towards shareholders compliance with corporate governance recommendations. In line with the recommendations requirements, we present the Company's governance and operational characteristics as follows.

## **The Board**

The Company's managing body is the Board; it is the Board's duty to develop and manage the Company's organizational structure. The scope of its powers is defined by the relevant laws, the Company's Articles of Association, the resolutions of the General Meeting and the Board's rules of procedure. The Board is responsible for adopting its own rules of procedure by a majority of votes of the Members of the Board. The rules of procedure regulates, among other items, issues related to the Board's operation, the structure of the Board, and the mandatory content items of the meetings and of the minutes to be kept of the meetings. The Company's Board has at least three, but not more than seven members; its members are appointed and recalled by the General Meeting. The rules applicable to senior employees as specified in Act LXXXVIII of 2014 on Insurance Activities (hereinafter: the Bit) will apply to the Members of the Board. The number of Board Members decreased by one during the year, due to the expiry of the mandate, thus at the end of the year it performed its tasks as a four member body.

In view of the fact that the Company's hierarchy is less articulated due to the relatively low employee headcount, the Members of the Board have not formally divided tasks amongst themselves but they perform them as a body.

The Board defined material issues reserved for itself, in addition to the ones set out in the Articles of Association. These are mainly matters requiring significant resources and the decision's consequences have longer term effect. Any further operative decisions are made independently by the company management.

### **Members of the Company's Board:**

Dr. Mária Király, Member of the Board since 6 June 2013, Chairwoman since 6 January 2014.

Dr. Mária Király (66) is a certified economist specialized in enterprise planning and analysis; she later earned a specialist degree in economics with a focus on complex company management and a doctorate of economics at the Budapest University of Economics. She has been the head of operations at Axel Springer (currently Ringier Axel Springer) group, Hungary's largest publisher, since 1990. Her role includes the operational and business supervision of the various entities, the management of the management information system and the development of management strategies. She is a member of the Board of the Hungarian Newspaper Publishers' Association. She has been a member of the Company's Board since 6 June 2013.

Specialty areas within her competence: business strategy and business model, financial and actuarial analysis. Expiry of her Membership in the Board: 20.06.2023

Dr. Gabriella Kádár, Member of the Board from 16 August 2012

Dr. Gabriella Kádár (53) graduated from the Faculty of Law of ELTE University. After graduation and being admitted to the Bar, she obtained qualifications in insurance law. Between 1994 and 2003, she worked in various areas of the ING group, leading

their Pension Fund and later the Employee Benefit area as Managing Director. Following this, between 2003 and 2009, she was Director of Marketing and Corporate Development at Deloitte Hungary. From October 2009, she was in charge of our Company's alternative sales channel and became Chief Sales Officer later on; as of 6 January 2014 she has been CEO and top manager of the Company (within the meaning of Bit.).

Specialty areas within her competence: business and financial markets, business strategy and business model, governance system, regulatory requirements. Her Board membership is for an unlimited period of time.

Miklós Barta, Member of the Board from 16 August 2012

Miklós Barta (39) is an economist; he earned his degree at the University of Economics and Public Administration in a specialized course for actuaries. He was first employed at KPMG Hungary LLC in 2003 as an auditor, then from 2007, he performed auditor manager tasks, and participated in numerous consultancy projects. He earned an ACCA diploma (ACCA: Association of Chartered Certified Accountants, a leading global professional organization for finance and accounting experts) in 2008 and became a certified auditor at the Hungarian Chamber of Auditors in 2011. He joined in January 2011 as a Controlling Director and he has been working as the Director of Finance and Controlling since 2012, and since 2013 he has been Deputy CEO of the Company.

Specialty areas within his competence: business and financial markets, business strategy and business model, governance system, financial and actuarial analysis, regulatory requirements.

Her Board membership is for an unlimited period of time.

Dr. Gyula Mikó, Member of the Board between 6 June 2013 to 6 June 2018

Dr. Gyula Mikó (72) earned his doctorate in planning mathematics in 1971 at Corvinus University of Budapest; he was awarded a Candidate of Sciences degree in 1979 in Economics. He later taught at the university; he was an associate professor and a deputy dean. From 1991, he was head of product design at Nationale-Nederlanden (currently ING Insurance Company), became chief actuary from 1992 and from 1996 he worked as Deputy CEO of Nationale-Nederlanden Pension Fund Service Provider LLC. Between 1997 and 2002, he was President and CEO at Winterthur Insurance Company. Between 2006 and 2007, he worked as a Deputy CEO and chief actuary at Aviva Life Insurance Company. He was a founding member of the Company in 2007 and held the position of chief actuary until 2009; he was also Deputy CEO until 16 August 2012. She has been a member of the Company's Board since 6 June 2013.

Specialty areas within his competence: business and financial markets, governance system, financial and actuarial analysis.

His Board membership expired on 6 June 2018

Gergely Domonkos Horváth, Member of the Board since 6 June 2013

Gergely Domonkos Horváth (57) graduated from the Budapest University of Technology as a mechanical engineer, from the Budapest University of Economics as an engineer-economist and earned an MBA at the University of Pittsburgh. He has held various top management positions over the past 20 years: he was Deputy CEO at Merkantil Bank and Budapest Bank, CEO at Keler Ltd., Betonút Ltd. and MNV, President at Magyar Posta, ACE and the Association of Futures Markets and the Secretary-General of CEECSDA. Currently he is CEO of Norma Instruments Co. Ltd., and Board member at Gránit Bank Co. Ltd., and Norma Instruments Co. Ltd., he has been an independent member of the Company's Board since 6 June 2013.

Specialty areas within his competence: business and financial markets, business strategy and business model, governance system, financial and actuarial analysis.

Expiry of her Membership in the Board: 20.06.2023

## **Members of the Supervisory Board of the Company**

Dr. József Bayer, Member of the Supervisory Board as of 26 October 2007, mandated Chairman between 26 Sept. 2013 and 29 April 2014, then its Chairman until 8 March 2015, and then as of 28 April 2015 its re-elected Chairman.

Dr. József Bayer (68) graduated from the Karl Marx University of Economics (current name: Corvinus University of Budapest) in 1974. As of 1976 he has been member of the Hungarian Association of Economic Sciences. He earned a university doctorate in 1976 and a Candidate of Sciences degree in 1985. Between 1 January 1978 and 1 June 1983, he was the secretary responsible for science affairs at the Collegium Hungaricum in Vienna. Between September 1983 and 1 August 1984, he worked on his dissertation for the Candidate of Sciences degree at the University of Stuttgart as scientific assistant, where he also had a guest lecturer role. As of 1985 he is member of the Industry and Corporate Economic Committee of the Hungarian Academy of Sciences. Between October 1984 and 31 March 1989, he was the General Commercial Director of the Hungarian Television. He has been an associate professor at the Budapest University of Economics and Public Administration (current name: Corvinus University) since 1 April 1989. Since 1989 until today, he has been the Managing Director of Axel Springer Budapest Publishing LLC., and since its transformation on 6 November 2014 of Ringier Axel Springer Budapest Publishing LLC. In 2007, he took part in setting up the Company and he has been on the Supervisory Board ever since, then its Chairman as of 26 September 2013.

Specialty areas within his competence: business and financial markets, business strategy and business model, governance system, financial and actuarial analysis.  
Expiry of her Membership in the Supervisory Board: 28.04.2020

Imréné Fekete, Member of the Supervisory Board from 19 April 2012

Imréné Fekete (née Katalin Gazdag) (75) graduated from the Karl Marx University of Economics in 1969. She is a certified auditor and has a stock exchange exam. At the

beginning of her career, she worked for the National Savings Bank (Országos Takarékpénztár) and then worked for the Ministry of Finance and the State Audit Office. Between 1992 and 2007, he was an auditor, later a partner and then the managing director of Ernst & Young LLC. She represented the auditor profession in several international organisations as Board member in the Hungarian Association of Chartered Accountants, then as its Deputy Chairwoman. She was engaged in publication and further professional training for several decades. Between 2008 and 2013, she was a member of the Auditors' Public Supervisory Committee. She is a Member of the Supervisory Board of the Company and has been Chair of the Audit Committee since 18 April 2013. She is an independent member of the latter and is a qualified auditor.

