



**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 also 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 given corporate governance 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 in the further development of corporate law. In compliance with the provisions of Commission Recommendation 2014/208/EU, the Committee and the Listing Division of BSE have reviewed and analyzed the 2018 corporate governance reports provided by the issuers; the main findings 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**. The new Act was published on 9 July 2019 (Hungarian Official Gazette 2019, no. 120) and its provisions entered into force on 17 July 2019. Issuers shall apply certain provisions of the Act for the preparation of the corporate governance reports of the business year 2019. The main fields regulated by the Act:

- rules on identification of shareholders,
- informing shareholders of corporate actions,
- confirmation of the electronic vote at the general meeting,
- provisions for institutional investors and asset managers,
- regulations on proxy advisors,
- new rules governing the remuneration of directors,
- regulations regarding transparency of transactions with related parties.

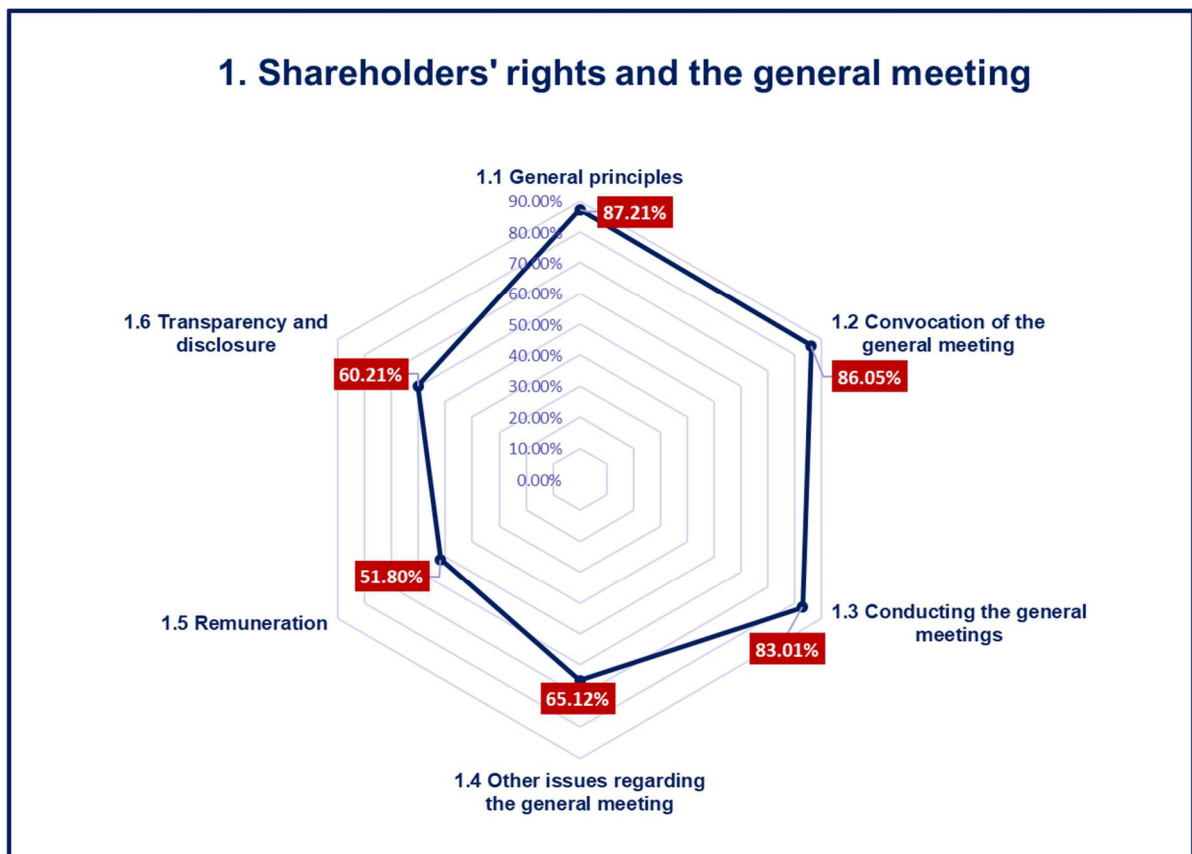
Rules on the date of the applicability of the new Act are particularly important, which are stipulated in Section 29 of the Act.

This Monitoring Report focuses on the statistical data representing the level of compliance of the corporate governance reports, emphasizing the reasons of significant or typical deviations (in certain cases by issuer category) and, in some cases, the changes in the compliance compared to the previous year.

II. SUMMARY CONCLUSIONS

Based on the review of the corporate governing reports published in 2018 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 Corporate Governance Committee of the BSE makes the following summary conclusions.

1. The reports show that **the overall compliance rate of the recommendations exceeds 73%** (73.08%), which marks a very significant **improvement of more than 14 percentage points** compared to the compliance rate of last year (58.88%).
2. Overall, **issuers' compliance** with the recommendations in Chapter 1, **focusing on the shareholders' rights and shareholder procedures**, was lower than last year's results, **69.42%** (the average compliance was 75.95 in 2017). However, this is mainly due to the **restructuring of the chapters and the newly introduced remuneration provisions** as the compliance rates regarding the recommendations on the general principles and the general meeting have improved.



3. The **average compliance rate was 76.74%** in case of Chapter 2 containing the **recommendations covering governance, control and risk management, a more than 15**

percentage point improvement compared to 61.58% in 2017. All sub-chapters show improvement, with the exception of the recommendations concerning the supervisory board; at the same time, there is still room for improvement regarding the compliance with the recommendations concerning the independence of the members of the governing board / supervisory board and the use of external consultants and auditors.



A detailed description of the compliance with the particular 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 require issuers to declare – as part of their corporate governance reports, by filling out tables – the extent to which the issuers have applied the recommendations and proposals of BSE’s 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

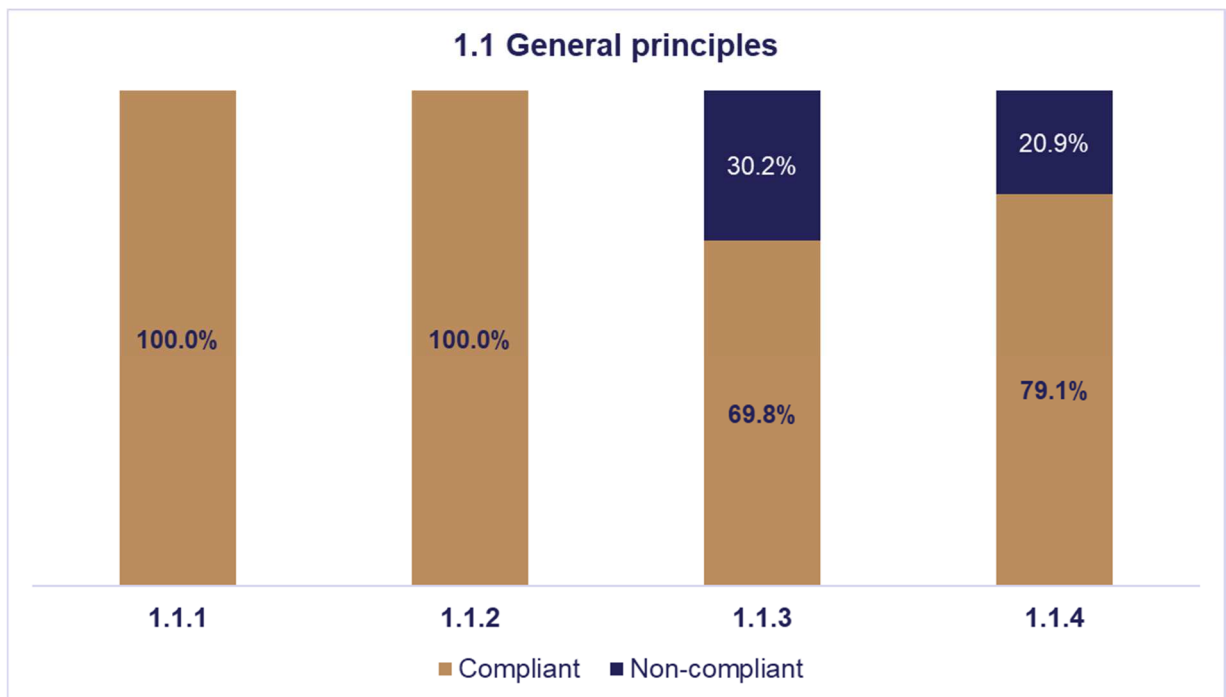
Significant progress has been made in 2018 regarding the **general principles** set out in Section 1.1 of the Recommendations. **87.21%** of the issuers stated they had complied with the recommendations or proposals in the general principles, which is a **10.79 percentage point improvement** compared to 2017.

