



**PANNÓNIA**  
**ÉLETBIZTOSÍTÓ**

**CIG Pannónia Life Insurance Plc.**

**Rules of Procedure - Supervisory Board**

Consolidated with the amendment laid down in General Meeting resolution No. 16/2018.  
(IV.27.) and adopted at the 17 April 2019 General Meeting

## **I. Status and role of the Supervisory Board**

In accordance with Act V of 2013 on the Civil Code ("Civil Code"), Act LXXXVIII of 2014 on Insurance Companies and Their Activities ("Insurance Companies Act"), and the Articles of Association of CIG Pannónia Life Insurance Plc., the Company's operation is controlled by the Supervisory Board.

In the course of fulfilling its duties required by the Civil Code and the Insurance Companies Act, 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 Recommendation No. 27/2018 (XII. 10.) of the National Bank of Hungary on the development and operation of internal defense lines and on the management and control functions of financial institutions (hereinafter: Supervisory Recommendation).

The Supervisory Board holds its meetings at least five times a year but also meets whenever it is made necessary by 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.

## **II. Membership/Organisational structure**

The Supervisory Board shall consist of minimum three and maximum fifteen members, elected by the General Meeting. The members shall elect a board member to act as the chairman of the Supervisory Board. The person appointed by the Chairman of the Supervisory Board shall chair the meetings of the college in the absence of the Chairman. The tasks of the Secretary shall be performed by the Chief legal Counsel of the Company, and if the Secretary is prevented from carrying out this task, a person appointed by him.

The Supervisory Board shall act as a body; it may delegate certain supervisory tasks to any one of its members or distribute supervisory duties amongst 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 make its decisions by a simple majority. In the case of a split vote the Chairperson shall cast the deciding vote. A member is deemed to be present at the meeting if he participates via using a telecommunication device.

The Chairman of the Supervisory Board shall be required to perform his tasks in a manner that

- a) it contributes to establish a transparent liability system within the body;
- b) it ensures the continuous operation of the body;

- c) it facilitates the necessary, efficient and sufficient communication within the body, with other bodies and committees, and persons exercising other functions;
- d) to seek, with the view to secure the efficiency of internal defence lines, to ensure decision-making based on open and professionally substantiated debates, with due critical attitude, and to ensure the recording of any views departing from that of the majority.

### **III. Operation**

Before the balance sheet date (31 December), the Supervisory Board approves its work and meeting plan for the next year, compiled in view of the financial closing schedule adopted by the Board and the proposals by its members. The Supervisory Board shall set in its work plan the priority issues for the next year of the tasks summarised in Section IV. Based on the work plan and being aware of the annual reporting deadlines the Supervisory Board lays down a meeting plan, to be annexed to the work plan. When setting the agenda for meetings, in addition to any task laid down in the work plan any further need that rose during the year may be taken into account.

The Supervisory Board holds its meetings on the dates set out in the annual meeting plan. Where any meeting beyond the ones in the meeting plan is required, the Chairman shall convene the Supervisory Board's meeting. The convention of the meeting shall be the responsibility of the Supervisory Board's Secretary, five days preceding the meeting's date, electronically, via a password protected e-mail message. Proposals shall be annexed to that message. This notification message shall contain the agenda, venue and date and time of the meeting, as well as all proposals. 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, who shall, within eight (8) days, ensure the convention of a Supervisory Board meeting within thirty days. If the Chairman fails to comply with the request, the member will have the right to convene the meeting himself.

The meetings of the Supervisory Board are chaired by the Chairman or the Deputy Chairman if the Chairman is not available. Minutes shall be prepared of the meetings of the Supervisory Board. The minutes shall be signed by the Chairman of the meeting and further two attending members of the body. The minutes shall be sent to each member of the body, irrespective of whether he was present at the meeting or not.

The minutes shall be kept by the Secretary of the Supervisory Board. The minutes shall contain:

- a) the location and time of the meeting;
- b) the names of the members attending;
- c) any proposal presented,
- d) any decision made and objection against these decisions. Any member of the Supervisory Board may request to have his contribution recorded word-by-word in the minutes.