Specialty areas within her competence: business and financial markets, governance system.

Expiry of her Membership in the Supervisory Board: 02.06.2020

István Papp, Member of the Supervisory Board from 27 May 2014

István Papp (68) acquired his degree at the School of Economics in 1975. He also holds an auditor qualification. Between 1979 and 1982 he has been senior administrator in the Ministry of Foreign Affairs's Economic Department, then deputy Head of Department in the Ministry for Industry, Economic Department. Between 1990 and 1991 he was CFO of Vegyiműveket Tervező Vállalat, then from 1991 Managing Director and owners of P and P Mérlegdoktor Könyvvizsgáló Kft. As of 27 May 2014 he is independent member of the Audit Committee.

Specialty areas within his competence: governance system, financial and actuarial analysis, regulatory requirements.

Expiry of her Membership in the Supervisory Board: 2019.05.27.

Dr. Erzsébet Hajnalka Czakó has been member of the Supervisory Board as of 24 July 2015

Dr. Erzsébet Czakó (55) graduated from the Karl Marx University of Economics (current name: Corvinus University of Budapest) in 1986 and works there ever since. She obtained her university doctorate in 1991, her PhD degree in 2002, and has been lecturing in BCE since 1 September 2013. She has participated in scientific and professional further trainings in numerous universities abroad, including the Catholic University in Leuven (Belgium) and Harvard Business School (USA). Her subjects include international strategy and corporate economics, and competitiveness is amongst her research areas. She teaches in Hungarian and English, she published numerous articles in these two languages. Between 1994 and 2001 she has been Deputy Head of Department at the Corporate Economics Department, Head of Department between 2001 and 2004, between 2003 and 2005 Deputy Dean at the BCE Corporate Economics Faculty, from 2005 the Director of the Corporate Economics Institute. She has been an independent member of the Audit Committee as of 24 July 2015.

Specialty areas within her competence: business strategy and business model, management system.

Expiry of her Membership in the Supervisory Board: 2020.07.24.

István Boros has been member of the Supervisory Board as of 24 July 2015

István Boros (68) graduated at the Foreign Trade School in 1972, than obtained his specialised degree in economics in 1992 at the BKE International Economic Relations Faculty. Between 1974 and 86 he obtained corporate foreign trade experience in Hungary, and in the meanwhile, between 1981 and 1986, he worked at the Hungarian Trade Representation in Paris. Between 1989 and 1995 he was the Deputy CEO of Hungexpo Ltd.; he was involved in the establishment and supervision of several Hungarian-foreign joint ventures (Publicis Hungary, Szonda-Ipsos). From 1995 he has been managing director of Cegos Tanácsadó and Tréning Ltd., then from 2015 owner



CEO of the company that transformed into a private limited company. He was a founding Deputy Chairman of the Hungarian French Chamber of Commerce and Industry (1991-1997), then its Chairman(2003-2007), and between 2007 and 2010 its Board member. He was Chairman of the Curators in the Autonomy Foundation between 2002 and 2014, and its curator afterwards. He has been member of the Curators of the Budapest Festival Orchestra since 2009, and he was Board member in the Herendi Porcelánmanufaktúra Ltd. between 2004 and 2009. In 2006 he was awarded the French Ordre national du Mérite at officier level. He has been an independent member of the Company's Supervisory Board since 24 July 2015.

Specialty areas within her competence: business strategy and business model, management system.

Expiry of her Membership in the Supervisory Board: 26.09.2022

Ákos Veisz, Member of the Supervisory Board until 26 September 2017

Ákos Veisz (37) acquired his degree in economics in 2006, in the Budapesti Corvinus University, in Finances specialty, and he was awarded with the University's Professional Award. In 2005 he studied in the Tilburg University (the Netherlands) with an ERASMUS scholarship, and between 2007 and 2010 he participated in several professional further trainings abroad in the fields of exchange rate policy, financial markets and sovereign debt management. Between 2006 and 2010 he worked as financial analyst in the Economic Policy Department of the Ministry of Finance, then as economic analyst at the Prime Minister's Office next to dr. György Szapáry, Chief Economic Policy Advisor. As of 2011 he worked as diplomat at the Hungarian Embassy in Washington, in charge of financial and economic policy matters. Since February 2015 he has been advisor to MKB Bank, since August 2015 a Director at MKB Bank, in charge of strategy, as of January 2017 Managing Director in the Strategic Management Board. He is in charge of the management of the MKB Financial Group strategic and analytic competence. He is involved in the work of domestic and international professional and representative bodies. Since 2002 he is member, financial manager, then Chairman of the Farkas Heller Specialised College, operating

in the Budapest Corvinus University. Since 2006 he is senior member in the organisation, and lecturer in several courses in financial matters. He has been an independent member of the Company's Supervisory Board since 26 September 2017.

Specialty areas within his competence: business and financial markets, business strategy and business model, financial and actuarial analysis.

Expiry of her Membership in the Supervisory Board: 26.09.2022

## **Committees**

### **Audit Committee**

The Supervisory Board has elected an Audit Committee from amongst its members.

Members of the Audit Committee in the financial year of 2018:

Imréné Fekete (from 5 May 2012)

István Papp (27 May 2014)

Dr. Erzsébet Hajnalka Czakó (from 28 July 2015)

### **Remuneration and Nomination Committee**

The Company's Board established Remuneration and Nomination Committee for the preparation of remuneration proposals, to appraise the members of bodies and the preparation of the election of officers. Members of the Audit Committee in the financial year of 2018:

Dr. József Bayer

Dr. Gábor Móricz

István Boros

### **Meetings of the Board/Supervisory Board/Audit Committee**

Number of meetings in 2018

Board; 5 meetings 47 resolutions (of which 7 by voting in lieu of a meeting), 85% participation (three absences)

Supervisory Board; 5 meetings 35 resolutions, 93% participation (two absence)

Audit Committee; 5 meetings 29 resolutions, 100% participation

### **The presentation of viewpoints considered when evaluating the work of the Managing Body, the Supervisory Board, the management, as well as of the different members**

The Remuneration and Nomination Committee performs the annual appraisal of members of various bodies. Appraisal criteria:

Whether the member of the body

- holds competences required for the governance of insurance industry and how much the acquired knowledge is kept up-to-date. In this context members have to report annually on the trainings they participated, and in what other ways they kept their professional knowledge up-to-date that enable the high level practicing of the relevant competences.

Competences tested: insurance and financial markets, business strategy and business model, governance system, regulatory requirements, financial and actuarial analysis.

- participated in meetings and how active the member was at those meetings and outside meetings. In this context the following activities are evaluated: proposals made at meetings, independent submissions, requests for information, participation in individual negotiations, in particular participation in consultations with authorities, performance of other committee tasks.

- contributed to the Company's effectiveness and to what extent, on the basis of the member's active participation, control role, or personal prestige contributed to the Company's operation.

Annual appraisals contribute to the members' activity and via this, to the effectiveness of the Company.

### **Operation of the Supervisory Board**

In accordance with the rules of Section 85(4) of Act LXXXVIII of 2014 on Insurance Companies and Insurance Activities, the Supervisory Board controls the internal audit organization and prepares recommendations and proposals on the basis of the findings of the audits carried out by the internal audit function. According to the Articles of Association, the Company has a Supervisory Board comprising of at least three and no more than ten members; the chairman and the members are selected by the General Meeting for no more than five years, and are recalled by the same body. The Supervisory Board adopts its own rules of procedure, which are approved by the General Meeting of the Company.