In detail, 100% of the issuers complied with the recommendation to operate an investor relations department or to perform this responsibility by an appointed person (1.1.1). This result is particularly remarkable in the light of the fact that last year’s compliance rate was only 63.41%. 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 newly introduced in the BSE Corporate Governance Recommendations. Almost 70% of the issuers stated that the company’s articles of association allow shareholders to exercise their voting rights even in their absence. Nearly 80% of the 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.



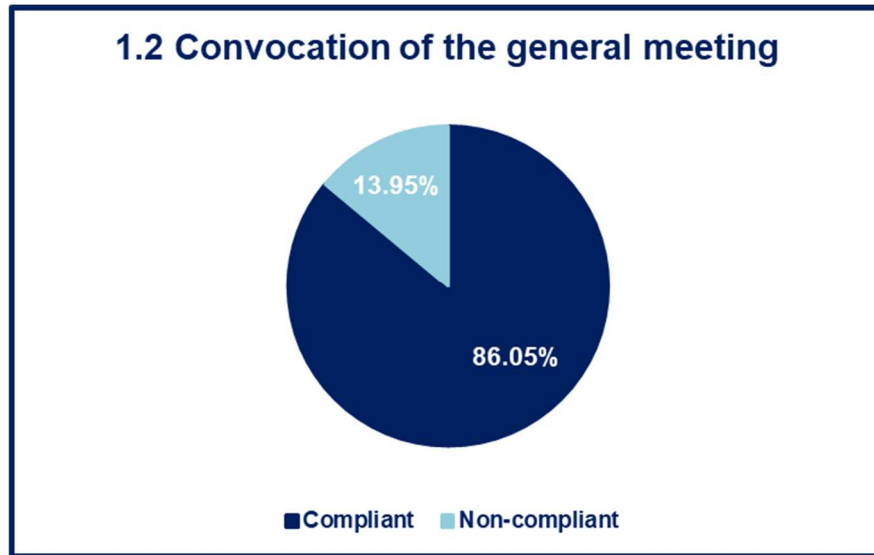
Recommendation / Proposal	No.	Text of the recommendation/proposal	Compliance rate (%)	Change (% point)
Recommendation	1.1.1	Does the Company have an organisational unit dealing with investor relationship management, or a designated person to perform these tasks?	100.0%	36.6%
Recommendation	1.1.2	Are the Company's Articles of Association available on the Company's website?	100.0%	4.9%
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?	69.8%	-
Recommendation	1.1.4	If the Company's Articles of Association allow shareholders to exercise their rights in their absence, did the Company publish the methods and conditions of doing so, including all necessary documents?	79.1%	-



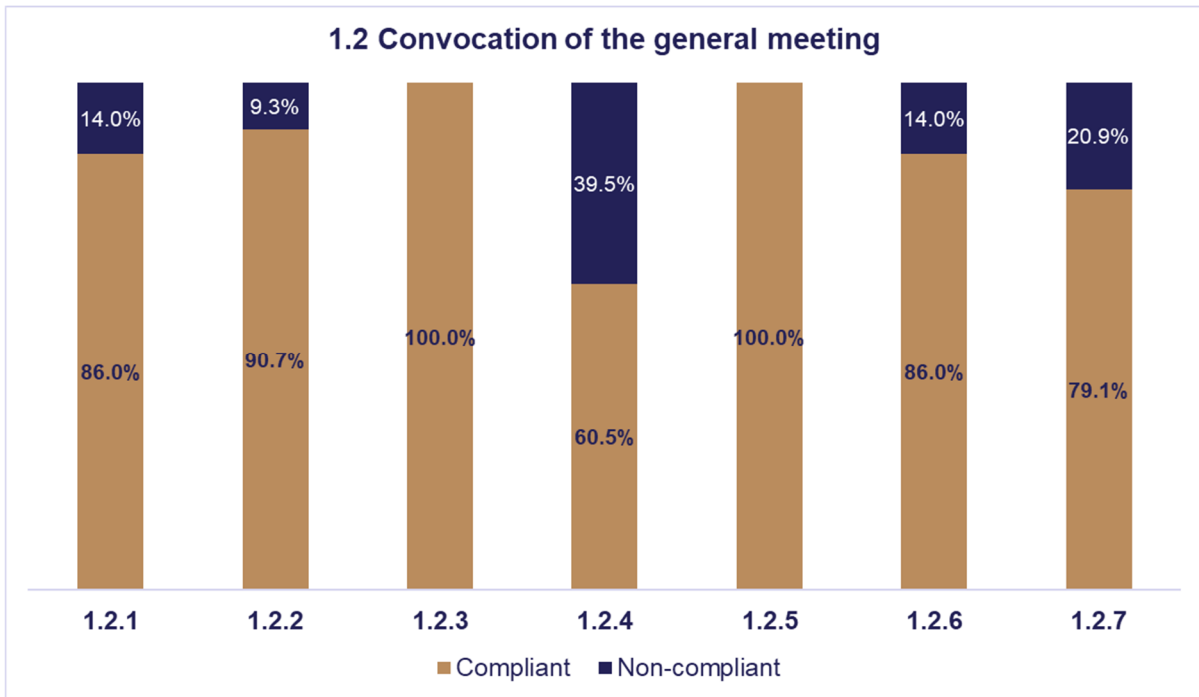
1.2 Convocation of the general meeting

As already highlighted in the Summary Conclusions (Section II.2), the **compliance rates have improved regarding the recommendations of the general meeting**. Concerning the recommendations and proposals for the convocation of the general meeting, the compliance rate is generally 100% for those comprehensively significant and general recommendations which are decisively important for the exercise of shareholder rights (1.2.3 and 1.2.5). Although compliance is lower for recommendations and proposals regarding specific procedural issues (typically between 80-90%), but overall satisfactory, especially considering that some issuers have given a negative answer

to cases where a fact or event prescribed in the particular recommendation / proposal has not yet occurred in practice.



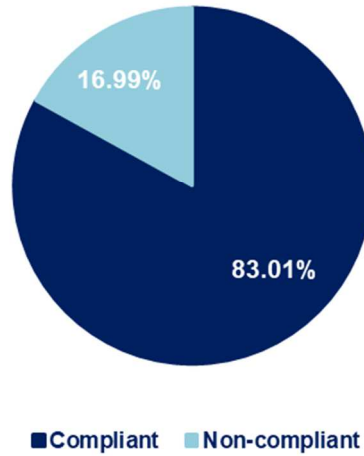
Recommendation / Proposal	No.	Text of the recommendation/proposal	Compliance rate (%)	Change (% point)
Recommendation	1.2.1	Did the Company publish on its website a summary document containing the rules applicable to the conduct of its General Meetings and to the exercise of voting rights by shareholders?	86.0%	0.7%
Recommendation	1.2.2	Did the Company publish the exact date when the range of those eligible to participate in a given company event is set (record date), and also the last day when the shares granting eligibility for participating in a given company event are traded?	90.7%	5.3%
Recommendation	1.2.3	Did the Company hold its General Meetings in a manner providing for maximum shareholder participation?	100.0%	2.4%
Proposal	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?	60.5%	-
Proposal	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?	100.0%	2.4%
Recommendation	1.2.6	The Company did not restrict the shareholders' right to designate a different representative for each of their securities accounts to represent them at any General Meeting.	86.0%	-
Recommendation	1.2.7	For proposals for the agenda items, were the Board of Directors' draft resolution and also the Supervisory Board's opinion disclosed to the shareholders?	79.1%	20.5%