Decisions made by the Supervisory Board resolutions shall be numbered in a sequence, restarting in each calendar year.

The minutes shall be prepared by the Secretary within eight days following the meeting date, and he shall distribute it to the members for approval. Members may make observations to the minutes, and request clarification on their presentation. Observations shall be integrated by the keeper of the minutes. Upon the integration of observations and additions the minutes shall become final and adopted. The certified minutes shall be sent the heads of specialty areas affected by the resolutions. The Supervisory Board shall decide on the distribution of the minutes drawn up in a closed session.

Written votes are also permitted, to be ordered by the Chairman, via the Secretary. Voting in writing may take place only if none of the members of the Supervisory Board object against this procedure.

Votes casted in voting in writing shall be sent to the Secretary of the Supervisory Board within three days, unless otherwise provided in the notice for written voting. The member shall express his vote by signing the resolution, to be forwarded to the Company via the post or as a scanned copy via email.

Votes against or abstentions for proposed resolutions and failure to cast a vote shall not qualify as objection against the voting procedure.

The Supervisory Board's meetings may only be attended by persons invited by the Chairman, following prior consultation with the members, as invitees. The Supervisory Board members shall consult on invitations required for each agenda item before the meetings. The Chairman of the Board, the CEO of the Company and the Deputy CEO and the Secretary are standing attendees at the meetings. Any member may initiate the convention of a closed meeting. The Chairman shall order a closed meeting if members vote on it unanimously.

#### **IV. Powers and responsibilities**

Rights and obligations of the Supervisory Board members:

- (a) to monitor and supervise the Company's strategy and its implementation in practice
- (b) to examine any proposal to be submitted to the General Meeting and make its position on them known by the General Meeting;
- (c) may access any Company documents, accounting record and books of the Company; the Supervisory Board shall have access to the documents, accounting records and books of the Company, and shall be entitled to request information from the Company's executive officers and employees, and it may inspect the Company's bank accounts, cash desk, securities portfolio, inventories and contracts, or have them inspected by an expert. The Supervisory Board shall be entitled to sue the services of external consultants, for consideration up to 10 MHUF per year in total. Where the Supervisory Board intends to use external consultants in excess of 10 MHUF per year, it shall be required to request the consent from the Board to it.

- (d)
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- (e) if, in the view of the Supervisory Board, the activity of the management violates law, the Articles of Association or the resolutions of the business association's supreme body, or otherwise infringes the interests of the Company, the Supervisory Board may convene the extraordinary meeting of the company's supreme body to discuss that issue and to take the necessary decisions;
  - (f) it adopts the report prepared by the Board on the Company's financial situation and business policy;
  - (g) the auditor may attend the Supervisory Board's meetings, where he is entitled to voice his opinion, and if so requested by the Supervisory Board, his attendance is mandatory;
  - (h) it is required to put any item proposed by the auditor to be discussed on the agenda;
  - (i) it shall discuss, under Section 84 (2) of the Insurance Companies Act, the report prepared by the person performing compliance tasks at least on an annual basis, on compliance with the laws and by-laws;
  - (j) in the event the company or its executives give(s) an assignment to the auditor of the company to provide other professional services, and the fee for the services, the type of the service or any other circumstance may result in significant additional expenses for the owners or may cause conflict of interest, or affect normal business practices significantly in any other way;
  - (k) decide on proposals submitted by the Audit Committee;
  - (l) discuss the report made by the Audit Committee.
    - (m) on the basis of information from the Audit Committee it shall decide on using an external auditor

The prior consent from the Supervisory Board shall be required for passing the following corporate resolutions, and the submission of proposals:

- (a) the General Meeting of the Company may decide on the accounts under the Accounting Act only after having received the written report of the Supervisory Board thereon.
- (b) based on the authorisation from the General Meeting, any decision by the Board to increase or decrease the share capital; if the law provides for an interim balance sheet, its adoption by the Board;
- (c) submission of the Board by any motion to distribute dividends to the General Meeting;
- (d) adoption of the Company's business plan by the Board,
- (e) passing any decision on the employment, termination of employment of the head of the internal audit organisation, lead internal auditors, or an independent internal auditor, and setting their remuneration;
- (f) adoption of the corporate governance report by the General Meeting.

