



**Budapest Stock Exchange Ltd.
Corporate Governance Committee Monitoring
Report
on the Compliance with the Corporate
Governance Recommendations**





I. INTRODUCTION

The general purpose of the application of the **Corporate Governance Recommendations** is to promote the transparent and efficient operation of the market, to support the enforcement of legislation, especially in determining and exercising the shareholders' rights and ownership functions, and to harmonize the interests of the issuers, the investors and of the issuing company's environment. The effective corporate governance promotes the increase of the value of issuing company and supports the effective representation of shareholders' interests and other stakeholders' rights.

According to **Commission Recommendation 2014/208/EU**, efficient monitoring is required at a national level within the framework of existing monitoring system to encourage the compliance with the Code or the better explanation of any deviation from it. As a professional committee of the BSE, the general responsibilities of the **Corporate Governance Committee** (the Committee) are to oversee the development of Corporate Governance Recommendations taking into account domestic industry requirements, EU and other Community legislation and general international trends, and to represent the professional aspects of the further development of corporate law. In compliance with the provisions of Commission Recommendation 2014/208/EU, the Committee and the Trading, Business Development and Listing Division of BSE have reviewed and analyzed the 2021 corporate governance reports provided by the issuers, and the main findings of which are summarized in this **Monitoring Report**.

In 2019, the Hungarian legislation has also fulfilled its obligation to transpose Directive (EU) 2017/828 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement. According to this, the Parliament has passed **Act LXVII of 2019 on the encouragement of long-term shareholder engagement and the amendments of certain acts for legal harmonization purposes**, of which provisions entered into force on 17 July 2019. Issuers had to apply certain provisions of the Act for the preparation of the corporate governance reports of the business year 2019 (e.g., for remuneration policies).

In its review of the recommendations in 2020, the Corporate Governance Committee repealed the recommendations set out in Chapter 1.5 and in Section 1.6.7 on remuneration and amended Sections 1.6.2, 1.6.9 and Annex 1 accordingly, taking into account that as of July 2019 the rules on remuneration are stipulated in Act LXVII of 2019 on the encouragement of long-term shareholder engagement and the amendments of certain acts for legal harmonization purposes.

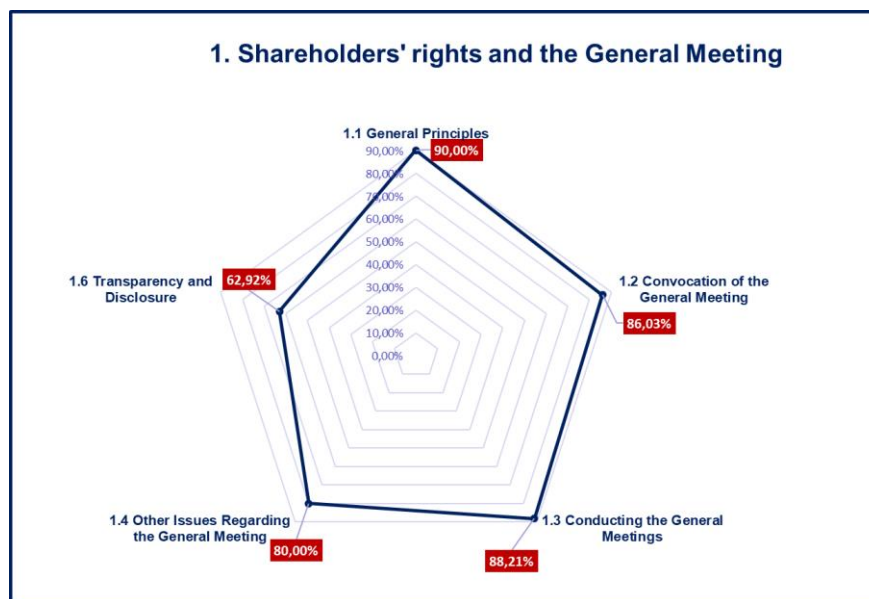
In connection with the adoption of the corporate governance reports for the 2021 business year, it should also be mentioned that they were adopted by the general meetings, since the Government Decree 102/2020 (IV. 10.) on the different provisions for the operation of associations of persons and assets during state of emergency were repealed due to the termination of the state of emergency. This Monitoring Report focuses on the statistical data affecting the level of compliance of the corporate governance reports, emphasizing the reasons of more important or typical deviations (in certain cases depending on which market the issuer is categorized) and – in some cases – changes in compliance compared to the previous year.

II. SUMMARY CONCLUSIONS

The Corporate Governance Committee makes the following summary conclusions – based on the review of the corporate governing reports published in 2021 by the issuers and taking into account the provisions of Commission Recommendation 2014/208/EU – in order to appropriately inform shareholders, investors and other stakeholders.

The reports show that **the overall compliance rate of the recommendations 79.3%**, which is a **minor deterioration** compared to the compliance rate of last year (80.1%), and which is a negligible change that does not require a separate explanation.

Overall, **issuers complied** with the recommendations in Chapter 1 – which are **focusing on the shareholders’ rights and shareholder procedures** – by **77.9%**, which shows a minor deterioration compared to last year’s rate (79.6%). Regarding the results of the sub-chapters, this compliance rate is relatively high, however, the transparency and the disclosure topics continue to present challenges to issuers and significantly degrades the overall average.



The **average compliance rate was 80.6%** in case of Chapter 2 containing the **recommendations covering governance, control, and risk management, a minimal improvement** compared to 80.5% in 2020. Regarding Chapter 2, there is a slight decrease only in 2.5 (Members of the Board of Directors/Governing Board and the Supervisory Board), 2.8. (Internal Control Systems and Risk Management) and 2.9 (External Advisor, Auditor) while the other sub-chapters showed some improvement compared to the previous year's rates.



A detailed description of the compliance with the recommendations and possible explanations for the deviations are provided in Chapter III.

III. DETAILED ANALYSIS OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Annex 2 of the Corporate Governance Recommendations of the BSE requires issuers to declare – as part of their corporate governance reports, by filling out tables – the extent to which the issuers have applied the BSE issued recommendations and proposals of the Corporate Governance Recommendations in their corporate governance practices. These issuer statements are reviewed in summary in Chapter III. of the Monitoring Report.

1.1 General Principles

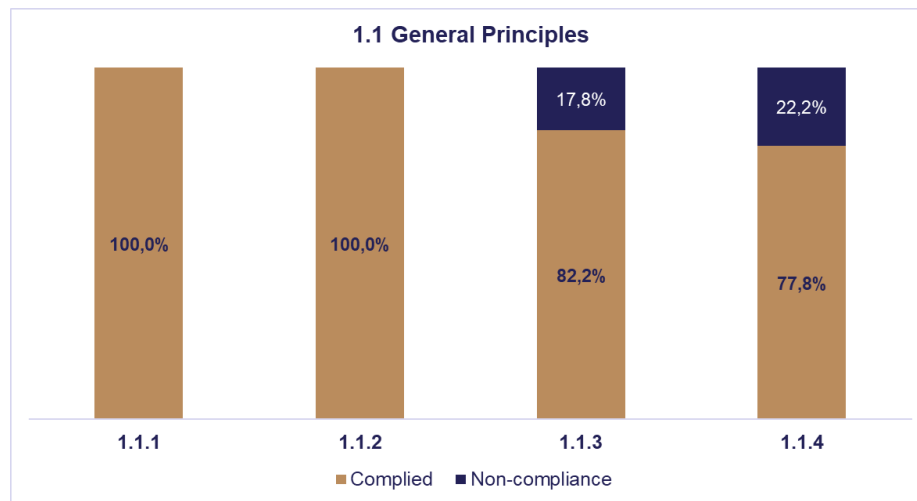
Slight progress has been made in 2021 regarding the following of **general principles** set out in Section 1.1 of the Recommendations. **90%** of the issuers stated they had complied with the recommendations or suggestions in the general principles, which is a **2.5 percentage point improvement** compared to 2020.

In detail, all of the issuers continued to comply with the recommendation requires to operate an investor relations department or to perform this responsibility by an appointed person (1.1.1). Similarly, 100% of the issuers stated that the articles of association are available on the company’s website (1.1.2).