1.3 Conducting the general meetings

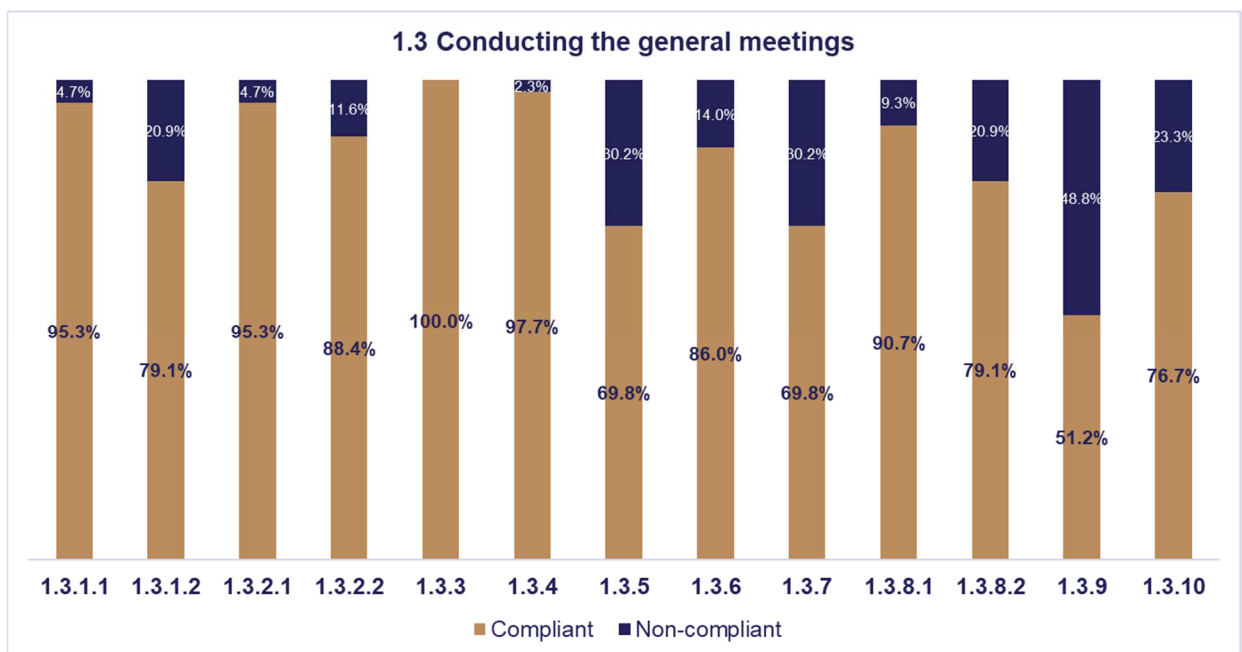
Compliance rates have also improved significantly, with an average of almost 10 percentage points, in relation to recommendations / proposals for the conduct of the general meeting. Similarly, as explained in Section 1.2, the statistics show that the compliance rate is generally 100% (1.3.3) or close to it (in case of recommendation 1.3.4, 97.7%) 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 70-95% with one exception), but overall satisfactory. There has been a significant improvement regarding the recommendations in Sections 1.3.2.1 and 1.3.2.2. The latter 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 (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 is low, 51.2%, which may be explained – as the only exception in this Section – by the new content of this recommendation (different than before the amendments of the recommendations effective until 1 August 2018), as the recommendation's effect in practices may be experienced later.

1.3 Conducting the general meetings



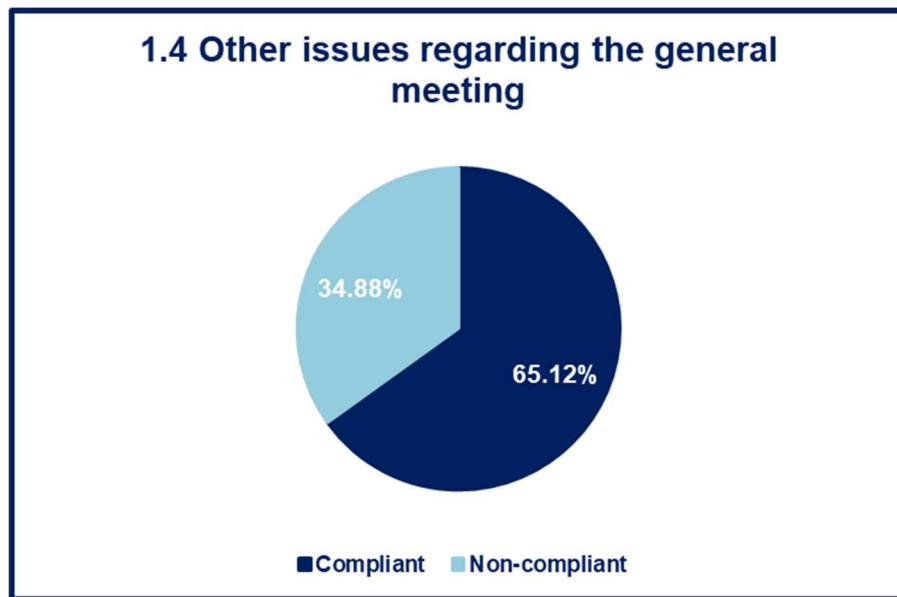
Recommendation / Proposal	No.	Text of the recommendation/proposal	Compliance rate (%)	Change (% point)
Proposal	1.3.1.1	Were the Board of Directors/Governing Board and the Supervisory Board represented at the General Meeting?	95.3%	5.1%
Proposal	1.3.1.2	In the event the Board of Directors/Governing Board and the Supervisory Board was absent, was it disclosed by the Chairman of the General Meeting before discussion of the agenda began?	79.1%	-
Proposal	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.	95.3%	46.6%
Proposal	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.	88.4%	39.6%
Recommendation	1.3.3	The Company did not restrict the right of its shareholders attending a General Meeting to request information, add comments and submit proposals, or set any preconditions for these with the exception of some measures taken to conduct the General Meeting in a correct manner and as intended.	100.0%	2.4%
Recommendation	1.3.4	By answering the questions raised at the General Meeting, did the Company ensure compliance with the information provision and disclosure principles set out in legal and stock exchange requirements?	97.7%	2.6%

Recommendation	1.3.5	Did the Company publish on its website the answers to the questions that the representatives of the Company's boards or its auditor present at the General Meeting could not satisfactorily answer at the meeting within 3 working days following the General Meeting, or an official statement explaining why it refrained from giving answers?	69.8%	16.1%
Proposal	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?	86.0%	-
Recommendation	1.3.7	Did the Chairman of the General Meeting order a recess or suggest that the General Meeting be postponed when a proposal or proposal relating to a particular issue on the agenda was submitted which the shareholders hadn't had a chance to become familiar with before the General Meeting?	69.8%	-
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 executive officers and Supervisory Board members.	90.7%	-
Recommendation	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)?	79.1%	-
Recommendation	1.3.9	Prior to discussing agenda items concerning the amendment of the Articles of Association, did the General Meeting 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?	51.2%	-14.7%
Recommendation	1.3.10	Did the Company 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?	76.7%	-6.2%

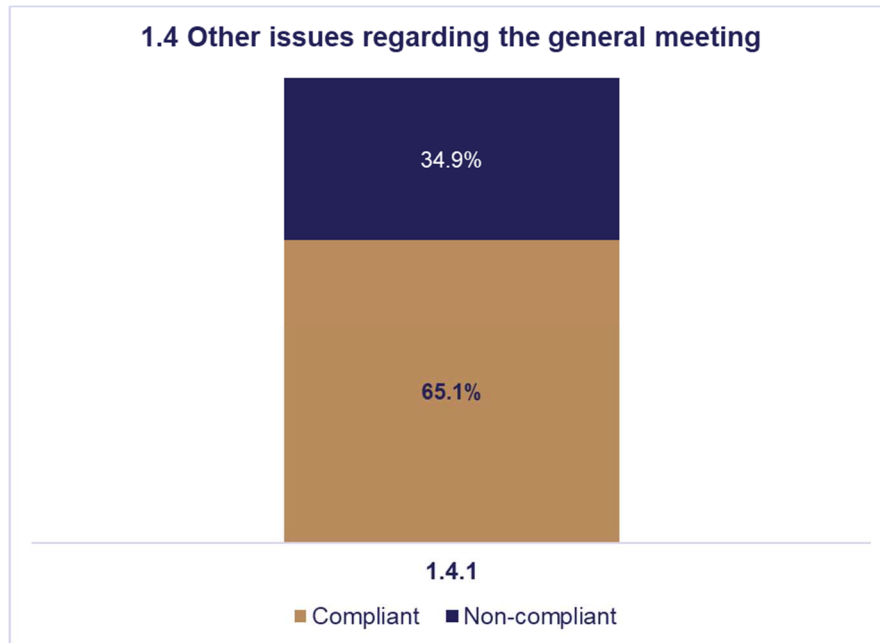


1.4 Other issues regarding the general meeting

The **compliance rate for Proposal 1.4 is moderate (65.1%)** and still represents a 13.9% improvement over last year's rate. However, the 34.9% negative answers would be much 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).