In the course of fulfilling its duties required by law, the primary goal of the Supervisory Board is to establish a comprehensive and efficient audit system for the Company. Its scope of activities includes the management of the internal audit system and the preparation of recommendations on the basis of the findings of the audits carried out by the internal audit function.

In the course of developing its rules of procedure and carrying out its activities, the Supervisory Board will take into account the following recommendations:

- Recommendation No. 5/2016 (VI.06.) of national Bank of Hungary on the development and operation of internal defense lines and on the management and control functions of financial institutions;
- recommendation No. 4/2016 (VI.06.) of national Bank of Hungary on the governance system of insurance companies and reinsurance companies.

The Supervisory Board has meetings at least five times a year but also meets whenever it is necessary with regard to the Company's business interests. At its meetings, it must discuss (at least once in every three months) the report prepared by the Board on the Company's financial situation and business policies. The Supervisory Board is in charge of the internal audit organization. As part of its related duties, the Supervisory Board adopts the three-year audit plan of the internal audit function, discusses at least once in every six months the reports made by the internal

audit function and checks the implementation of the necessary measures. If necessary, the Supervisory Board engages an external expert to support the work of the internal audit function and makes recommendations for any changes in the number of staff of the internal audit unit. The Supervisory Board also prepares recommendations and proposals on the basis of the findings of the audits carried out by the internal audit function.

The meetings of the Supervisory Board are convened by the Chairman or the Deputy Chairman if the Chairman is not available. The Chairman/Deputy Chairman convening the meeting will also preside over it. Any Member of the Supervisory Board may request the Chairman to convene a meeting in writing by specifying the reason and the purpose of the meeting. Within 8 (eight) days, the Chairman must set the date of such a meeting to a date within maximum thirty days. If the chairperson fails to comply with the request, the member will have the right to convene the meeting himself.

The Supervisory Board has published its Rules of Procedure, as well as its members' CV, covering their competences and independence, on the Company's website:

<https://www.cigpannonia.hu/befektetok/tarsasagiranyitas>

<https://www.cigpannonia.hu/rolunk/vezetoseg/eletbiztosito>

### **Operation of the Audit Committee**

The Audit Committee is a body supporting the work of the Supervisory Board by giving opinions, evaluations and recommendations. The scope of the Committee's powers is defined by the relevant laws, the Company's Articles of Association, the resolutions of the General Meeting and the Committee's rules of procedure.

Its members are elected by the General Meeting from the members of the Supervisory Board. Their term of office is equivalent with their Supervisory Board membership.

An audit committee of maximum four members operates at the Company, whose members are elected by the General Meeting from the independent members of the Supervisory Board. Two of its members are auditors

The tasks of the Audit Committee include the following:

- forming an opinion on the annual report prepared according to the Accounting Act;
- monitoring the audit of the annual report prepared according to the Accounting Act;
- making a recommendation for the appointment and remuneration of the auditor; preparation of the contract to be made with the auditor; signing the contract on the Company's behalf, based on the authorisation granted by the statute
- reviewing the validation of the professional requirements and conflict of interest against the auditor, carrying out certain tasks related to co-operation with the auditor,
- monitoring any other services provided by the auditor to the Company in addition to the audit of the annual report prepared according to the Accounting Act, and
- if it is necessary, making recommendations to the Supervisory Board for taking measures.
- analysis of the operation of the financial reporting system and making proposals for the necessary measures to be made;
- assisting the work of the Board and the Supervisory Board for the proper control of the financial reporting system,
- and monitoring the efficiency of the internal audit and risk management system, in line with the division of tasks established with the Supervisory Board.

The Audit Committee shall inform the Supervisory Board that evaluates its work about its resolutions adopted at the meetings. It prepares a report on its annual work, to be discussed by the Supervisory Board. Before the annual General Meeting the Audit

Committee forms its opinion on the annual accounts and forwards it to the Company's Board and Supervisory Board.

The Audit Committee has published its Rules of Procedure, as well as its members' CV, covering their competences and independence, on the Company's website:

<https://www.cigpannonia.hu/befektetok/tarsasagiranyitas>

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## **Bodies assisting the management**

### **Management Meeting**

The Management Meeting supports the operational level decision-making of the Company. This Committee has no decision-making powers; in issues discussed by the Committee, the CEO passes decisions individually. It is the Management Meeting's task to assist the operational management, to coordinate individual tasks, furthermore to submit preparatory and information materials for the Board's decision-making activities, in particular concerning issues, about which the CEO, any other identified senior manager of the organisation must report to the Board or the General Meeting.

The Management Meeting consists of permanent and ad hoc members. The heads of IT, HR and Risk Management, as well as project managers report regularly in accordance with its agenda. Minutes are drawn up in meetings that contain, apart from the essence of that meeting, the tasks raised and the responsible persons, as well as the deadlines.

### **Members of the Company's management**

The following is a list of those senior managers at the Company beyond the Board and the Supervisory Board members whose expertise and experience have an important role in 2018 in the success of the Company.

Dr. Pál Búzás, Risk Management Officer  
Judit Cselényi Szabó, Alternative Sales Development Director,  
Dr. Antal Csevár, Chief Legal Advisor, Consumer Protection, Data Protection Officer  
Dr. Rebeka Krisztina Dudás, legal assistant, investor relations,  
Tibor Edvi, Chief Actuary,  
Margit Gábelics, Chief Accountant  
Dr. Katalin Halász, Senior Medical Officer  
Máté Komoróczy, in charge of Risk Management,  
Ádám Mándoki, Head of Department, Product Development,  
Dr. Erika Marczi, Head of Internal Audit  
Dr. Imre Pintér, Head of Compliance, AML Reporting Officer,  
Tamás Rittinger, Director of Tied Network  
Gábor Solymosi, Head of Sales  
Géza Szabó, a person performing actuarial tasks,  
Alexandra Tóth, Head of Department, Finances  
Zsuzsanna TorDY, Head of Marketing,  
László Wiand, Head of IT

### **Data Qualification Committee**

The Data Qualification Committee is an ad hoc body consisting of the Head of the Investor Relations Department, the Chief Legal Advisor and one member of the Board. It is the task of the Data Qualification Committee to establish whether a given piece of data or information whose qualification is ambiguous is Classified Information, more precisely Inside Information, based on its content. On the basis of the data qualification, under the Regulation (EU) 596/2014 of the European Parliament and the Council (MAR) and Commission Implementing Regulation (EU) 2016/347, the Company keeps an Insider Record on the permanent insiders, and persons holding transaction or event related insider information.

### **System of internal controls**



The system of internal controls is operated at the Company in accordance with the applicable laws and the relevant recommendations. In particular: Directive 2009/138/EC of 25 November 2009 of the European Parliament and the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (known as Solvency II), Commission Delegated Regulation (EU) 2015/35 (known as addition to Solvency II), and Recommendation No. 5/2016 (VI.06.) of national Bank of Hungary on the development and operation of internal defense lines and on the management and control functions of financial institutions and recommendation No. 4/2016 (VI.06.) on the governance system of insurance companies and reinsurance companies. The internal defense roles and individual responsibilities of organizational units and officers constituting the internal defense lines are defined in policies; these roles and responsibilities have also been added to the job descriptions of the relevant persons.

### **Internal audit system**

The internal audit system comprises control mechanisms incorporated into processes at the Company, management controls and the independent internal auditor. The internal auditor's is overseen by the Supervisory Board from a professional point of view.