Proposal 1.1.3 and Recommendation 1.1.4 have been introduced in 2018 to the BSE Corporate Governance Recommendations. Almost 82.2% of the issuers stated that the company's articles of association allow shareholders to exercise their voting rights even in their absence. 77.8% of issuers complied with Recommendation 1.1.4, recommending the issuer to publish on the company’s website the method and conditions of exercising shareholders’ voting rights in their absence, including the necessary documents, if the articles of association give the shareholders such opportunity. This is a slight improvement over last year’s compliance rate.



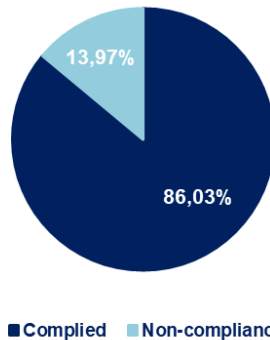
Recommendation / Proposal	No.	Recommendation / Proposal text	Compliance rate (%)	Change (% point)
Recommendation	1.1.1	The Company operates an investor relations organizational unit or designate a person for this task.	100.0%	0.0%
Recommendation	1.1.2	The Company publishes its effective Articles of Association on its website.	100.0%	0.0%
Proposal	1.1.3	The Company's Articles of Association allow shareholders to exercise their voting rights also when they are not present in person.	82.2%	7.2%
Recommendation	1.1.4	In the event that the Articles of Association allow shareholders to exercise their rights in their absence, the Company published the methods and conditions of doing so, including all necessary documents.	77.8%	2.8%



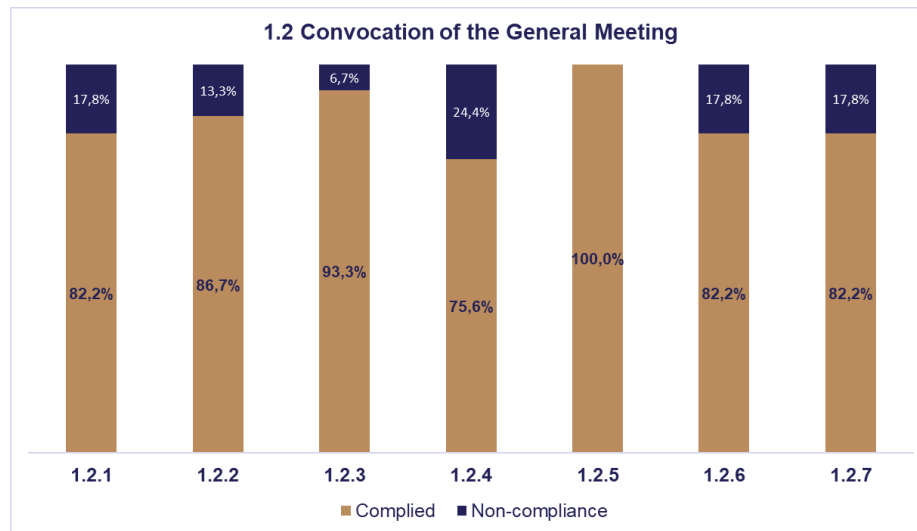
1.2 Convocation of the General Meeting

As already highlighted in the Summary Conclusions (Chapter II.), the **compliance rates showed mixed results regarding the recommendations of the general meeting**. Concerning the recommendations and proposals for the convocation of the general meeting, the compliance rate remains remarkably high for those comprehensively significant and general recommendations which are decisively important for the exercise of shareholder rights (1.2.3 and 1.2.5 - 93.3% and 100%). In connection with these recommendations, several issuers reference in their explanations to the emergency situation due to the pandemic and to the special rules of the relevant Government Decree on general meetings – not just in case of “no answers” but also regarding to some “yes” replies. The compliance rates are lower for recommendations and proposals regarding specific procedural issues (typically 75.6% or higher), but overall satisfactory.

1.2 Convocation of the General Meeting

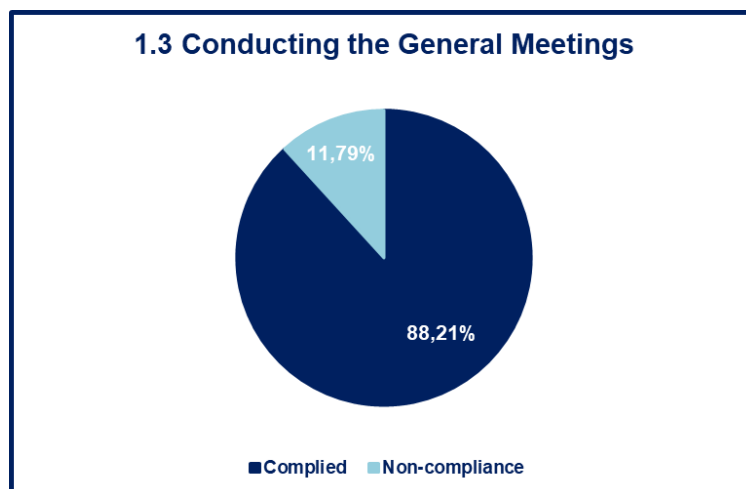


Recommendation / Proposal	No.	Text of the recommendation/proposal	Compliance rate (%)	Change (% point)
Recommendation	1.2.1	The Company should publish on its website a summary document with the rules applicable to the conduct of its General Meetings and to the exercise of voting rights by shareholders.	82.2%	-2.8%
Recommendation	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.	86.7%	-0.8%
Recommendation	1.2.3	The Company should hold its General Meetings at a place and time providing for maximum shareholder participation.	93.3%	-1.7%
Proposal	1.2.4	The place and time of General Meetings initiated by shareholders should be determined by taking the initiating shareholders' proposal into account.	75.6%	8.1%
Proposal	1.2.5	To ensure the fast and smooth conduct of the General Meeting, the Company should make necessary technical arrangements for the voting, ensuring that the results of the voting can be determined clearly, unambiguously and fast. When votes are cast electronically at a General Meeting, the Board of Directors/Governing Board should be responsible for ensuring the validity and reliability of the results.	100%	2.5%
Recommendation	1.2.6	The Company did not restrict the right of shareholders to designate a different representative for each securities account at any general meeting.	82.2%	-0.3%
Recommendation	1.2.7	Regarding proposals for the agenda items, the Board of Directors' proposed resolution and also the Supervisory Board's opinion was disclosed to the shareholders.	82.2%	2.2%