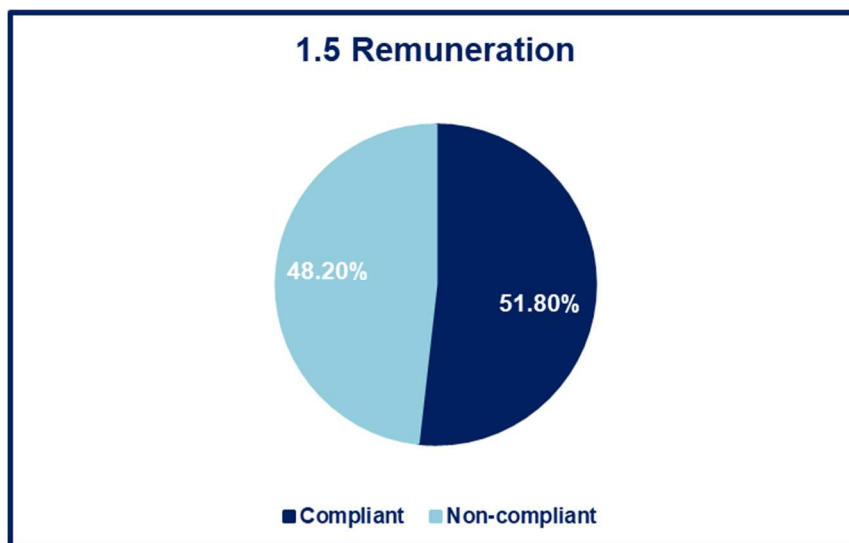


Recommendation / Proposal	No.	Text of the recommendation/proposal	Compliance rate (%)	Change (% point)
Proposal	1.4.1	In line with Section 1.4.1, did the Company pay dividend within 10 working days to those of its shareholders who had submitted all the necessary information and documents?	65.1%	13.9%

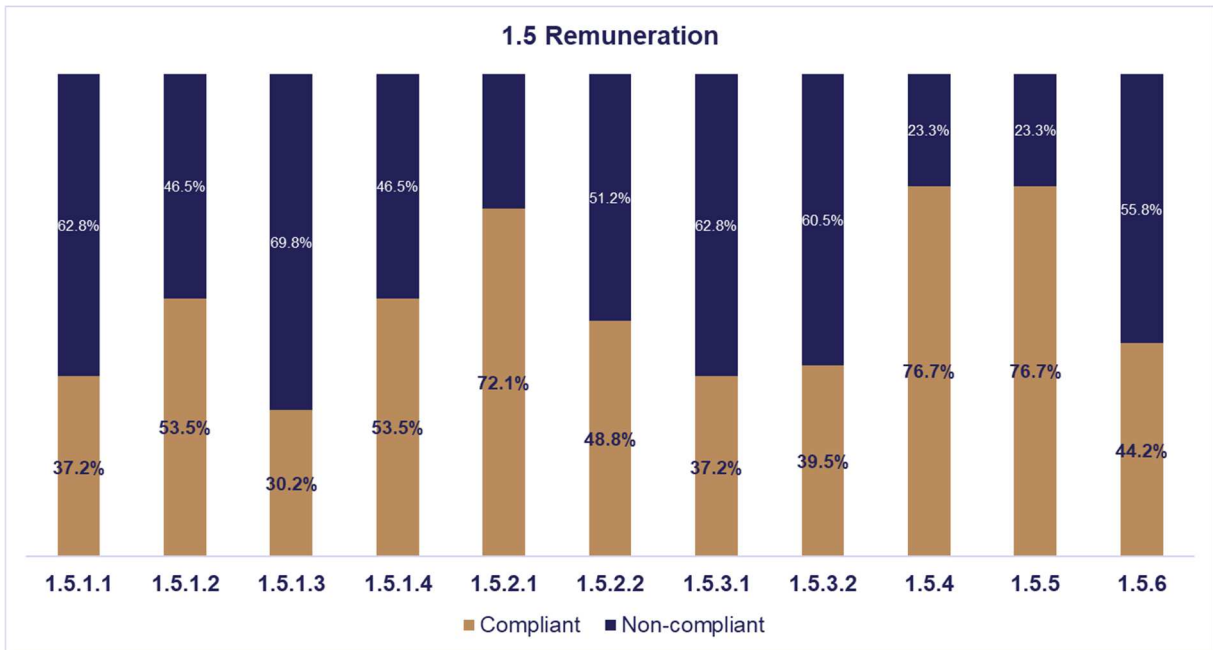


1.5 Remuneration

Remuneration recommendations have the worst compliance rate despite the unfavorable results in the previous year. The rates have not improved even though some of the rules on remuneration are statutory (e.g. approval of remuneration policies by the general meeting, supervisory review of agenda items before the general meeting), others based on corporate governance or EC recommendations or on International Accounting Standards (approval of the share-based remuneration by the general meeting, disclosure of the actual remuneration). In summary, it can be stated that the boards of directors generally decide on the issue of remuneration in their own discretion, and such decisions' content is mostly non-public or only partly public, and only a few companies have established organizational or operational controls that are also transparent to the shareholders.



Recommendation / Proposal	No.	Text of the recommendation/proposal	Compliance rate (%)	Change (% point)
Recommendation	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?	37.2%	0.6%
Recommendation	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?	53.5%	-
Recommendation	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?	30.2%	-1.5%
Recommendation	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?	53.5%	4.7%
Recommendation	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?	72.1%	3.8%
Recommendation	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?	48.8%	7.4%
Recommendation	1.5.3.1	Did the General Meeting approve the principles of the stock-based remuneration schemes?	37.2%	-4.3%
Recommendation	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)?	39.5%	-4.4%
Recommendation	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?	76.7%	-
Recommendation	1.5.5	Does Supervisory Board members receive a fixed-amount remuneration which does not include any elements linked to share price?	76.7%	-6.2%
Recommendation	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?	44.2%	-2.2%



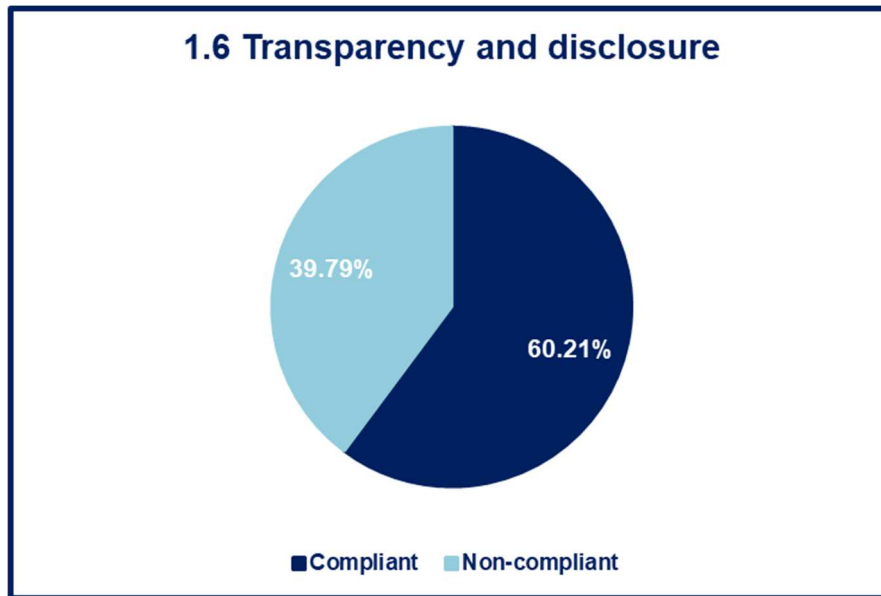
1.6 Transparency and disclosure

In terms of transparency and disclosure, the issuers' average compliance rate (60.21%) has slightly decreased compared to last year's rate (65.27%) and **is still low** compared to other chapters. The average compliance for the whole chapter was lowered by the lesser extent of issuers' compliance – compared to last year's – with the recommendation prescribing to disclose the processes of assessing the effectivity of disclosure and its results. The compliance rate also decreased regarding the disclosure of remuneration policies, policies on strategies, corporate ethics and on other stakeholders.

At the same time, it is positive that there has been a massive improvement of compliance regarding the recommendations on disclosure of the relevant information on the work of the governing board/board of directors, the supervisory board and the senior management, their evaluation and changes during the year, and the disclosure of relationships with any third party that may have an impact on operations. The compliance rates also improved considerably in some other disclosure issues (remuneration statement, risk management policy, insider trading policy, English language disclosures).

The amendment of the Corporate Governance Recommendations of 2018 has changed half of the questions related to transparency and disclosure: the questions were modified to some extent and new provisions were included. Compliance with the new recommendations (1.6.2.1, 1.6.2.2) are slightly above the average of this topic, while compliance with the new proposal (1.6.12) is significantly below the average.

Overall, the compliance rate certainly leaves room for improvement for the future.