Audits are performed by the Internal Auditor. They involve a comprehensive audit of the business activities, their analysis and assessment, identification of interfering circumstances and irregularities, the initiating of measures, the carrying out of examinations defined by law and internal rules, the completion of targeted examinations, general examinations and ensuring that the experience gained is used in practice. The responsibilities of the internal auditor is limited to examining whether the Insurer operates in accordance with internal procedures as well as examining insurance activity from the perspective of legality, security, transparency and expedience. The internal auditor examines the accuracy and completeness of reports and data supplied to the Supervisory Authority by the Company at least on a quarterly basis. The internal auditor is required to send the internal auditor's reports to both the Supervisory Board and the Board, and, if there is a supervisory audit, the internal

auditor must make these reports available to those carrying out the audit. The employer's rights concerning the internal auditor are exercised by the Chairman of the Board.

The Company's internal audit function has an audit manual and a three-year rolling audit plan. After an internal auditor's report is approved by the Supervisory Board, the findings of the report are discussed and continuously monitored by the Management Meeting. Internal audit monitors every month the implementation of the tasks specified in its reports. After supervisory audits have been closed, the Company will examine in every quarter the risk assessment prepared by the Supervisor on the Company and the Head of the Internal Audit reports on this to the Supervisory Board.

The check of the administration, embedded in the work process, uses the four-eyes principle. Each transaction is approved by a different employee in the IIMS financial control system. In the financial field, performance is approved and payment is authorized by different persons.

### **Risk Management Committee**

The principal task of the Risk Management Committee is to assist and support the Board in carrying out their risk management activity in accordance with the laws and other rules as well as the Articles of Association and internal regulations of the Company. In this framework the Risk Management Committee overviews, reviews, and analyses, regularly and as needed, the Company's risk management activity, and reports on it, and makes recommendations to the Board on the basis of its experience.

The Risk Management Committee comprises the members and invitees of the CEO Meeting, as well as the Chief Actuary, the Compliance Officer and the persons in charge of risk management.

Main tasks of the Risk Management Committee:

- monitoring and development of the risk management system covering the entire Company;
- monitoring of the implementation of the risk assessment guidelines adopted by the Board;
- monitoring of the implementation of the “risk appetite” principles defined by the Board (i.e. the magnitude and types of risks the organization is willing to accept)
- monitoring the risk management measures defined by the Board;
- improving the overall risk awareness of the organization;
- coordinating the operation of other units beyond the internal audit within the Company’s organization that have audit functions and comparing their day-to-day practice with the principles defined by the Board;
- coordinating the preparation for the implementation of Directive 2009/138/EC on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) as well as the additional Directive;
- discussing and accepting the quarterly risk exposure reports prepared by the risk management associate;
- discussing the annual operational risk reports; making recommendations for action;
- evaluation of the annual live test results of the business continuation and disaster recovery plan;
- discussing and accepting the quarterly reports drafted by the Compliance Officer;
- discussing the risk management report prepared for the Board;
- developing actuary methodology;
- analyzing the quarterly client complaint reports from the aspect of risk management;
- in connection with the auditing of the Company:
  - making recommendations for further measures concerning unresolved findings made by the internal audit function;

- deciding on accepting the existing risk or on adopting measures mitigating the risk in the case of internal audit findings not accepted by the responsible person;
- monitoring the measures taken in response to the findings of the auditor and the NBH.

The Risk Committee regularly monitors all risks of the Company, it renders them on a Risk Map, determining the management options and the responsible persons.

### **Risk Management Officer**

In order to comply with the Insurance Companies Act, an independent position has been created, that of the Risk Management Officer, who directly reports to the Chief Executive Officer. The role of the Risk Management Officer covers the following:

- in order to help the Company develop its risk strategy, the introduction and operation of a complex risk management system suitable for the identification, monitoring and reduction of risks in the fields of operation, projects and economic crime prevention;
- the establishment of risk reducing procedures, the monitoring of implementation and the follow-up of results are managed by the Risk Management Officer;
- the risk management system involves a management of tasks that is sufficiently documented, that is based on self-assessment, data measurement and regular analysis and also the results of expert analyses and that, in addition to the primary result of reducing risk, increases risk awareness concerning the Company's decision-making;
- the Officer verifies the calculations, assessments and reports created by the Risk Manager by signing them.

- Performance of duties related to the operation of the system:
- the Board assess the current risk levels in the specified areas of risks through a standard self-assessment discussion. The insurance company uses a two-level assessment; the result of the high-level assessment carried out with the involvement of the Company's management determines the list of areas in which a separate themed assessment is required.
- The risk management function identifies points of assessment in each risk area within its scope of powers for the purpose of determining risk levels (key risk indicators), and the affected business areas prepare a monthly report on the results of the assessment.
- The risk management function will evaluate the measured results, the trends and the external factors impacting risk and will prepare a quarterly report on the findings for the Board.
- On the basis of an annual plan of operation, the risk management function monitors the work processes constituting elevated risk and records any deficiencies in a manager's report. The Company will appoint a risk owner/a person to act to carry out the tasks arising from such findings and will set a deadline for completing the task. The risk management function will track the risk that have arisen and the tasks related to their mitigation in the summary records of risk management and will inform the management of any backlog.

### **Person performing risk management tasks**

A separate position, that of the **Risk Manager**, reporting to the Risk Management Officer, has been established, also under the rules of the Insurance Companies Act, the Solvency II. and its addition, with the following tasks:

- a) assistance to the management, executive or supervisory body in the efficient operation of the risk management system;
- b) monitoring of the risk management system;
- c) monitoring the general risk profile of the Company as a whole;
- d) detailed report on the risk exposures, and information to the management, executive or supervisory body on risk management matters, including strategic

matters such as corporate strategy, mergers and acquisitions, furthermore major projects and investments;

e) the identification and assessment of risks arising.

## **Compliance Officer**

The compliance function (hereinafter the Compliance Officer) was also developed pursuant to the rules of the Insurance Companies Act. The Compliance Officer reports to the Chief Executive Officer directly; the Officer's scope of responsibilities include the identification and management of compliance risks that may arise due to the Company's failure to follow the relevant laws and any other applicable rule not qualifying as a law.

### Regulatory tasks

of the Compliance Officer:

- defining the compliance areas and the scope of the related compliance rules;
- tracking of changes in regulation; conducting impact studies
- initiating the necessary changes.

Operation-related duties:

- monitoring compliance with the compliance rules and reporting any violation of them to the Supervisory Board and the Board;
- consulting the Company's management in connection with compliance issues;
- training the employees of the Company on compliance and keeping the relevant training materials up-to-date;
- fulfilling the notification obligation to the authorities (e.g. concerning conflicts of interest);
- issuing an opinion from the aspect of compliance before the launch of new products and procedures.

The Compliance Officer also performs the compliance task. In this context it reports at least once a year on compliance with legislation and by-laws to the Board and the

Supervisory Board, with the detailed content specified by the provisions of the Insurance Companies Act.

### **Money Laundering Reporting Officer (appointed person)**

Pursuant to Act LIII of 2017 on the Prevention and Combating of Money Laundering and Terrorist Financing (hereinafter: Anti-Money Laundering Act), the Company has adopted and applies anti-money laundering and anti-terrorist financing norms on the basis of uniform principles. To carry out these tasks, a separate position has been created pursuant to the rules of the Anti-Money Laundering Act. The holder of this position is required to notify the authority acting as a financial information unit of any reported cases he/she may learn of.

The Officer's main tasks include:

- if the Officer obtains information concerning unusual transactions, he/she may request information about them from the employees, insurance brokers and will forward the information in the form of an official report
- organizing training or further training held for the employees on a regular basis but at least once a year and informing them of current experiences
- verifying running the filter systems
- liaison with the designated units of the authority acting as a financial information unit, providing information about reported transactions and clients and also about non-reported contractual relationships and transactions in the case of an appropriate query (the query must be made in accordance with the requirements specified in all other applicable laws, including Act LXXXVIII of 2014 on Insurance Companies and Insurance Activities and Act XIX of 2017 on Criminal Procedure).
- defining the purpose, content, order and rules of audits related to the prevention and combating of money laundering and terrorist financing.