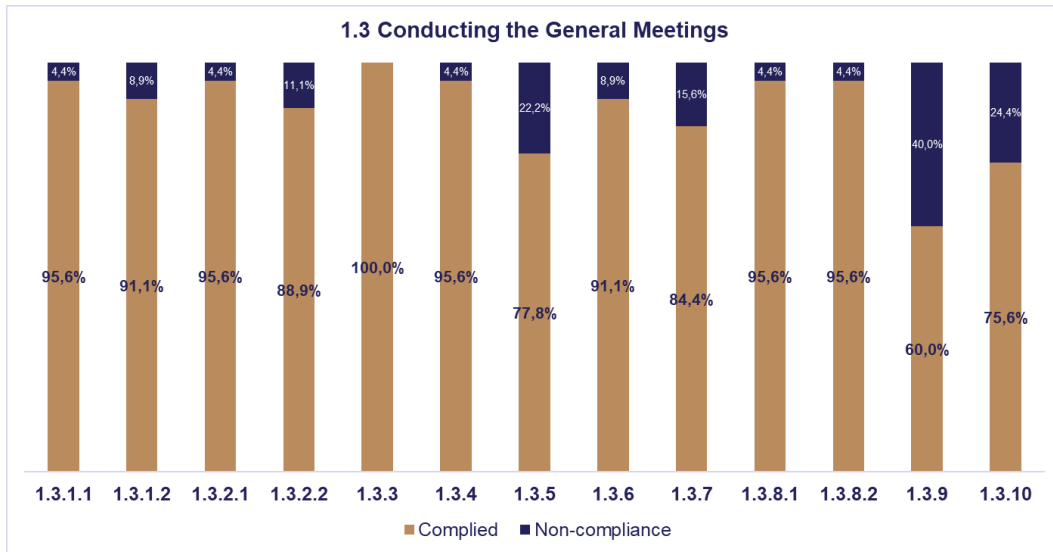
1.3 Conducting the General Meetings

Compliance rates has continued to improve slightly in relation to recommendations / proposals for the conduct of the general meeting (overall from 85.0% to 88.2%). Similarly, as explained in Section 1.2, the statistics show that the compliance rate is generally 100% (1.3.3) - or close to it (in case of recommendation 1.3.4 it is 95.6%) - for those comprehensively significant and general recommendations which are decisively important for the exercise of shareholder rights. Concerning recommendations or proposals on specific procedural issues, compliance is lower (typically 60-95.6%), but overall satisfactory; there has been a minor improvement regarding the recommendations in Sections 1.3.1.1, 1.3.1.2, 1.3.2.1.,1.3.2.2,1.3.5, 1.3.7. and 1.3.8.2. This is particularly true considering that the compliance rate is worsened by the fact that the issuers' interpretations and practices are still inconsistent as to whether they take the opportunity – which was introduced as of the amendment of the Corporate Governance Recommendations in 2012 – to answer affirmatively for the so called event based questions, if such event did not occur in the given business year, but the company would have acted in accordance with the Corporate Governance Recommendations on the basis of its articles of association or its practice. The compliance with recommendation 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.) did not change compared to the previous year and it is still the lowest in this topic with 60.0%. This low compliance rate may be explained – as the only exception in this Section – by the modified content of this recommendation (effective as of 01 August 2018). The recommendation's effect may be experienced later in practice.



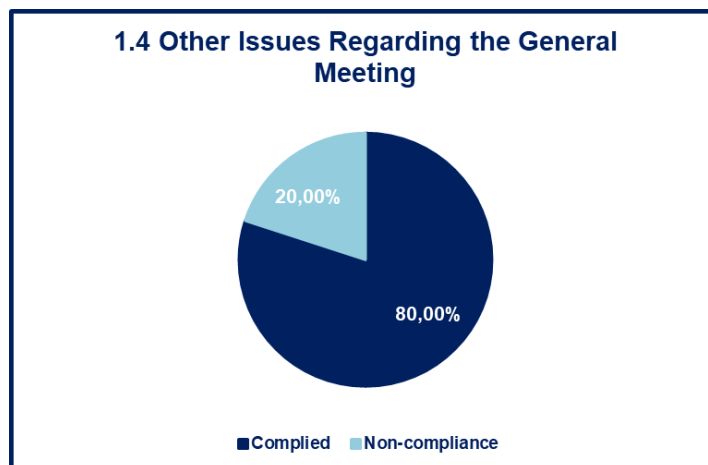
Recommendation / Proposal	No.	Text of the recommendation/proposal	Compliance rate (%)	Change (% point)
Proposal	1.3.1.1	Board of directors/governing board and the supervisory board was represented at the general meeting.	95.6%	3.1%
Proposal	1.3.1.2	In the event the board of directors/governing board and the supervisory board was absent, it was properly disclosed by the chairman of the general meeting before the beginning of discussion of the agenda.	91.1%	6.1%
Proposal	1.3.2.1	The articles of association of the company do 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.	95.6%	0.6%
Proposal	1.3.2.2	The articles of association of the company does 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.	88.9%	1.4%
Recommendation	1.3.3	The company did not restrict the rights of its shareholders attending a general meeting to request information, add comments and submit proposals, and did not set any preconditions for these, provided that exercise of these rights did not lead to the obstruction of the correct and intended conduct of the general meeting.	100.0%	0.0%

Recommendation	1.3.4	By answering the questions raised at the general meeting, the company ensured compliance with the information provision and disclosure principles set out in legal and stock exchange requirements.	95.6%	-1.9%
Recommendation	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 company published on its website within 3 working days following the general meeting the answers or its reasons for not responding.	77.8%	7.8%
Proposal	1.3.6	The annual report prepared as specified in the Accounting Act contained a brief, easy-to-understand and illustrative summary for shareholders, including all material information related to the company's annual operation.	91.1%	-1.4%
Recommendation	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 ordered suspension the general meeting or suggested to postpone the general meeting.	84.4%	11.9%
Recommendation	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 managing officers and supervisory board members.	95.6%	-1.9%
Recommendation	1.3.8.2	For managing officers or supervisory board members, whose nominations were supported by shareholders, the company disclosed the identity of the supporting shareholder(s).	95.6%	13.1%
Recommendation	1.3.9	Prior to discussing agenda items concerning the amendment of the articles of association, the general meeting passed 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.	60.0%	0.0%
Recommendation	1.3.10	The company published 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.	75.6%	3.1%

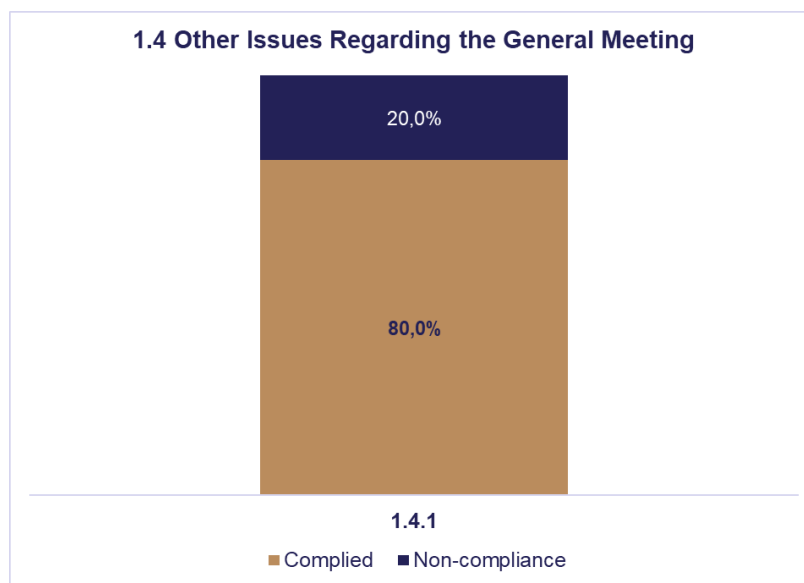


1.4 Other Issues Regarding the General Meeting

The **compliance rate for Proposal 1.4 (80.0%)** slightly improved compared to 2020. However, the negative answers would be even lower, if multiple issuers had not been given their statements in negative due to not paying dividends in the current year, according to the issuers' explanations (see also Sections 1.2 and 1.3).



Recommendation / Proposal	No.	Text of the recommendation/proposal	Compliance rate (%)	Change (% point)
Proposal	1.4.1	The company paid the dividends within 10 days according to Section 1.4.1 for those shareholders who provided all the necessary information and documents for this purpose.	80.0%	2.5%

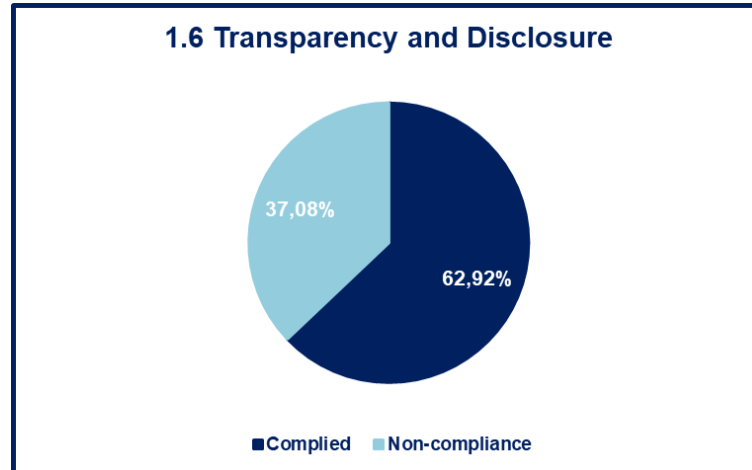


1.6 Transparency and Disclosure

Regarding the transparency and disclosure, the issuer's average compliance rate was 62.9% which is a slight decrease (3.1%) compared to last year's rate of 66.0%, it is overall still low compared to other chapters.