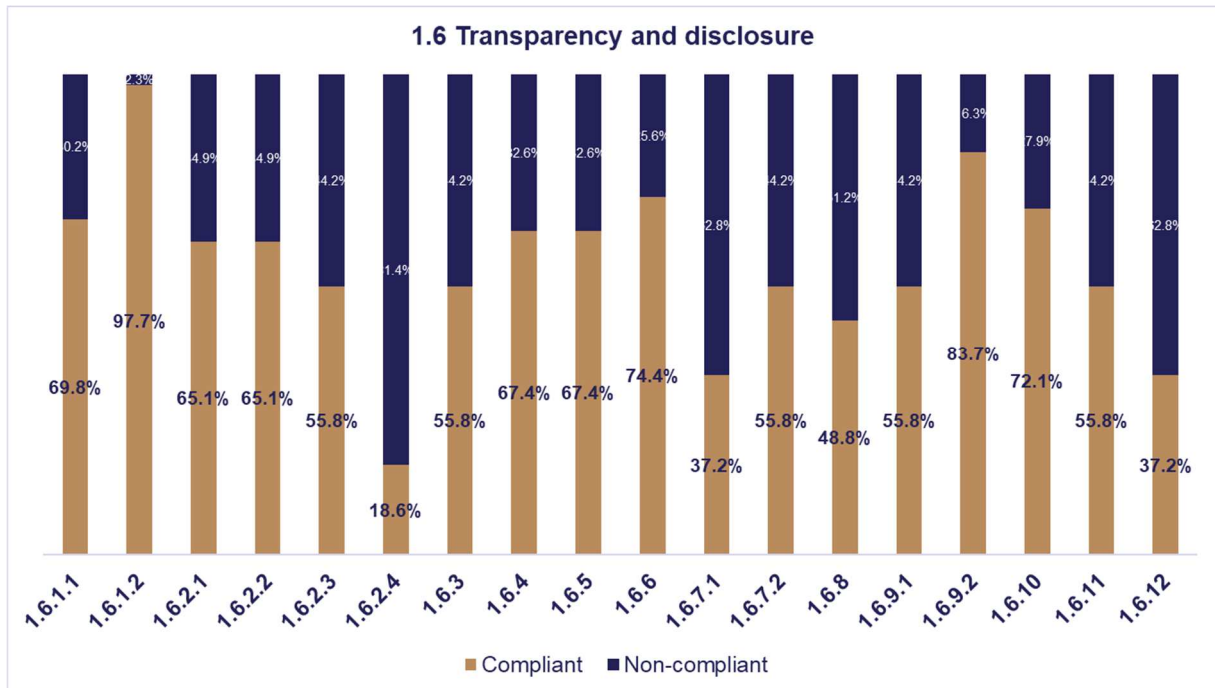


Recommendation / Proposal	No.	Text of the recommendation/proposal	Compliance rate (%)	Change (% point)
Recommendation	1.6.1.1	Do the Company's publication guidelines cover the procedures for electronic, online disclosure?	69.8%	1.5%
Recommendation	1.6.1.2	Does the Company design its by considering the aspects of disclosure and the information of investors?	97.7%	0.1%
Recommendation	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 document?	65.1%	-
Recommendation	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?	65.1%	-
Recommendation	1.6.2.3	Did the Board of Directors/Governing Board assess the efficiency of the publication processes?	55.8%	-29.6%
Recommendation	1.6.2.4	Did the Company publish the findings of the efficiency assessment of the publication process?	18.6%	-10.7%
Recommendation	1.6.3	Did the Company publish its annual company event calendar?	55.8%	-0.3%
Recommendation	1.6.4	Did the Company publish its strategy, business ethics and policies regarding other stakeholders?	67.4%	-5.7%
Recommendation	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?	67.4%	1.6%
Recommendation	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?	74.4%	33.0%
Recommendation	1.6.7.1	Did the Company publish its remuneration guidelines in line with the recommendations set out in Section 1.5?	37.2%	-11.6%

Recommendation	1.6.7.2	Did the Company publish its remuneration statement in line with the recommendations set out in Section 1.5?	55.8%	7.0%
Recommendation	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?	48.8%	9.8%
Recommendation	1.6.9.1	Did the Company publish its guidelines relating to the trading of its shares by insiders?	55.8%	7.0%
Recommendation	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?	83.7%	3.2%
Recommendation	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?	72.1%	25.8%
Proposal	1.6.11	Did the Company publish its information in English as well, in line with the provisions of Section 1.6.11?	55.8%	14.4%
Proposal	1.6.12	Did the Company inform its investors about its operation, financial situation and assets on a regular basis, but at least quarterly?	37.2%	-

Notes to the table:

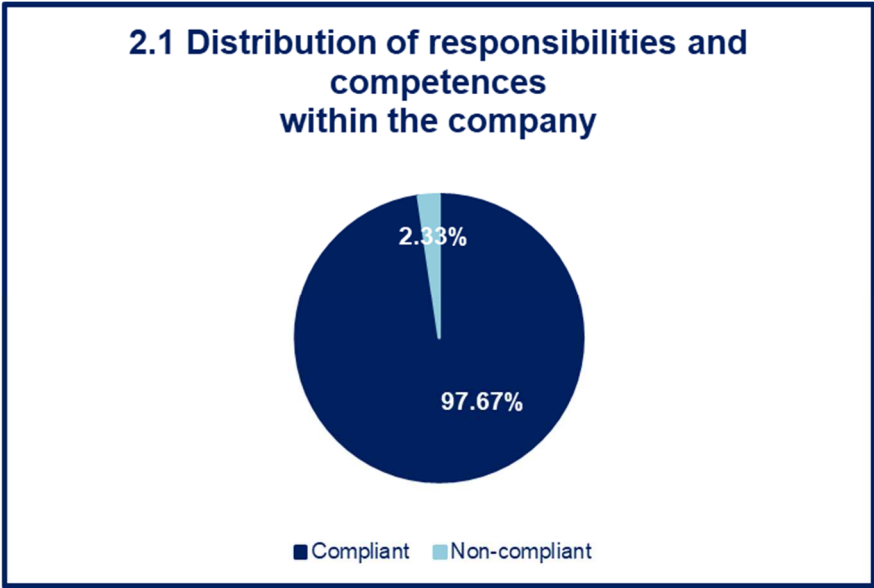
- 1.6.2.3 No such assessment was in place at several issuers, and the explanations also show that the assessment was not conducted by the board of directors, but by the senior management or the chief executive officer.
- 1.6.2.4 This disclosure recommendation is related to a recommendation already having a low level of compliance (slightly more than half 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 positive; the disclosure is not required by law; the assessment is an internal procedure; or the disclosure may violate business secrets.
- 1.6.4 Several issuers explained that they could not fully comply with the recommendation (e.g. only the strategy was disclosed).
- 1.6.7.1 Non-compliance is closely related to the chapter on remuneration (1.5) as it is a recommendation related to the disclosure of that information.
- 1.6.12 New proposal. The main reason for non-compliance is that the issuer's procedures are 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 recommendation on the distribution of responsibilities and competences was introduced by the new Corporate Governance Recommendations. The reports indicate that **the overall compliance rate exceeds 97% (97.67%)**. Only one company stated that it is under duty to state reasons for 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 as regards 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, it shall be stipulated in the articles of association of the company.



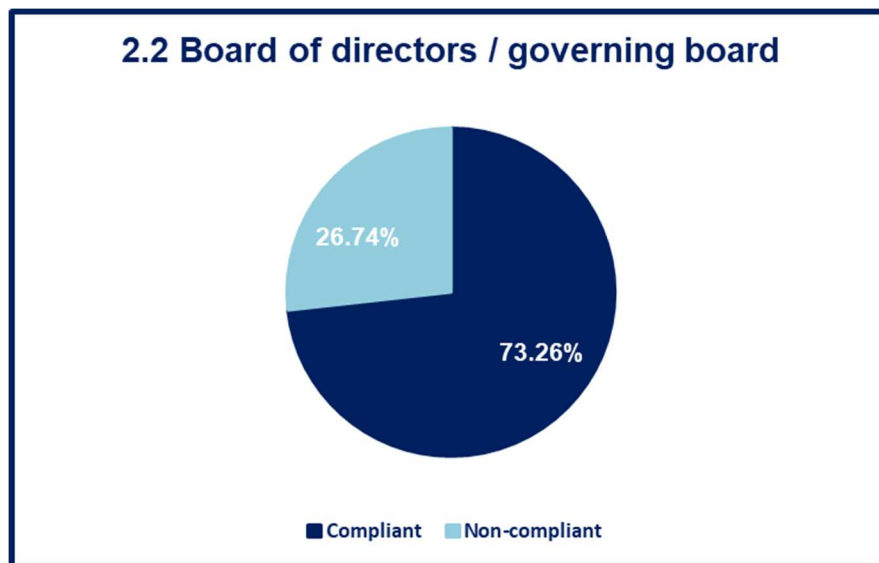
Recommendation / Proposal	No.	Text of the recommendation/proposal	Compliance rate (%)	Change (% point)
Recommendation	2.1.1	Does the Company's Articles of Association contain clear provisions regarding the responsibilities and competences of the General Meeting and the Board of Directors / Governing Board?	97.7%	-



2.2 Board of directors / governing board

All companies listed on the BSE have **complied** with the recommendation that their **board of directors (governing board) should have rules of procedure** for the conduct of their meetings, decision-making processes and key issues governing their operation. Compliance exceeded 95% last year, therefore, there is only a slight improvement compared to the previous year. The obvious reasons for this are that the operation of the management bodies of the company would be inconceivable without rules of procedure, and the drafting such document is a rather old practice among exchange listed companies.