The activities of the Money Laundering Reporting Officer are controlled by the Chief Legal Counsel.

### **Data Protection Officer**

With the view to comply with Regulation (EU) 2016/679 of the European Parliament and of the Council on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation, hereinafter the GDPR), and to establish the processing of personal data, and the enforcement of the data subjects' rights, as well as the related liabilities, the Company has launched a Privacy Policy, and appointed a Data Protection Officer for the performance of data protection task. The Company enters into and maintains business relations exclusively with businesses for data processing, insurance intermediary and outsourced activities that undertake to comply with the provisions of the GDPR and act in accordance with the Company's Privacy Policy. The Company publishes its data protection provisions on its website in all countries where it enters into consumer agreements in the framework of its cross-border activity.

The Company established and operates an internal online reporting system for data protection breaches.

### **Auditor**

Section 71 (4) of Act LXXVIII of 2014 on Insurance activities sets further tasks to the Company's auditor apart from auditing the annual accounts. Checks

- the correctness of the Company's supervisory reports
- compliance with the legislation and supervisory resolutions effective, prudent and independent ownership, and prudent operation;
- adequacy of the continuous record-keeping, data processing and reporting system;
- proper functioning of the control systems.

The auditor regularly attended the Audit Committee's meetings, furthermore attended the Supervisory Board's meeting held on the annual accounts, furthermore the Board meeting discussing the content of the auditor's management letter.



### **Independence of the auditor**

The Auditor of the Company is Ernst & Young Audit LLC (H-1132 Budapest, Váci út 20.). In 2018, the Company issued no assignment to the auditor for additional activities at the Company beyond auditing, thus the independence requirement was met.

### **The Company's disclosure policy and policy on insider trading**

The Company will comply with its disclosure obligations on shares marketed to the public in full compliance with Minister of Finance Decree 24/2008 (VIII.15.) PM on the Detailed rules of the disclosure requirements on securities marketed to the public, and the relevant provisions of the BSE's GTC.

The Company's disclosure locations:

- the Company's website ([www.cigpannonia.hu](http://www.cigpannonia.hu)),
- the website operated by the NBH ([www.kozzetetelek.hu](http://www.kozzetetelek.hu)),
- and the website of the Budapest Stock Exchange Company Limited ([www.bet.hu](http://www.bet.hu))

The Company's management decides, based on the opinion from the Data Qualification Committee whether certain information affect the value or yield of CIGPANNONIA shares, and the Company's image directly or indirectly and its maturity justifies the publication.

The Company prohibits transactions by insiders and persons in close relationship with them in CIGPANNONIA shares during the period of prohibition, otherwise it sets no restrictions on them. Transactions by senior management are immediately disclosed by using the forms set out in the MAR Regulation and its Annexes.

### **Description of the manner of exercising shareholders' rights**

Access to the annual accounts and resolutions of the General Meeting

At least 21 days before the General Meeting, the Company is required to publish, in accordance with the public announcement rules in the Articles of Association, the draft

of the annual report prepared according to the Accounting Act, the key data of the report of the Board and the Supervisory Board, summary reports of the number of shares and voting rights at the time the General Meeting was convened (including summary reports for each share class), summary reports of the proposals concerning the issues on the agenda and the motions for resolutions. The Board shall provide all shareholders with all information regarding the items placed on the agenda, necessary for discussing such agenda items, in such a manner that the shareholders receive the necessary information no later than three days before the date of the General Meeting, upon their written request submitted at least eight days before the scheduled date of such General Meeting.

#### Right to request for information

Any executive officer may refuse to give information and provide access to documents if giving information and/or providing access to documents violate(s) the legal person's trade secrets or if the party requesting information exercises his right by abusing such right or refuses to make a declaration of confidentiality despite having been asked to do so. If the party requesting information considers the refusal of information unjustified, he may request the court of registration to order the Company to provide access to the information.

#### Right to propose agenda items

Where shareholders together controlling at least one per cent of the votes in the company limited propose certain additions to the agenda or a draft resolution related to an item on the agenda or to be added to the agenda in accordance with the provisions on setting the items of the agenda, within eight days after the publication of the announcement on the convention of the General Meeting, the Board shall publish an announcement on the supplemented agenda, or the draft resolutions submitted by shareholders upon receipt of the proposal. The matter published in the announcement shall be construed to have been placed on the agenda.

Where shareholders exercised their right set out in this paragraph, then the Company publishes the agenda supplemented upon shareholder motion(s) and the draft

resolutions submitted by the shareholders at the Disclosure Locations on the working day following the expiry of the deadline for exercising shareholders' rights.

#### Enforcement of the one-share-one-vote principle

Each dematerialized ordinary share, interest bearing share of HUF 40 (that is forty Hungarian forints face value) entitles the shareholder to cast one vote at the General Meeting.

#### Right of representation and measures facilitating it

The shareholders of the Company may exercise their voting rights at the General Meeting in person or by proxy (acting on behalf of the organisation or a proxy). The executive officers of the Company, the members of the Supervisory Board and the Auditor may not act as a proxy.

A person acting as a proxy holder may hold a proxy from more than one shareholder; however, one shareholder may<sup>(1)</sup> appoint only one proxy holder. The representative shall cast votes in accordance with the instructions issued by the appointing shareholder, any vote to the contrary shall be disqualified. If a shareholder has shares of the Company held in more than one securities account, the shareholder may appoint a separate representative for shares held in individual securities account, however, the casting of votes differently in respect of shares held by one and the same shareholder is not allowed. In the event of casting of votes differently in respect of shares held by one and the same shareholder, all such votes shall be disqualified. These provisions shall not affect the provisions of Act CXX of 2001 on the Capital Market on shareholders' representatives.

The form for issuing a proxy may be downloaded from the Company's website ([www.cigpannonia.hu](http://www.cigpannonia.hu)).

The proxy issued to the representative (including any authorisation issued on a form) shall be drawn up as an authentic instrument or a private document with full probative value. Where the proxy is drawn up abroad, the proxy's formalities must also comply with the laws on the formalities and certification of documents issued abroad. Where the proxy is issued in a language other than Hungarian, a certified translation must also be attached. For shareholders other than private individuals the right of

organisational representation of persons signing the proxy of the person acting for shareholders other than private individuals at the General Meeting must be certified during the registration preceding the General Meeting, and/or by upon sending the proxy issued on the form to the Company by an original document issued by a public register not older than 30 days, or its certified copy (e.g. a company extract) or a statement made at a public notary, furthermore a specimen signature of the person concerned must also be attached. Where the document on the verification of the right of representation is issued in a language other than Hungarian, a certified translation must also be attached.

The proxy must be deposited at the latest during the registration before the commencement of the General Meeting.

### **Rules related to holding the General Meeting**

#### Shareholder verification

In order to be able to attend the General Meeting, only persons may attend that were registered in the shareholder register by the second working day before the beginning of the General Meeting. At the General Meeting shareholders' rights may be exercised only by persons whose names are included in the register of shareholders at the time it is closed. No transfer of shares before the opening day of the general meeting affects the right of a person whose name is contained in the shareholder register from attending the general meeting and from exercising his shareholder's rights there.

The confirmation as to who is entitled to exercise shareholders' rights at the General Meeting takes place via a regular shareholder verification process. Hence, no shareholders' certificate needs to be issued for the General Meeting.

The Company asks a shareholder verification from KELER Zrt as the keeper of the shareholders' register by the time of the General Meeting as corporate event. Upon the convention of the General Meeting the Company shall announce a cut-off date for shareholder verification. The keeper of shareholder register deletes all the data in the shareholder register valid as at the verification procedure, while simultaneously entering the data obtained as a result of the identification procedure into the

shareholder register, then it closes it on the (3) third day following the shareholders' verification, on the basis of the data from the shareholders' verification. Other rules on shareholders' verification are laid down in the GTC of KELER Zrt, as effective at all times.