It should be noticed that the amendment of the corporate governance recommendations of 2018 has changed about half of the questions related to transparency and disclosure: the questions were modified to some extent and new provisions were included. Considering this, it is a positive development that there was an improvement in the level of compliance with the answers to several questions (recommendations 1.6.2.1, 1.6.5.,1.6.8., 1.6.9.2. and 1.6.10.). It should be emphasized that the compliance was still complete with the recommendation regarding the design of the company's website (1.6.1.2.), taking into account the disclosure aspects and informing investors. However, there was a decrease in the level of compliance with several recommendations (1.6.1.1., 1.6.2.2-1.6.4, 1.6.6., 1.6.9.1, 1.6.11, 1.6.12) and these levels – such as the levels of efficiency assessment of the publication process and the disclosure thereof – are fundamentally low.

Overall, the compliance rate is still leaving a room for an improving – and compared to the past, a strengthened – trend for the future.

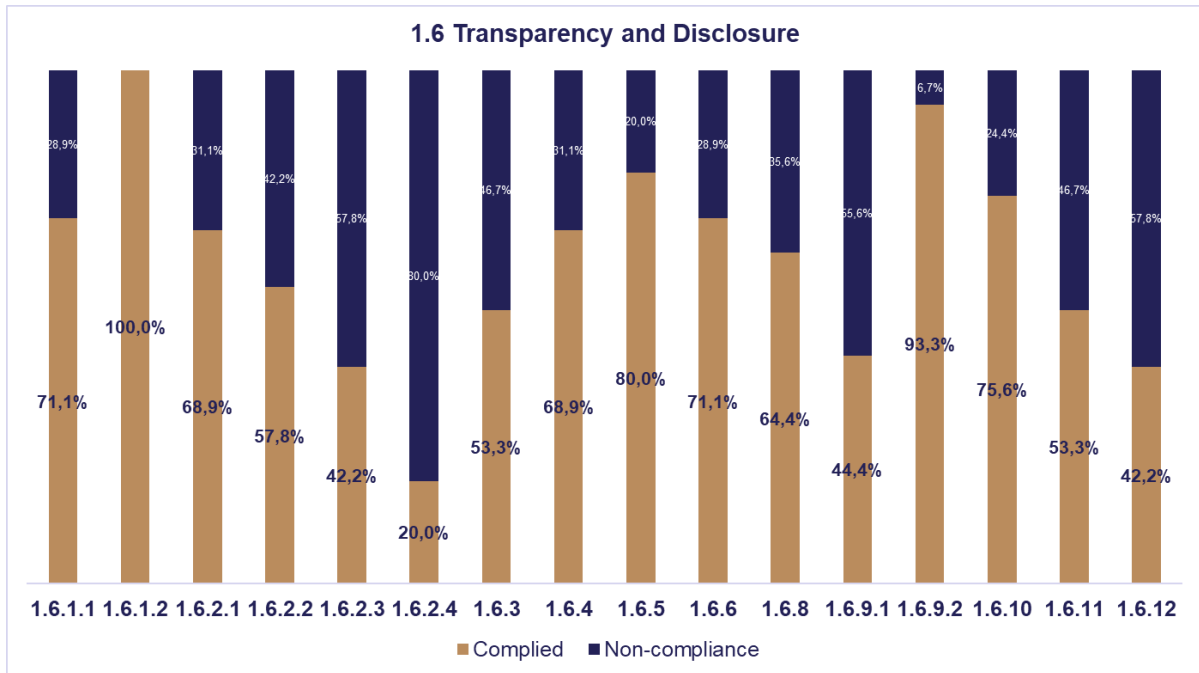


Recommendation / Proposal	No.	Text of the recommendation/proposal	Compliance rate (%)	Change (% point)
Recommendation	1.6.1.1	The company's publication guidelines cover the procedures for electronic, online disclosure.	71.1%	-6.4%
Recommendation	1.6.1.2	The company designs its website by considering the aspects of disclosure and the information of investors.	100.0%	0.0%
Recommendation	1.6.2.1	The company has an internal publication policy in place which covers the processing the information listed in Section 1.6.2 of the Recommendations.	68.9%	1.4%
Recommendation	1.6.2.2	The internal regulations of the company cover the methods for the assessment of events considered to be important for publication.	57.8%	-4.7%
Recommendation	1.6.2.3	The board of directors/governing board assessed the efficiency of the publication processes.	42.2%	-5.3%
Recommendation	1.6.2.4	The Company published the findings of the efficiency assessment of the publication process.	20.0%	-2.5%
Recommendation	1.6.3	The company disclosed the annual 'company event calendar'.	53.3%	-4.2%
Recommendation	1.6.4	The company disclosed its business strategy, business ethics and its policies regarding other stakeholders.	68.9%	-1.1%

Recommendation	1.6.5	The company published the professional career information about Board of Directors / Governing Board, Supervisory Board and management members in its annual report or on the company website.	80.0%	5.0%
Recommendation	1.6.6	The Company published all relevant information about the work of the board of directors / governing board and the supervisory board, about the assessment of this and the changes during the given year.	71.1%	-8.9%
Recommendation	1.6.8	The company published its risk management guidelines and information on the system of internal controls, on the major risks and on its risk management principles.	64.4%	1.9%
Recommendation	1.6.9.1	The Company published its guidelines relating to the trading of its shares by insiders.	44.4%	-3.1%
Recommendation	1.6.9.2	The Company disclosed the share of the board of directors / governing board, supervisory board and management members in the securities issued by the Company in the annual report or in some other way.	93.3%	0.8%
Recommendation	1.6.10	The Company published any relationship that board of directors / governing board, supervisory board and management members may have with third parties and could affect the operation of the company	75.6%	0.6%
Proposal	1.6.11	The company published its information in English as well, in line with the provisions of Section 1.6.11.	53.3%	-4.2%
Proposal	1.6.12	The company inform its investors about its operation, financial situation and assets on a regular basis, but at least quarterly.	42.2%	-2.8%

Notes to the table:

- 1.6.2.3 No such assessment was in place or is still in progress at several issuers, and the explanations also show that the issuer declares the general compliance with the law.
- 1.6.2.4 This disclosure recommendation is related to a recommendation already having a low level of compliance (42.2% of the issuers comply with Recommendation 1.6.2.3). The explanations for non-compliance were (besides the absence of the assessment on which this disclosure is based upon) at several issuers that the results of the assessment were appropriate / positive, the mandatory disclosure is not required by law, the assessment is an internal audit procedure and the disclosure may violate business secret.
- 1.6.4 Several issuers explained that they could not fully comply with the recommendation (e.g., only the strategy was disclosed), they published partially or later.
- 1.6.12 It is a new proposal regarding quarterly reports was published in 2021. The main reason for non-compliance is the issuer's procedures in accordance with the law and they do not (voluntarily) undertake any additional regular disclosure obligation.

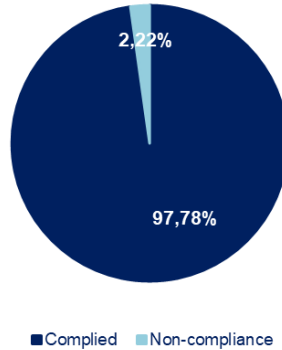


2.1 Distribution of Responsibilities and Competences within the Company

The reports indicate that **the overall compliance rate is 97.8%**. However, the change in the compliance rate for this year is due to the change in the number of issuers, i.e., as in the previous three years, one company stated to be obligated to explain due to not regulating in detail the competences of the board of directors of the company in the articles of association.