Less implemented, however, is the new recommendation, which proposes for exchange listed companies to **publicly disclose the procedure for nomination of members of the board of directors (governing board), as well as the concepts and basic documents laying down the principles of remuneration of the main management body**. Less than half, 46.5%, of the issuers complied with this new recommendation. Several companies explained this difference indicating that the general meeting decides on the issue, or that the remuneration and the membership had not changed in previous years.

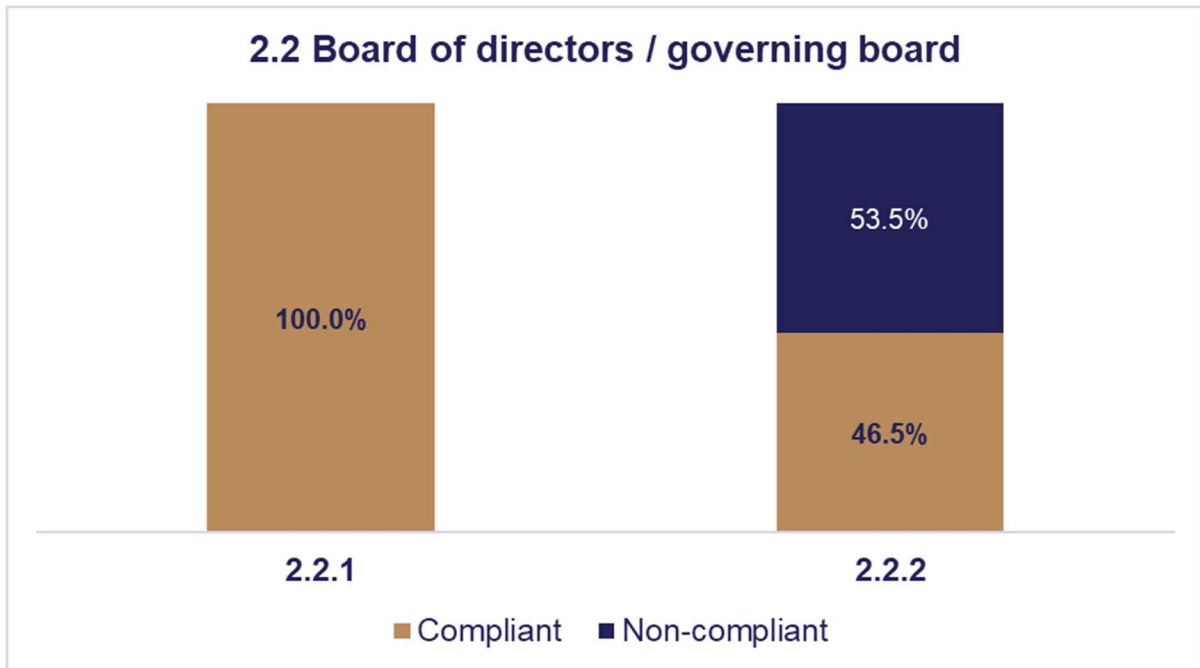


Recommendation / Proposal	No.	Text of the recommendation/proposal	Compliance rate (%)	Change (% point)
Recommendation	2.2.1	Does the Board of Directors / Governing Board have a rule of procedure in place defining the organisational structure, the actions for arranging for and conducting the meetings, and the tasks regarding the adopted resolutions, as well as other issues related to the operation of the Board of Directors / Governing Board?	100.0%	4.9%

Recommendation	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?	46.5%	-
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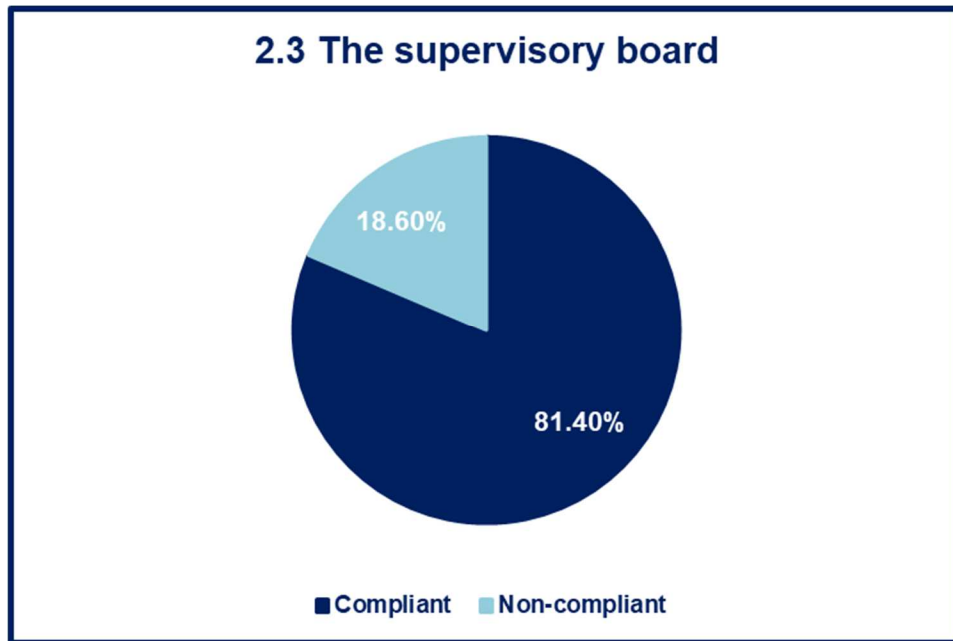
Note to the table:

2.2.2 The recommendation is new; improvement is to be expected in the following years regarding compliance.



2.3 The supervisory board

Unsurprisingly, **the compliance rate is high regarding the recommendation regulating the basic operation of the supervisory board** which recommends the company to govern the key operational, competency issues and procedures in a rule of procedures and to set the main tasks in an annual work plan. The **81.4% compliance rate** is more than **8 percentage points higher** even compared to last year's; some issuers answering affirmatively indicated in explanation that no separate work plan had been drafted besides the rules of procedures. The issuers indicated only one reason for non-compliance which is not to have a supervisory board (joined management system); so, in fact, 100% of the issuers listed on the exchange complied with this section.



Recommendation / Proposal	No.	Text of the recommendation/proposal	Compliance rate (%)	Change (% point)
Recommendation	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?	81.4%	8.2%

Note to the table:

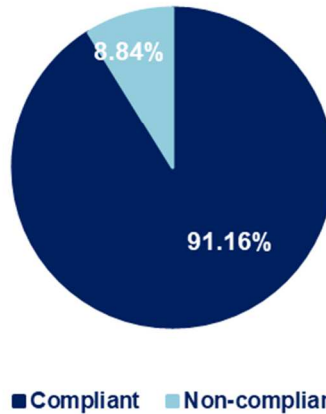
- 2.3.1 The main reason for non-compliance is the absence of the supervisory board at the company, which could be counted as a positive response.



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, over 91%, improving about 10 percentage points compared to last year's, and issuers' practices are largely in line with the recommendations. Compliance with recommendation 2.4.2.1 is lower than others. Eight issuers gave a negative answer to the question related to the recommendation, i. e. the board members did not always have access to the proposals of the meeting five days prior to the given meeting. Recommendation 2.4.3 specifically states that the rules of procedure shall include rules for the participation of non-board members, which apparently had been interpreted by several issuers in such way that compliant practices of the given organization results in compliance, even without a specific regulation.