#### Registration at the General Meeting

Where conditions for attending and exercising the right to vote at the General Meeting as set out in the announcement on the invitation to the General Meeting, the shareholder or its representative (organisational or acting by proxy) may request its voting table at the venue of the General Meeting, during the registration preceding the General Meeting, subject to the verification of identity and the right to representation, following the verification of the shareholders' register and signing the attendance sheet; this table makes the shareholder eligible to vote and to attend the General Meeting. During the registration preceding the General Meeting the shareholder or its representative (organisational or acting by proxy) is required to verify his identity by a valid ID or passport.

#### Vote counting

The Company checks the quorum at the General Meeting upon voting on each proposed resolution. Accordingly, the shareholder may check-in and out during the entire duration of the General Meeting. The votes are counted by upholding the voting tables. The Vote Counting Committee is elected by the General Meeting. For each voting table the number of votes are established during the registration in a manner not to compromise the one-share-one-vote principle.

#### Venue and language of the General Meeting:

The General Meeting is held in the Hungarian language, and usually at the Company's registered address.

To shareholders requesting it before the General Meeting in writing, the Company provides for entry opportunity for the shareholder's own interpreters to the General Meeting, subject to specifying the interpreter's name and particulars.

#### Publication of the General meeting's resolutions

The Company ensures that non-attending shareholders may become aware of the General Meeting's resolutions within half an hour, by way of publication.

### Remuneration statement

In 2018, the Company issued its remuneration guidelines, furthermore it published the remuneration paid to the officers in this capacity.

The remuneration statement is exclusive of the remuneration received by the officers from their employment. The remuneration guidelines have been published by the Company on its website

Information about the members of the Board and the Supervisory Board of CIG Pannónia Life Insurance Plc. and about the monetary and in-kind benefits they received in this capacity in the 2018 business year

	Name	Position at the Company	Monetary benefits provided in the 2018 business year and legal title of the benefit	In-kind benefits provided in the 2018 business year and legal title of the benefit
1	Dr Mária Király	Dr. Mária Király, Member of the Board since 6 June 2013 Chairwoman of the Board as of 6 January 2014.	As board member/chairwoman she received a gross HUF 2,400,000 monetary benefit.	The Chairman/member of the Board has not received any in-kind benefit
2	Miklós Barta	Member of the Board from 16 August 2012	As Board member he received no monetary benefits	As Board member he received no in-kind benefits



3	Dr. Gabriella Kádár	Member of the Board from 16 August 2012	As Board member he received no monetary benefits	As Board member he received no in-kind benefits
4	Gergely Domonkos Horváth	He has been Member of the Board since 6 June 2013	As Board member, he has received a HUF 900,000 (gross) as a remuneration	As Board member he received no in-kind benefits
5	Dr. Gyula Mikó	Dr. Gyula Mikó was Member of the Board between 6 June 2013 to 6 June 2018	As Board member, he has received a HUF 600,000 (gross) as a remuneration	As Board member he received no in-kind benefits

6	Istvan Papp	Member of the Supervisory Board since 27 April 2014 Member of the Audit Committee since 27 May 2014	As a Member of the Supervisory Board/Audit Committee, this person has received a grand total of HUF 2,250,000 (gross) as a remuneration	As Supervisory Board/Audit Committee member he received no in-kind benefits
7	Dr. Erzsébet Hajnalka Czakó	She has been member of the Supervisory Board as of 24 July 2015 She has been member of the Audit Committee as of 24 July 2015	As a Member of the Supervisory Board, this person has received a grand total of HUF 2,250,000 (gross) as a remuneration	As Supervisory Board/Audit Committee member he received no in-kind benefits



8	István Boros	Member of the Supervisory Board since 24 April 2015	As a Member of the Supervisory Board, this person has received a grand total of HUF 1,500,000 (gross) as a remuneration	As Supervisory Board member he received no in-kind benefits
9	Imréné Fekete	Member of the Supervisory Board from 19 April 2012, mandated Chairwoman between 13 March 2015 and 28 April 2015 Chairwoman of the Audit Committee from 18 April 2013	As a Member of the Supervisory Board, this person has received a grand total of HUF 3,000,000 (gross) as a remuneration	As Supervisory Board/Audit Committee member he received no in-kind benefits
10	Ákos Veisz	Member of the Supervisory Board since 26 September 2017	As a Member of the Supervisory Board, this person has received a grand total of HUF 900,000 (gross) as a remuneration	As Supervisory Board member he received no in-kind benefits
11	Dr. József Bayer	Member of the Supervisory Board since 26 October 2007, 26 September 2013 its mandated Chairman until 29 April 2014, then its Chairman until 8 March 2015, and then as of 28 April 2015 its re-elected Chairman.	As Chairman of the Supervisory Board he received a gross grand total HUF 3,000,000 remuneration.	As Chairman/member of the Supervisory Board he received no in-kind benefits



Annex No. 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 proposals 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.

In the Recommendations in part contain recommendations mandatory for all issuer and partly optional proposals. Issuers may depart both from both mandatory recommendations and optional proposals. In the event of departure from recommendations the issuers are required to disclose this departure in the corporate governance report and justify it („comply or explain“). This allows issuers to take into account sectoral and company specific needs. Accordingly, if applicable, an issuer departing from the recommendations may meet the corporate governance requirements. For proposals issuers must indicate whether they apply the relevant guideline or not and they have the possibility to justify any departure from the proposal.

The basic principle and objective of the corporate governance report is to report on the company’s previous business year and reveal to what extent the issuer complied with Recommendations. However, recommendations may include recommendations and proposals pertaining to an event or incident that were not present at the issuer in the period in question. In accordance with the established practice YES could be answered to these “event type” questions if that event did not occur during the business year (for example no dividend was distributed; or no shareholder

observations were received to proposals before the General Meeting), however the company would have acted in accordance with the recommendation on the basis of the provisions of its Articles of Association, and its practice upon the occurrence of the relevant event. In such a case, the solutions best fitted with the principle of transparent operation is if the issuer indicates as an explanation next to a YES response that the event in question has not occurred during the previous business year but it appropriate treatment is ensured.

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.

**1.1.1.** The company has an investor relations department or an appointed person performs these tasks.

**Yes**

No

Explanation:

**1.1.2.** The Company should publish its effective Articles of Association on its website.

**Yes**

No

Explanation:

**1.1.4.** In the event that the Articles of Association allow shareholders to exercise their rights in their absence, the Company should publish the methods and conditions of doing so, including all necessary documents.

**Yes**

No

Explanation:

**1.2.1.** It is recommended that the company provides access to the rules regarding the administration of the meetings and the exercise of the voting powers by its shareholders.

**Yes**

No

Explanation:

**1.2.2.** The Company should publish the exact date when the range of those eligible to participate in a given company event (General Meeting, dividend payment, shares splitting, bonus shares issue etc.) is set (record date). At the time of setting this date, the Company should also publish the last day when the shares granting eligibility for participating in a given company event are traded.

**Yes**

No

Explanation:

**1.2.3.** The Company should hold its General Meetings at a place and time providing for maximum shareholder participation.

**Yes**

No

Explanation:

**1.2.6.** The Company should not restrict the right of shareholders with more than one securities account to designate a different representative for each of those accounts for the shares held there, at any General Meeting.

**Yes**

No

Explanation:

**1.2.7.** For proposals for the agenda items, the Board of Directors' draft resolution and also the Supervisory Board's opinion should be disclosed to the shareholders.

**Yes**

No

Explanation:

**1.3.3.** The Company should not restrict the rights of its shareholders attending a General Meeting to request information, add comments and submit proposals, and should not set any preconditions for these, provided that exercise of these rights does not lead to the obstruction of the correct and intended conduct of the General Meeting.