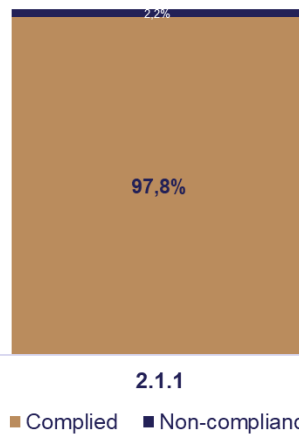
The distribution of responsibilities and competences within the company is regulated in the Civil Code – in some cases other sectoral law – and in the articles of association of the company, which may be further detailed - regarding the work organization - in the organizational and operational rules. The regulation of the distribution of responsibilities and competences in the Civil Code delegates every decision to the responsibility and competence of the board of directors or the governing board which does not fall within the exclusive competence of the general meeting. Consequently, if the shareholders wish to delegate more responsibilities and competences to the general meeting than those set out in the Civil Code or other law, in every case it, shall be stipulated in the articles of association of the company.

2.1 Distribution of Responsibilities and Competences within the Company



Recommendation / Proposal	No.	Text of the recommendation/proposal	Compliance rate (%)	Change (% point)
Recommendation	2.1.1	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.	97.8%	0.3%

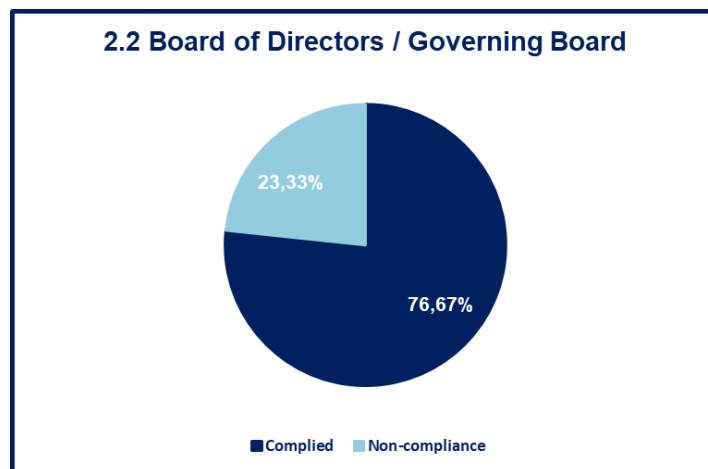
2.1 Distribution of Responsibilities and Competences



2.2 Board of Directors / Governing Board

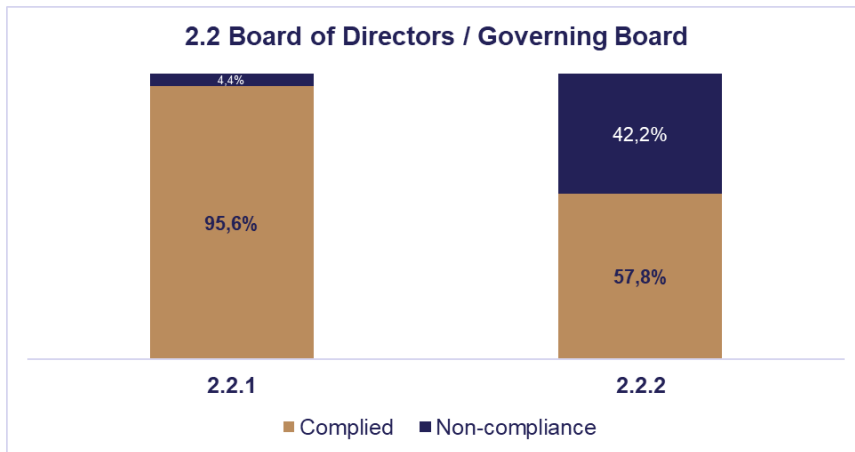
As in the previous year, the companies listed on the BSE have complied with an almost complete compliance rate of 95.6% with the recommendation that their **board of directors (governing board) should have rules of procedure** for the conduct of its meetings, decision-making process and key issues governing its operation. Without rules of procedure, the operation of the management bodies of the company would be inconceivable and preparing such document is a rather old practice among exchange listed companies. One company on the exchange has not prepared rules of procedure regarding the Board of Directors, which were explained by the companies size and the available short time from the listing of the company on the exchange.

Still low is the compliance with recommendations proposing for exchange listed companies to **publicly disclose the procedure for nomination of members of the board of directors/governing board, and the documents laying down the principles of remuneration of the main management body**. Little more than half, 57.8% of the issuers complied with the new recommendation, which is a slight improvement compared to last year's figure, however, an improving trend is not expected with regard to this recommendation, taking into account the following reasons for the non-compliance. Several companies explained the deviation from the Recommendation that the general meeting decides on remuneration directly, and therefore the disclosure of the remuneration principles is unnecessary, or the remuneration and the members were not changed in previous years.



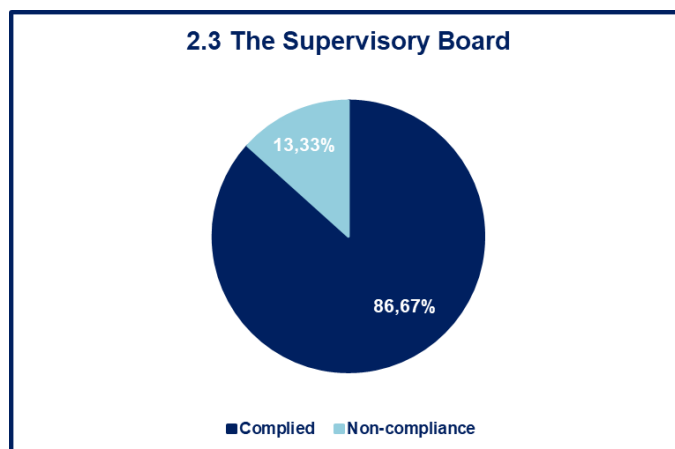
Recommendation / Proposal	No.	Text of the recommendation/proposal	Compliance rate (%)	Change (% point)
Recommendation	2.2.1	The board of directors / governing board have rules of procedure in place defining the organizational structure, the actions for arranging for and conducting the meetings, and the tasks regarding the adopted resolutions, as well as other issues related to the operation of the board of directors / governing board.	95.6%	-1.9%

Recommendation	2.2.2	The company publish the procedure used for nominating board of directors / governing board members.	57.8%	5.3%
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2.3 The Supervisory Board

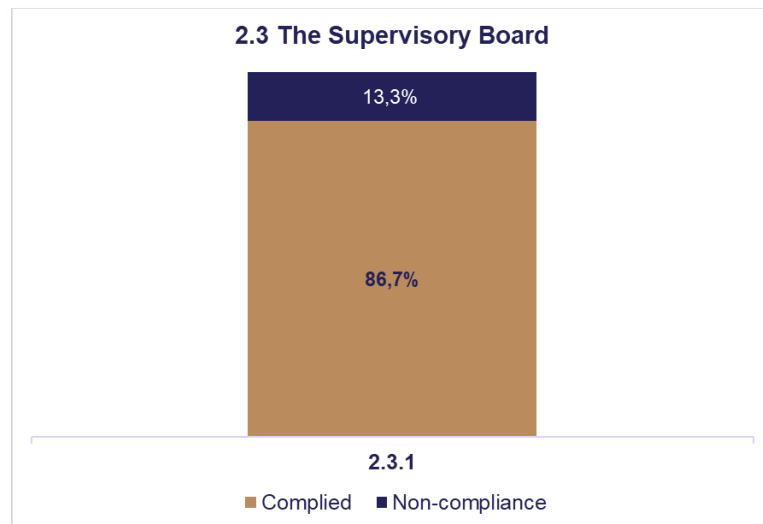
Even now, **the compliance rate is high regarding the recommendation regulating the basic operation of the supervisory board** which recommends the company to set out the key operational, competency issues and procedures in a rule of procedures and to resolve the responsibilities in an annual work plan. The **86.7% compliance rate** is a **1.7 percentage points improvement**. The issuers indicated only one reason for non-compliance – identically to last year – which is not to have a supervisory board (joined management system), so in practice, 100% of the issuers listed on exchange complied with this Section.