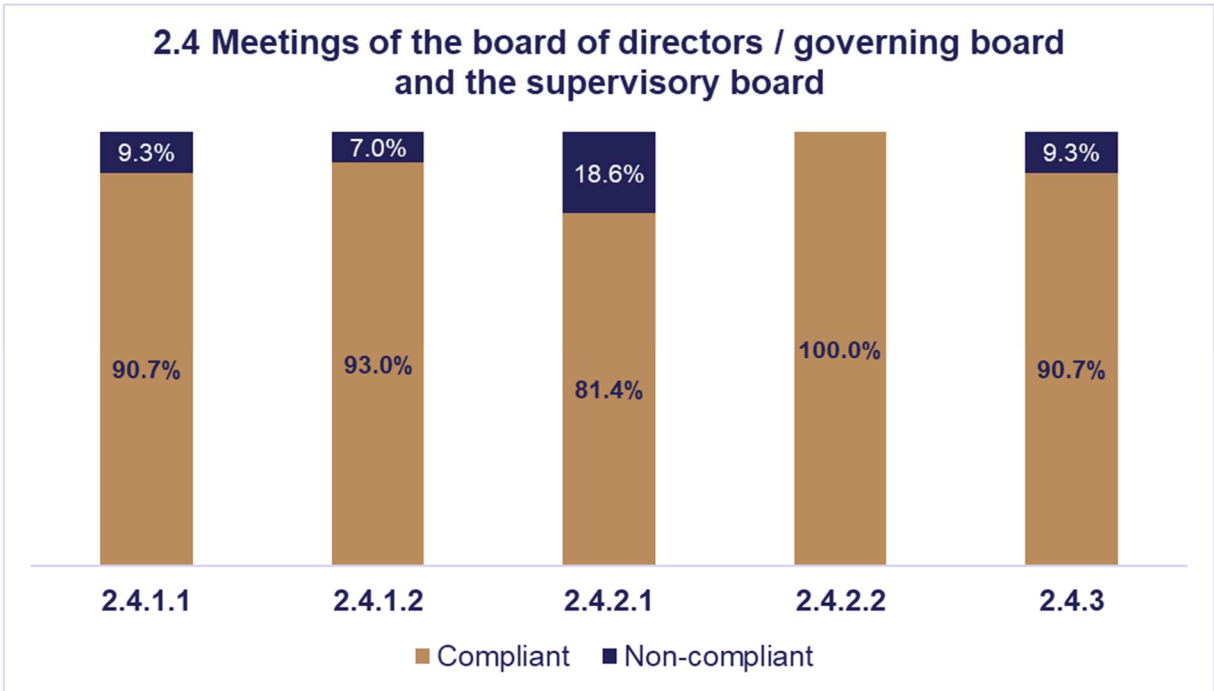
2.4 Meetings of the board of directors / governing board and the supervisory board



Recommendation / Proposal	No.	Text of the recommendation/proposal	Compliance rate (%)	Change (% point)
Recommendation	2.4.1.1	Did the Board of Directors / Governing Board and the Supervisory Board hold meetings periodically at a predefined interval?	90.7%	12.6%
Recommendation	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?	93.0%	6.4%
Recommendation	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?	81.4%	-4.0%
Recommendation	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?	100.0%	-
Recommendation	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?	90.7%	17.5%

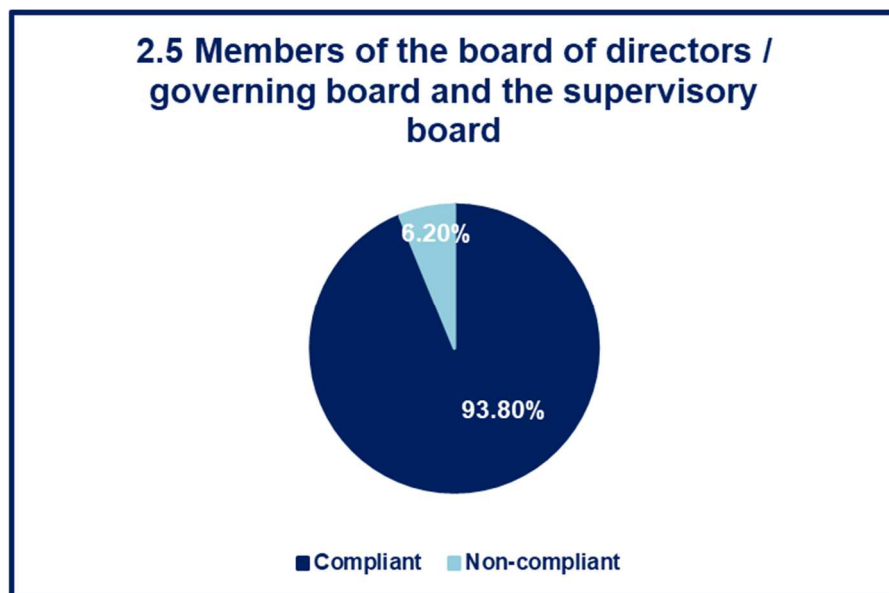
Note to the table:

2.4.3 Four of the issuers replied in the negative, though the comments of three positively responding issuers show that not all of their rules of procedure contain relevant provisions; or that the body has established a practice for managing the participation of non-body members, but such practice is not written down.

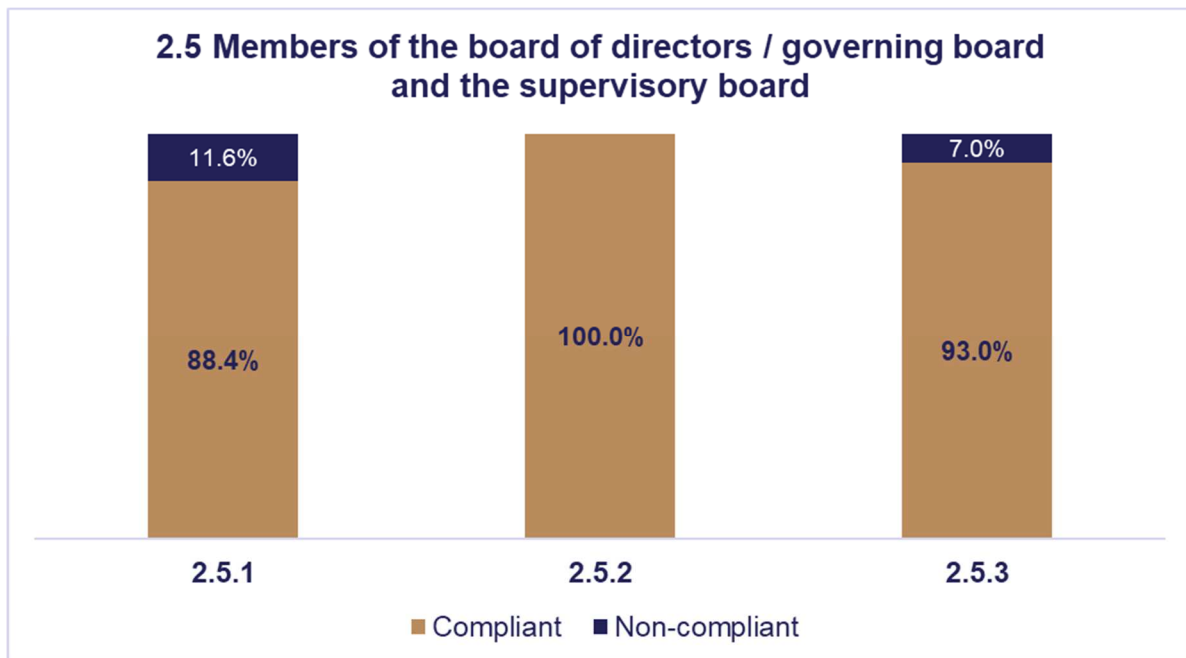


2.5 Members of the board of directors / governing board and the supervisory board

The recommendations on the election and composition of board members also have a high compliance rate, 93.8%, almost 11 percentage points more favourable than the rate of 2017. Three of the issuers answered in the negative to questions 2.5.1 and 2.5.3 as well, explaining that they had not elected board members in the given year. In this regard, it has been already noted that the absence of a particular corporate event in the current year does not necessarily give ground for a negative answer, as even in the absence of such an event there may be rules at the issuer based on which the issuer would comply with the recommendation in case of such an event.

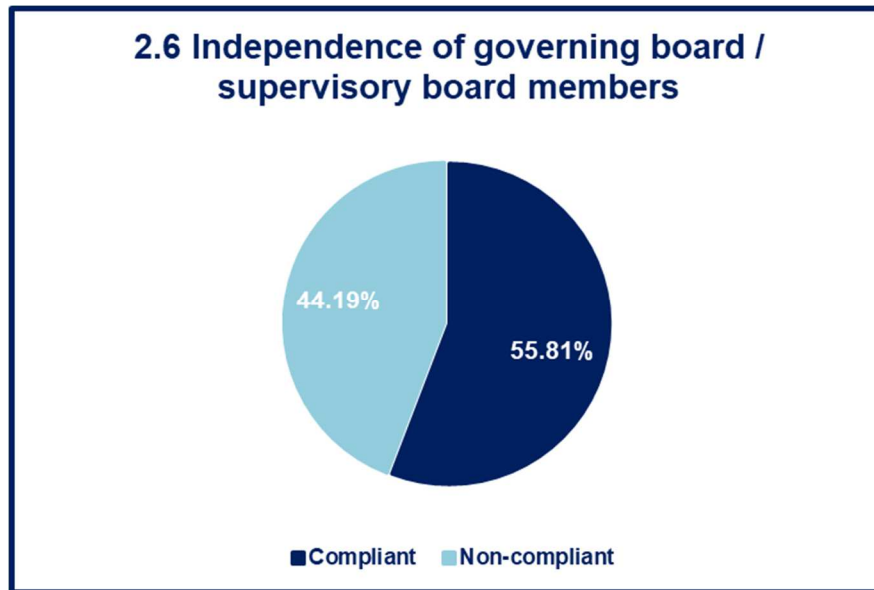


Recommendation / Proposal	No.	Text of the recommendation/proposal	Compliance rate (%)	Change (% point)
Recommendation	2.5.1	Were the members of the Board of Directors / Governing Board and the Supervisory Board nominated and elected in a transparent process, and was the information about the candidates made public in due time before the General Meeting?	88.4%	7.9%
Recommendation	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?	100.0%	4.9%
Recommendation	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?	93.0%	19.9%