**Yes**

No

Explanation:

**1.3.4.** By answering the questions raised at the General Meeting, the Company should ensure compliance with the information provision and disclosure principles set out in legal and stock exchange requirements.

**Yes**

No

Explanation:

**1.3.5.** In the event certain questions at the General Meeting cannot be satisfactorily answered by the representatives of the Company's boards or by any relevant auditor present at the meeting, the Board of Directors should ensure that the answers are published within three working days following the General Meeting, unless this is contrary to the Company's interests.

**Yes**

No

Explanation: No such procedure took place in 2018.

**1.3.7.** In the event a proposal or proposal relating to a particular issue on the agenda has been submitted which the shareholders haven't had a chance to become familiar with before the General Meeting, the Chairman of the meeting should order a recess at his own discretion.

**Yes**

No

Explanation: No such procedure took place in 2018.

**1.3.8.1.** The Chairman of the General Meeting did not use a combined voting procedure for a decision related to electing and recalling executive officers and Supervisory Board members.

**Yes**

No

Explanation:

**1.3.8.2.** For executive officers or Supervisory Board members, whose nominations were supported by shareholders, did the Company disclose the identity of the supporting shareholder(s)

**Yes**

No

Explanation: In 2018 no such motion was received from shareholders.

**1.3.9.** Prior to discussing agenda items concerning the amendment of the Articles of Association, the General Meeting should pass a separate resolution to determine whether to decide on each amendment of the Articles of Association by individual votes, joint votes, or votes combined in a specific way, to ensure the smooth and efficient conduct of the meeting.

**Yes**

No

Explanation:

**1.3.10.** The Company should publish the minutes of the General Meeting containing the resolutions, the description of the draft resolutions and any important questions and answers related to the draft resolutions within 30 days following the General Meeting.

**Yes**

No

Explanation:

**1.5.1.1.** Did the Board of Directors/Governing Board or a committee consisting of Board of Directors/Governing Board members establish guidelines and rules concerning the performance review and remuneration of the Board of Directors/Governing Board, the Supervisory Board and the management?

**Yes**

No

Explanation:

**1.5.1.2.** Were the tasks and the level of responsibility of each member, the rate of achievement of the Company's objectives and its economic/financial position taken into consideration for establishing performance-based remuneration for the members of the management?

**Yes**

No

Explanation:

**1.5.1.3.** Were the remuneration guidelines established by the Board of Directors/Governing Board or a committee consisting of Board of Directors/Governing Board members assessed by the Supervisory Board?

**Yes**

No

Explanation:

**1.5.1.4.** Were the guidelines (and any major changes thereof) for the remuneration of Board of Directors/Governing Board and Supervisory Board members approved by the General Meeting in a separate agenda item?

**Yes**

No

Explanation:

**1.5.2.1.** Does controlling the performance of and establishment of the remuneration for the executive management fall within the competence of the Board of Directors/Governing Board?

**Yes**

No

Explanation:

**1.5.2.2.** Were the terms for extraordinary benefits provided to management members (and any major changes thereto) approved by the General Meeting in a separate agenda item?

**Yes**

No

Explanation: The Company has not provided any remuneration other than usual to the members of the management.

**1.5.3.1.** Did the General Meeting approve the principles of the stock-based remuneration schemes?

**Yes**

No

**1.5.3.2.** Did shareholders receive detailed information before the General Meeting decided about the stock-based remuneration schemes (at least as specified in Section 1.5.3)

**Yes**

No

Explanation:

**1.5.4.** Does the Company have a remuneration scheme in place which does not incentivize the staff to focus only on short-term maximisation of the share price?

**Yes**

No

Explanation:

**1.5.5.** Does Supervisory Board members receive a fixed-amount remuneration which does not include any elements linked to share price?

**Yes**

No

Explanation:

**1.5.6.** Did the Company prepare a report ('Remuneration Statement') for the owners about the remuneration principles relating to and containing the actual remuneration of Board of Directors/Governing Board, Supervisory Board and management members (with the content and the level of detail set out in industry regulations binding for the Company), and did the Company present it to the General Meeting? Did the Remuneration Statement present the remuneration of Board of Directors/Governing Board and Supervisory Board members, as well as the guidelines used to assess their activities and establish their remuneration? Did this information include the disclosure of the total remuneration for Board of Directors/Governing Board and Supervisory Board level, the details of all fixed and variable elements, any other remunerations as well as a presentation of the guidelines for the remuneration scheme and any major changes to those compared to the previous financial year?

**Yes**

No

Explanation:

**1.6.1.1.** Do the Company's publication guidelines cover the procedures for electronic, online disclosure?

**Yes**

No

Explanation:

**1.6.1.2.** Does the Company design its website by considering the aspects of disclosure and the information of investors?

**Yes**

No

Explanation:

**1.6.2.1.** Does the Company have an internal publication policy in place which covers the processing the information listed in Section 1.6.2 of the Recommendations?

**Yes**

No

**1.6.2.2.** Do the internal regulations of the Company cover the methods for the assessment of events judged to be important for publication?

**Yes**

No

Explanation: The Company performs the qualification of significant events in 2019. This far the Company published its announcement in accordance with the requirements of Decree 24/2008. (VIII.15.) PM, however qualification as significant event took place individually.

**1.6.2.3.** Did the Board of Directors/Governing Board assess the efficiency of the publication processes?

Yes

**No**

Explanation: The Company continuously measures feedback from shareholders, however, due to the low interest the measurement of efficiency has not been performed.

**1.6.2.4.** Did the Company publish the findings of the efficiency assessment of the publication process?

Yes

**No**

Explanation: The Company performs such surveys for several years retrospectively, however, the number of responses was so low that permitted no significant conclusions.

**1.6.3.** Did the Company publish its annual company event calendar?

**Yes**

No

Explanation:



**1.6.4.** Did the Company publish its strategy, business ethics and policies regarding other stakeholders?

Yes

**No**

Explanation: The company has disclosed its strategy, however it has not developed its business ethics and guidelines regarding other stakeholders. These will be developed and disclosed in 2019.

**1.6.5.** Did the Company publish the career information of Board of Directors / Governing Board, Supervisory Board and management members in its annual report or on the company website?

**Yes**

No

Explanation:

**1.6.6.** Did the Company publish all relevant information about the internal organisation and the operation of the Board of Directors / Governing Board and the Supervisory Board, about the work of the management, the assessments of these and the changes in the current year.

**Yes**

No

Explanation:

**1.6.7.1.** Did the Company publish its remuneration guidelines in line with the recommendations set out in Section 1.5?

**Yes**

No

Explanation:

**1.6.7.2.** Did the Company publish its remuneration statement in line with the recommendations set out in Section 1.5.?

**Yes**

No

**1.6.8.** Did the Company publish its risk management guidelines and information about its system of internal controls, the main risks and the principles for their management?

**Yes**

No

Explanation:

**1.6.9.1.** Did the Company publish its guidelines relating to the trading of its shares by insiders?

**Yes**

No

Explanation: The Company has not adopted any regulations different from the MAR Regulation and intends to put no restriction on the share purchase of insiders outside the period of prohibition.

**1.6.9.2.** Did the Company disclose the share of the Board of Directors / Governing Board, Supervisory Board and management members in the securities issued by the Company, as well as the extent of their interest under the equity-based incentive system in the annual report or in some other way?

**Yes**

No

Explanation:

**1.6.10.** Did the Company publish the relationship of Board of Directors / Governing Board, Supervisory Board and management members may have with third parties which could affect the operation of the Company?

**Yes**

No

Explanation:

**2.1.1.** Does the Company's Articles of Association contain clear provisions regarding the responsibilities and competences of the General Meeting and the Board of Directors / Governing Board?

**Yes**

No

Explanation:

**2.2.1.** Does the Board of Directors / Governing Board have a rules of procedure in place defining the organisational structure, the actions for arranging for and conducting the meetings, and the tasks regarding the adopted resolutions, as well as other issues related to the operation of the Board of Directors / Governing Board?