In accordance with the provisions of the Insurance Companies Act, and the supervisory recommendation, in the framework of managing the internal audit organisation, the Supervisory Board:

- (a) adopts the annual audit plan of the internal audit organisational unit,
- (b) ensures that the Company has a comprehensive control system in place that is suitable for the effective operation;
- (c) discusses, at least at a quarterly frequency, the reports prepared by the internal audit and verifies the implementation of the required measures,
- (d) directs the activity of the person performing internal audit tasks
- (e) set the number of persons performing internal audit tasks unless the insurance company outsources the internal audit task
- (f) on the basis of the findings made during the examinations performed by the person performing internal audit tasks, it makes recommendations, proposals, and measures, and checks the implementation of such recommendations, proposals and measures
- (g) if necessary, it assists the work of the internal audit by engaging an external expert,
- (h) it makes proposals to change the headcounts of the internal audit organisational unit.

In addition to the tasks set out above, the Supervisory Board shall be entitled to request information and report on the operation of all elements of the internal audit system (process integrated, management control, management information system), furthermore on the Company's internal defence system as a whole.

The Supervisory Board shall pay attention, in addition to its primary responsibilities to be performed on the basis of the law, to the following activities:

- a) monitoring and supervision of the Board's decision-making activity,
- b) critical evaluation of the Board decisions and any information it provides,
- c) supervision and regular evaluation of the Company's internal defence lines' operation, and in the event of the detection of any irregularity, initiating any required measure,
- d) monitoring and supervising the strategic objectives, organisational structure, risk strategy, including risk appetite and the risk management system, and its disclosure practice of the Company and its subsidiaries,
- e) monitoring the development of the risk culture at the Company and its subsidiaries,
- f) supervising compliance with the ethic norms and conflict of interest handling measures by the Company and its subsidiaries,
- g) supervising the preparation of financial statements and the integrity of supervisory reporting,
- h) annual appraisal of its work.

The Supervisory Board shall be required to perform its task by utilising the competences of its members in a manner that they are jointly ready and capable of:

- a. understanding and evaluating any proposal, explanation, and information provided by the Board,
- b. monitor the application of the Company strategy, risk appetite and policies,

- c. appraise the performance of the Members of the Board.

The members of the Supervisory Board shall be required to develop their knowledge, competences and skills on a continuous basis. The Company provides assistance and opportunity for this.

#### **V. Cooperation with the Audit Committee**

The audit committee with at least three members shall assist the Supervisory Board in particular in the supervision the financial reporting regime, selection of an auditor and working in cooperation with the auditor. The Audit Committee shall report to the Supervisory Board on its work.

The Supervisory Board shall take into account the opinion expressed by the Audit Committee in matters within the competence of the Audit Committee.

#### **VI. Liability**

Supervisory Board members shall be liable for the damage caused to the legal person through their failure to fulfil their obligation to supervise or by carrying out inadequate supervision in accordance with the provisions on liability for losses caused by a breach of contract.

#### **Closing Provisions**

The Chairman of the Supervisory Board shall be required, within 10 working days following the body's meeting, to send to the National Bank of Hungary, acting as supervisor, any minutes, proposals, and report on agenda items discussed by the Supervisory Board, related to grave violations of Company by-laws or grave irregularities detected in the governance, management.

The members of the Supervisory Board shall be required to keep any information presented at Supervisory Board meetings confidential and refrain from disclosing them to third parties.

The Chairman shall be entitled to make statement on behalf of the Supervisory Board. The external representation of and signing for the Supervisory Board shall be the responsibility of the Chairman. In the event of his unavailability any statement and signature that cannot be postponed may be made by the Deputy Chairman of the Supervisory Board.

These Rules of Procedure has been laid down by Supervisory Board resolution No. 12/2019. (03.12.) and made effective by General Meeting resolution x/2019. (IV.17.) dated on 17 April 2019.

Dated on 17 April 2019, Budapest

These Rules of Procedure shall be certified by dr. Antal Csevár Chief Legal Counsel, based on General Meeting resolution x/2019. (IV.17.).