Recommendation / Proposal	No.	Text of the recommendation/proposal	Compliance rate (%)	Change (% point)
Recommendation	2.3.1	The supervisory board provides a detailed description of its operation, responsibilities and competences, as well as the administrative procedures and processes followed by it, in its rules of procedure and work plan.	86.7%	1.7%

Note to the table:

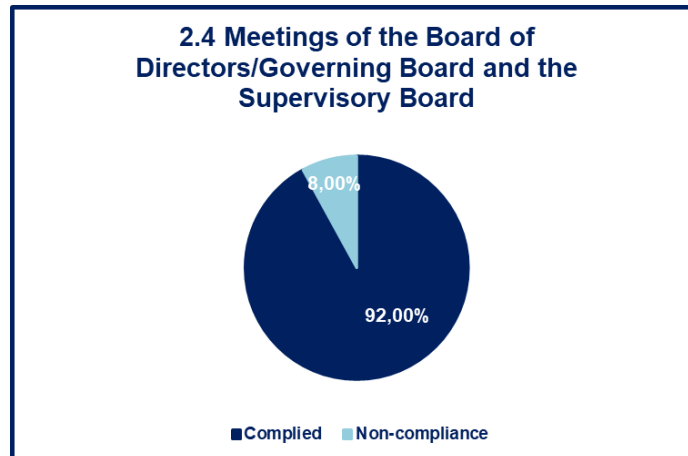
- 2.3.1 The main reason for non-compliance is the absence of the supervisory board at the company, which could be counted as positive response.



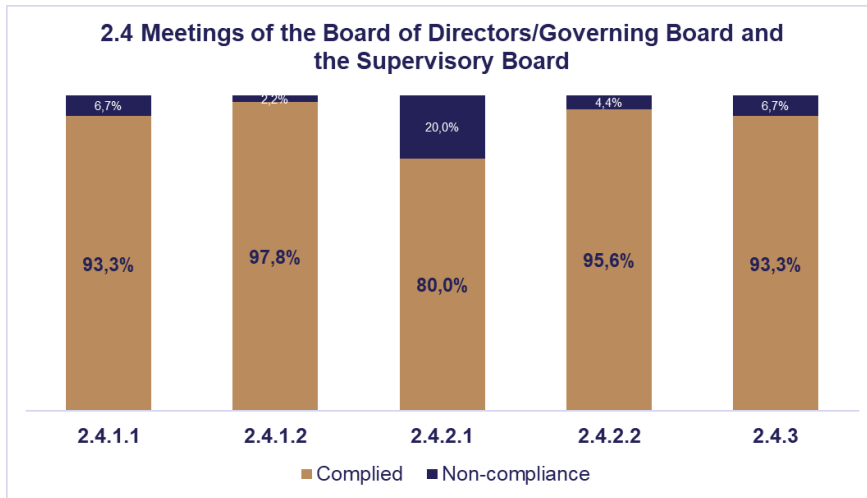
2.4 Meetings of the Board of Directors/Governing Board and the Supervisory Board

The compliance rate for board of directors / governing board and supervisory board meetings is high, 92.0%, therefore, the issuers' practices are in line with the recommendations for the most part. In connection with Recommendation 2.4.1.1, three issuers reported non-compliance, two of these companies referred to the fact that, in addition to the ad hoc meetings held, the operation of the company does not justify more detailed regulations regarding the regularity of holding meetings. Compliance with recommendation 2.4.2.1 is lower than others. Nine issuers gave a negative answer to the question related to the recommendation, in other words, at this number of issuers, the board members did not always have access to the proposals of the meeting five days prior to the given meeting. Only two companies failed to comply with Recommendation 2.4.2.2, as minutes of the meetings are only prepared

based on the decision of the respective board. Regarding Recommendation 2.4.3, the lack of permissibility for the participation of non-board members is only exceptional at some companies.

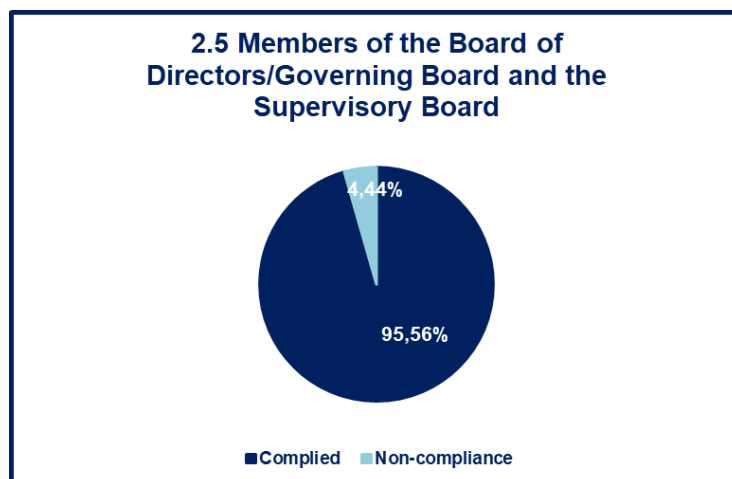


Recommendation / Proposal	No.	Text of the recommendation/proposal	Compliance rate (%)	Change (% point)
Recommendation	2.4.1.1	The board of directors / governing board and the supervisory board held meetings periodically at a predefined interval.	93.3%	-1.7%
Recommendation	2.4.1.2	The rules of procedure 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.	97.8%	0.3%
Recommendation	2.4.2.1	The board members had access to the proposals to be presented at the meeting of the respective board at least five days prior to the meeting.	80.0%	5.0%
Recommendation	2.4.2.2	The company arranged 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.	95.6%	0.6%
Recommendation	2.4.3	The rules of procedure provide for the regular or ad hoc participation of non-board members at respective board's meetings.	93.3%	0.8%

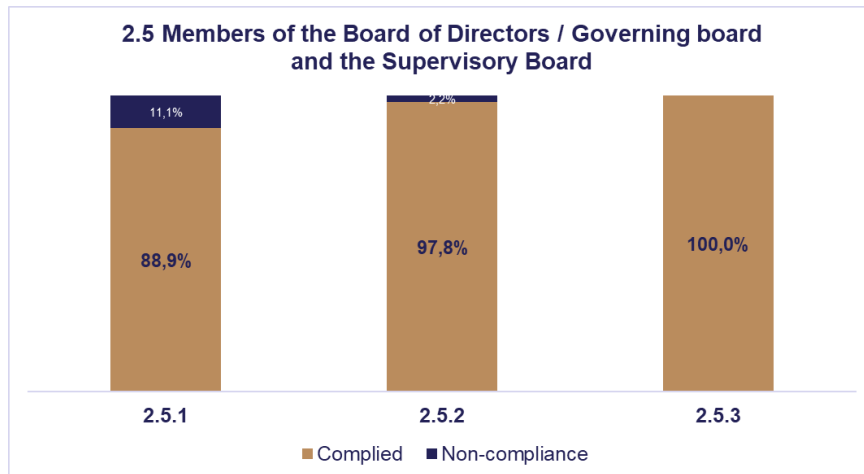


2.5 Members of the Board of Directors / Governing board and the Supervisory Board

The compliance rate is 95.6% regarding the recommendations on the election and composition of board members which is a slightly decreasing tendency compared to last year. In some cases, the candidates have been nominated at the general meeting by the shareholders. Although this practice makes it possible for shareholders to nominate candidates in a wide range, it also makes doubtful the shareholders' thorough information prior to the general meeting and their informed decision.



Recommendation / Proposal	No.	Text of the recommendation/proposal	Compliance rate (%)	Change (% point)
Recommendation	2.5.1	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.	88.9%	-1.1%
Recommendation	2.5.2	The composition and size of the boards comply with the principles set out in Section 2.5.2 of the Recommendations.	97.8%	0.3%
Recommendation	2.5.3	The company ensured 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.	100.0%	0.0%



2.6 Independence of Governing Board / Supervisory Board Members

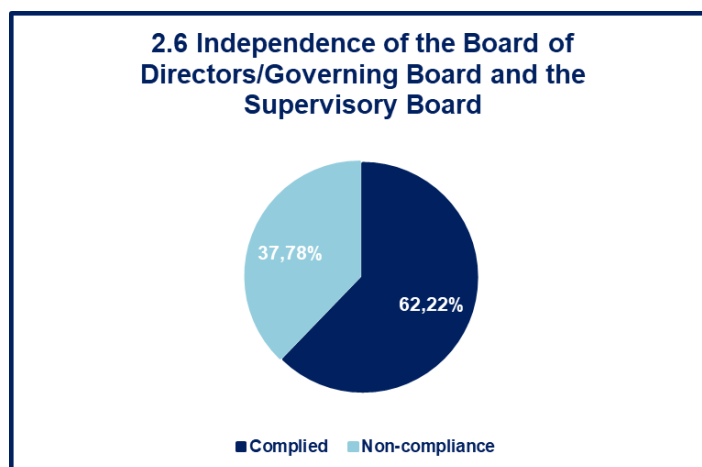
The declaration of independence of the independent members of the governing board / supervisory board was 84.4% compliant.