**Yes**

No

Explanation:

**2.2.2.** Does the Company publish the procedure used for nominating Board of Directors / Governing Board members and the principles for determining their remuneration?

**Yes**

No

Explanation:

**2.3.1.** Does the Supervisory Board provide a detailed description of its operation and duties, as well as the administrative procedures and processes followed by it, in its rules of procedure and work plan?

**Yes**

No

**2.4.1.1.** Did the Board of Directors / Governing Board and the Supervisory Board hold meetings periodically at a predefined interval?

**Yes**

No

Explanation:

**2.4.1.2.** Did the rules of procedure of the Board of Directors / Governing Board and the Supervisory Board provide rules for the conduct of meetings that cannot be planned in advance, and for decision-making using electronic telecommunications means?

**Yes**

No

Explanation:

**2.4.2.1.** Did board members have access to the proposals to be presented at the meeting of the respective board at least five days prior to the meeting?

**Yes**

No

Explanation:

**2.4.2.2.** Did the Company arrange the proper conduct of the meetings, the drawing up of the meeting minutes and management of the resolutions made by the Board of Directors / Governing Board and the Supervisory Board?

**Yes**

No

Explanation:

**2.4.3.** Do the rules of procedure provide for the regular or ad hoc participation of non-board members at respective board's meetings?

**Yes**

No

Explanation:

**2.5.1.** Were the members of the Board of Directors / Governing Board and the Supervisory Board nominated and elected in a transparent process, and was the information about the candidates made public in due time before the General Meeting?

**Yes**

No

Explanation:

**2.5.2.** Does the composition and size of the boards comply with the principles set out in Section 2.5.2 of the Recommendations

**Yes**

No

Explanation:

**2.5.3.** Did the Company ensure that the newly elected Board of Directors / Governing Board and Supervisory Board members became familiar with the structure and operation of the Company and their tasks were carried out as members of the respective boards?.

**Yes**

No

**2.6.1.** Did the Governing Board / Supervisory Board request (in the context of preparing the annual corporate governance report) its members considered to be independent to confirm their independence at regular intervals?

**Yes**

No

Explanation:

**2.6.2.** Does the Company provide information about the tools which ensure that the Board of Directors / Governing Board assesses objectively the management's activities?

**Yes**

No

Explanation:

**2.6.3.** Did the Company publish its guidelines concerning the independence of its Governing Board / Supervisory Board members and the applied independence criteria on its website?

**Yes**

No

Explanation:

**2.6.4.** Does the Supervisory Board of the Company have any members who has held any position in the Board of Directors or in the management of the Company in the previous five years, not including cases when they were involved to ensure employee participation?

**Yes**

No

Explanation:

**2.7.1.** Did members of the Board of Directors / Governing Board inform the Board of Directors / Governing Board and (if applicable) the Supervisory Board (or the Audit Committee if a uniform governance system is in place) if they, or individuals they have business relations with, or their relatives have interest in any business transactions of the Company (or any subsidiaries thereof) which excludes their independence?

**Yes**

No

Explanation:

**2.7.2.** Were transactions and assignments between members of boards/ members of the management/individuals closely associated with them and the Company/subsidiaries of the Company carried out in accordance with the Company's general business practice but applying more stringent transparency rules compared to general business practice, and were they approved?

**Yes**

No

Explanation:

**2.7.3.** Did board members inform the Supervisory Board / Audit Committee (Nominating Committee) if they had received an appointment for board membership or management position of a company not belonging to the Company Group?

**Yes**

No

**2.7.4.** Did the Board of Directors / Governing Board develop guidelines for the flow of information and the management of insider information within the Company, and monitor compliance with them?

**Yes**

No

Explanation:

**2.8.1.** Did the Company create an independent internal audit function that reports directly to the Audit Committee / Supervisory Board?

**Yes**

No

Explanation:

**2.8.2.** Does Internal Audit have unrestricted access to all information necessary for carrying out audits?

**Yes**

No

Explanation:

**2.8.3.** Did shareholders receive information about the operation of the system of internal controls?

**Yes**

No

Explanation:

**2.8.4.** Does the Company have a function ensuring compliance (compliance function)?

**Yes**

No

Explanation:

**2.8.5.1.** Is the Board of Directors / Governing Board or a committee operated by it responsible for the supervision and management of the entire risk management of the Company?

**Yes**

No

Explanation:

**2.8.5.2.** Did the relevant organisation of the Company and the General Meeting received information about the efficiency of the risk management procedures?

**Yes**

No

Explanation:

**2.8.6.** With the involvement of the relevant areas, did the Board of Directors / Governing Board develop the basic principles of risk management taking into account the special idiosyncrasies of the industry and the Company?

**Yes**

No

Explanation:

**2.8.7.** Did the Board of Directors / Governing Board define the principles for the system of internal controls to ensure the management and control of the risks affecting the Company's activities as well as the achievement of its performance and profit objectives?

**Yes**

No

Explanation:

**2.8.8.** Did internal control systems functions report about the operation of internal control mechanisms and corporate governance functions to the competent board at least once a year?

**Yes**

No

Explanation:

**2.9.2.** Did the Board of Directors / Governing Board invite the Company's auditor in an advisory capacity to the meetings on financial reports?

**Yes**

No

Explanation:



## Level of compliance with the Suggestions

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

The company the possibility to justify any departure from the proposal.

**1.1.3.** Does the Company's Articles of Association provide an opportunity for shareholders to exercise their voting rights also when they are not present in person?

**Yes**

No

(Explanation: )

**1.2.4.** Did the Company determine the place and time of General Meetings initiated by shareholders by taking the initiating shareholders' proposal into account?

**Yes**

No

(Explanation: No such shareholder motion was received in 2018.

**1.2.5.** Does the voting procedure used by the Company ensure a clear, unambiguous and fast determination of voting results, and in the case of electronic voting, also the validity and reliability of the results?

**Yes**

No

(Explanation: )

**1.3.1.1.** Were the Board of Directors/Governing Board and the Supervisory Board represented at the General Meeting?

**Yes**

No

(Explanation: )

**1.3.1.2.** In the event the Board of Directors/Governing Board and the Supervisory Board was absent, was it disclosed by the Chairman of the General Meeting before discussion of the agenda began?

**Yes**

No

(Explanation: )

**1.3.2.1.** The Articles of Association of the Company did not preclude any individuals from receiving an invitation to the General Meetings of the Company at the initiative of the Chairman of the Board of Directors/Governing Board and being granted the right to express their opinion and to add comments there if that person's presence and expert opinion is presumed to be necessary or help provide information to the shareholders and help the General Meeting make decisions

**Yes**

No

(Explanation: )

**1.3.2.2.** The Articles of Association of the Company did not preclude any individual from receiving an invitation to the General Meetings of the Company at the initiative of shareholders requesting to supplement the agenda items of the General Meeting and from being granted the right to express their opinion and to add comments there.

**Yes**

No

(Explanation: )

**1.3.6.** Does the annual report of the Company prepared as specified in the Accounting Act contain a brief, easy-to-understand and illustrative summary for shareholders, including all material information related to the Company's annual operation?

**Yes**

No

(Explanation: )

**1.4.1.** In line with Section 1.4.1, did the Company pay dividend within 10 working days to those of its shareholders who had submitted all the necessary information and documents?

**Yes**

No

(Explanation: )

**1.6.11.** Did the Company publish its information in English as well, in line with the provisions of Section 1.6.11?

**Yes**

No

(Explanation: )

**1.6.12.** Did the Company inform its investors about its operation, financial situation and assets on a regular basis, but at least quarterly?

**Yes**

No

(Explanation: )

**2.9.1.** Does the Company have in place internal procedures regarding the use of external advisors and outsourced activities?

**Yes**

No

(Explanation: )