The compliance rate was 57.8% with the requirement of the objective assessment of the management which was slightly decreasing, the explanation of which is that the companies consider to be sufficient complying with the statutory regulations of conflicts of interest. However, the correct procedure is that the company's officials have to make declarations annually in order to monitor them, therefore the companies are able to detect any changes and any arisen conflicts of interest during the year.

The compliance rate was 31.1% with the recommendation related to the disclosure of the guidelines and criteria of independence. Its cause is mainly that no additional independence conditions are applied apart from the provisions of the Civil Code, therefore, the disclosure is considered unnecessary. It is

worthwhile to think through the conflicts of interest situations at the issuers and not only the formal conflict of interest, but also the substantive conflict of interest should be defined, and corresponding declarations could be obtained.

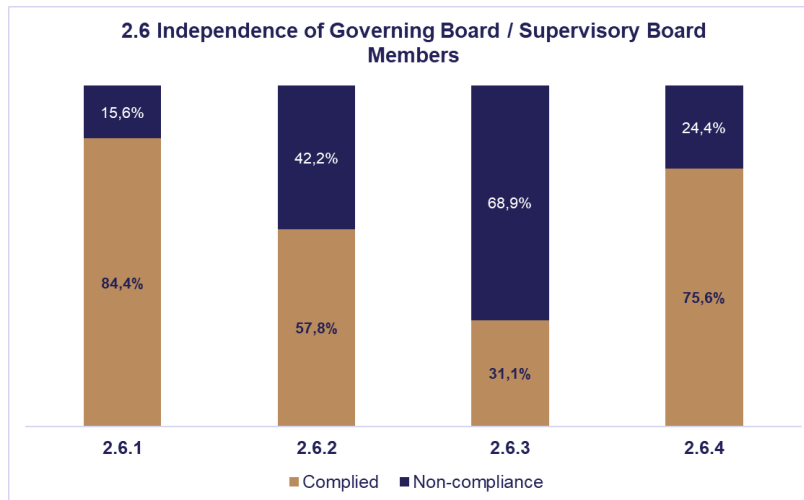
The recommendation regarding the participation of a former member of the board of directors in the supervisory board was 75.6% which is in line with the previous years.



Recommendation / Proposal	No.	Text of the recommendation/proposal	Compliance rate (%)	Change (% point)
Recommendation	2.6.1	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.	84.4%	-3.1%
Recommendation	2.6.2	The company provide information about the tools which ensure that the board of directors / governing board assesses objectively the management's activities.	57.8%	-2.2%
Recommendation	2.6.3	The company publish its guidelines concerning the independence of its governing board / supervisory board members and the applied independence criteria on its website.	31.1%	3.6%
Recommendation	2.6.4	The supervisory board of the company does not 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.	75.6%	3.1%

Note to the table:

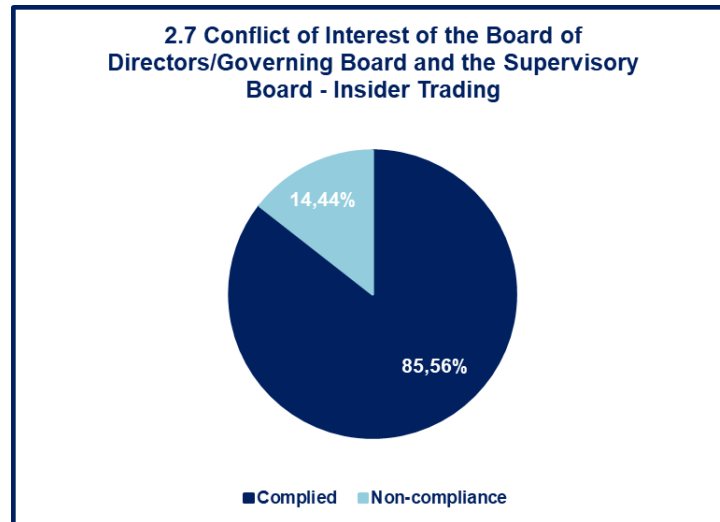
2.6.4 Several negative answers were received simply because of the lack of a supervisory board, which is a specialty and not a deficiency.



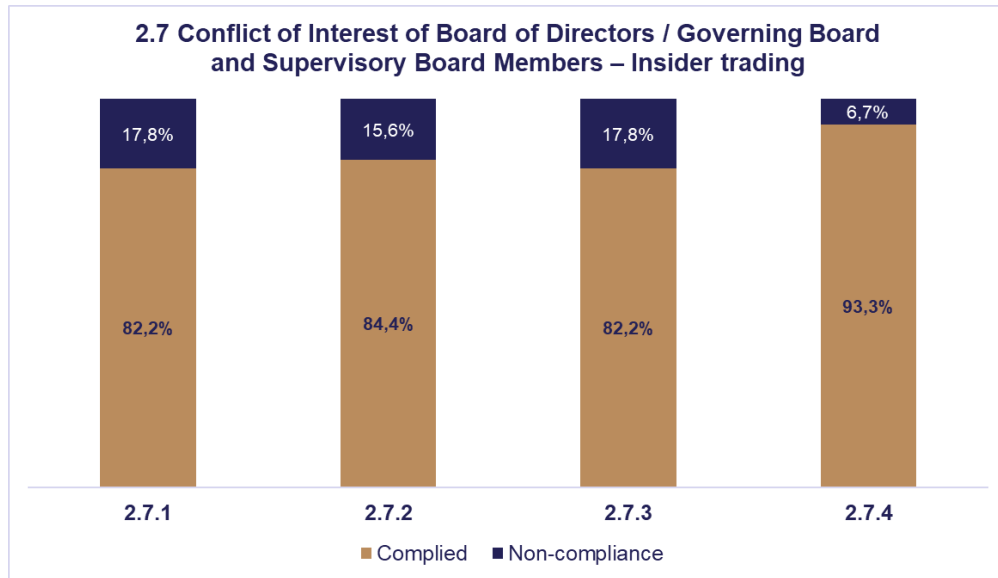
2.7 Conflict of Interest of Board of Directors / Governing Board and Supervisory Board Members – Insider trading

Sections 2.7.1-2.7.2.-2.7.3 of the Recommendation require stricter transparency compared to general business practice for the transactions of persons involved in management, control, or closely related persons. The compliance rate for these requirements was 85.6%. Considering these declarations on conflicts of interests, it is advisable to adopt normative regulations regarding conflicts of interests proposed in Section 2.6, because under appropriate regulations the declarations will be independent of the subjective evaluation of the managing officer concerned but it is based on the provisions of the specific regulatory framework.

It can be considered outstanding that compliance rate was 93.3% with the recommendation on the preparing of policies on the flow and handling of insider information and on the controls of insider information.



Recommendation / Proposal	No.	Text of the recommendation/proposal	Compliance rate (%)	Change (% point)
Recommendation	2.7.1	The members of the board of directors / governing board informed 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.	82.2%	7.2%
Recommendation	2.7.2	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.	84.4%	1.9%
Recommendation	2.7.3	The board members informed 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.	82.2%	2.2%
Recommendation	2.7.4	The board of directors / governing board developed guidelines for the flow of information and the management of insider information within the company, and monitor compliance with them.	93.3%	-1.7%



2.8 Internal Control Systems and Risk Management

The aggregated compliance rate is 76.3% regarding the set of recommendations / proposals on internal control and risk management.

The majority of issuers have an independent body performing as the internal audit function, which was mainly justified by the small number of employees and other characteristics of the organization. However, in long term, the establishment of an internal audit function is justified at all issuers.

In the case of companies having an internal audit function, the internal control system has 77.8% access to the information required to perform its audits. Several Companies explained the non-compliance with that the internal audit functions were not established at the company. It should be noted that the shareholders receive information on the operation of the internal control system only at 68.9% of the companies, increasing this ratio could increase shareholder participation. The lack of information provision may not be justified by that the information provision is not necessary because the supervisory board acts according to the applicable rules thereof. The size of the organization is also inadequate reason regarding the information provision. In the case of a public company limited by shares, information on the operating principles and results of the audit functions should be a guarantee of transparency, therefore, the disclosure of such information is still considered to be justified.

As part of the internal controls, the compliance function was established by 80.0% of the companies. The increase of this figure indicates that the issuers consider to be important to strengthen the internal audit functions.

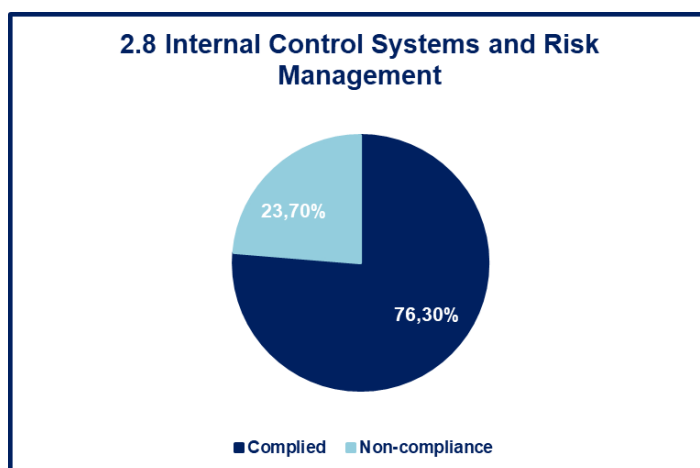
The board of directors/governing board or the committee operated by it is responsible for the risk management and supervision of the company in 95.6% of the companies. On one hand, this

responsibility provides a reference point for evaluations, and on the other hand, can be reassuring for shareholders.

71.7% of companies informed the shareholders at the general meeting about the effectiveness of risk management procedures. The shareholders have the right to receive these information, therefore, the failure to inform the shareholders is unjustified.

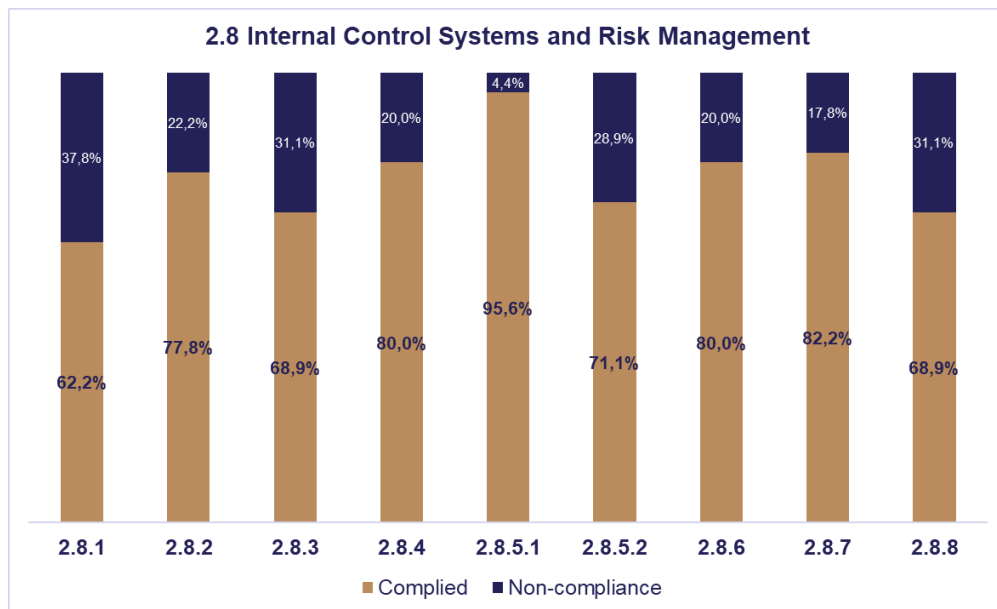
For the preparation of principles of internal controls system, the compliance rate was 82.2%. The preparation of principles is considered necessary for issuers as it is the basis of risk management and control as well as of set out the principles for achieving the company's set performance and profit targets.

The compliance rate for the reporting of internal control lines is 68.9%. Non-compliance is explained by the issuer's size and transparency. The control is effective if the managers regularly get to know its results in writing and can use them during their management activities, therefore the lack of reporting is not justified.



Recommendation / Proposal	No.	Text of the recommendation/proposal	Compliance rate (%)	Change (% point)
Recommendation	2.8.1	The company created an independent internal audit function that reports directly to the audit committee / supervisory board	62.2%	4.7%
Recommendation	2.8.2	The Internal Audit has unrestricted access to all information necessary for carrying out audits	77.8%	-2.2%
Recommendation	2.8.3	The shareholders received information about the operation of the system of internal controls.	68.9%	-3.6%
Recommendation	2.8.4	The company has a function ensuring compliance (compliance function).	80.0%	2.5%

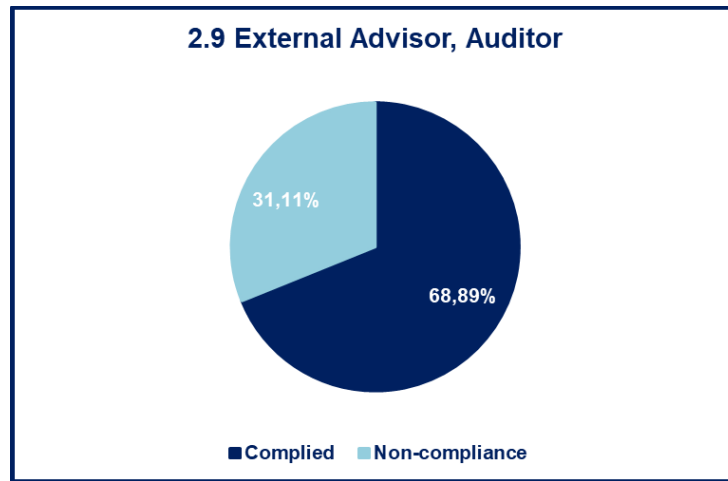
Recommendation	2.8.5.1	The board of directors / governing board or a committee operated by it responsible for the supervision and management of the entire risk management of the company.	95.6%	0.6%
Recommendation	2.8.5.2	The relevant organization of the company and the General Meeting received information about the efficiency of the risk management procedures.	71.1%	-6.4%
Recommendation	2.8.6	With the involvement of the relevant areas, the board of directors / governing board developed the basic principles of risk management taking into account the special idiosyncrasies of the industry and the company.	80.0%	-2.5%
Recommendation	2.8.7	The board of directors / governing board defined 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.	82.2%	2.2%
Recommendation	2.8.8	The internal control systems functions reported about the operation of internal control mechanisms and corporate governance functions to the competent board at least once a year.	68.9%	-6.1%



2.9 External Advisor, Auditor

The recommendation also involves the requirements of preparing the internal procedures for using external advisors and their outsourced services. The compliance rate for this recommendation is still low at 44.4%, which can be increased by implementing internal regulation regarding the use of advisors.

93.3% of the respondents invite the company's auditor to meetings of the board of directors / governing board, which discusses the financial reports. Where a statutory auditor was appointed, they shall be invited to a meeting of the company's general meeting discussing the company's financial report in accordance with the Civil Code's mandatory provision. The auditor is required to attend this meeting.



Recommendation / Proposal	No.	Text of the recommendation/proposal	Compliance rate (%)	Change (% point)
Proposal	2.9.1	The company have in place internal procedures regarding the use of external advisors and outsourced activities.	44.4%	-3.1%
Recommendation	2.9.2	The board of directors / governing board invited the company's auditor in an advisory capacity to the meetings on financial reports.	93.3%	-1.7%