2.6 Independence of governing board / supervisory board members

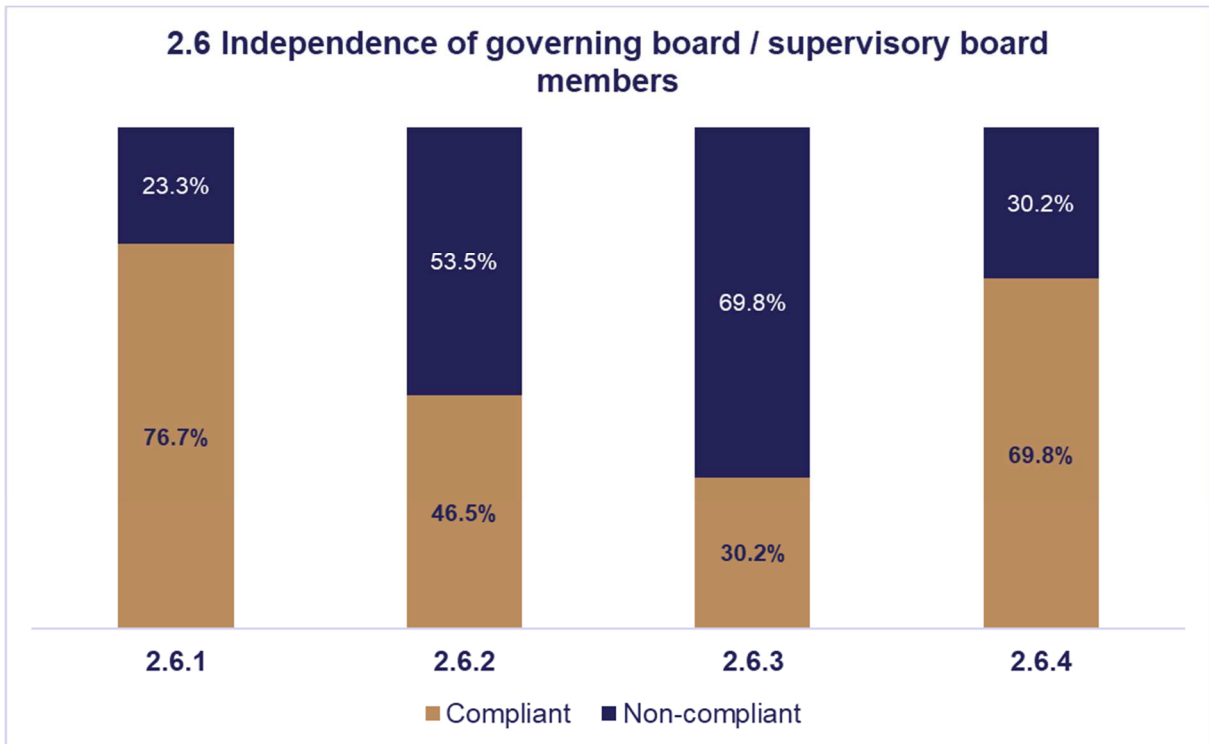
Following the recommendations on remuneration, issuers have the worst compliance rate on this subject. The main reason for the low compliance rate based on the responses is that **the issuers listed on the BSE are largely SMEs**. Therefore, they reasoned, their size and governance structure deem a higher level of independence required by the Recommendation unnecessary; on similar grounds, they do not consider it necessary to have a more extensive disclosure practice than is required by law.



Recommendation / Proposal	No.	Text of the recommendation/proposal	Compliance rate (%)	Change (% point)
Recommendation	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?	76.7%	3.6%
Recommendation	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?	46.5%	34.3%
Recommendation	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?	30.2%	5.8%
Recommendation	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?	69.8%	-1.0%

Note to the table:

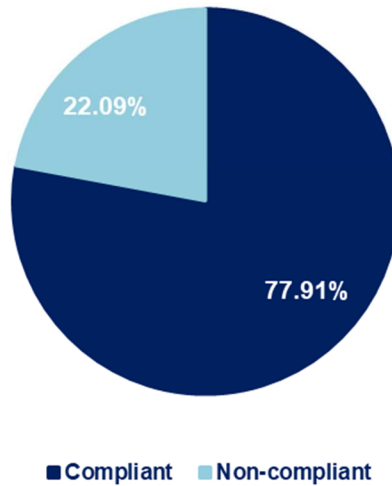
2.6.4 Several negative answers were received simply because of the lack of a supervisory board.



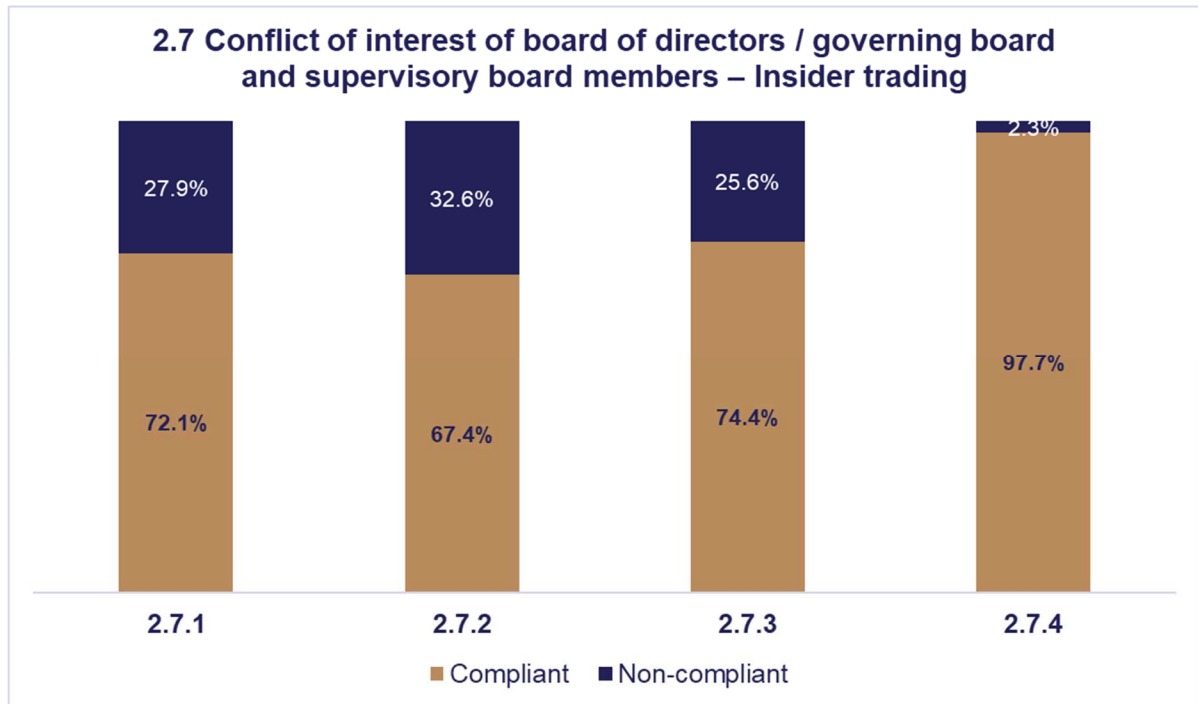
2.7 Conflict of interest of board of directors / governing board and supervisory board members – Insider trading

From the areas of governance, control, and risk management, **this topic has the least accurate picture on the true compliance of the issuers**. The reason is similar to the one mentioned in the comment to Section 2.5, since most issuers explained their negative answers to questions 2.7.1, 2.7.2 and 2.7.3 with the lack of the relevant company / management transaction or request in the current year – although even in the absence of such an event there may be rules at the issuer based on which the issuer would comply with the recommendation in case of such event. Rather, the answers to the questions suggest that issuers do not have internal regulations to ensure compliance. Contrary to the above, with one exception, all issuers stated that they had established rules applicable to the handling of insider information.

2.7 Conflict of interest of board of directors / governing board and supervisory board members – Insider trading



Recommendation / Proposal	No.	Text of the recommendation/proposal	Compliance rate (%)	Change (% point)
Recommendation	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?	72.1%	1.4%
Recommendation	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?	67.4%	15.0%
Recommendation	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?	74.4%	11.0%
Recommendation	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?	97.7%	9.9%



2.8 Internal control systems and risk management

Compliance rates also show an improving trend regarding the set of recommendations / proposals on internal control and risk management: the average rate was over 72% in 2018, with an increase of more than 10 percentage points.

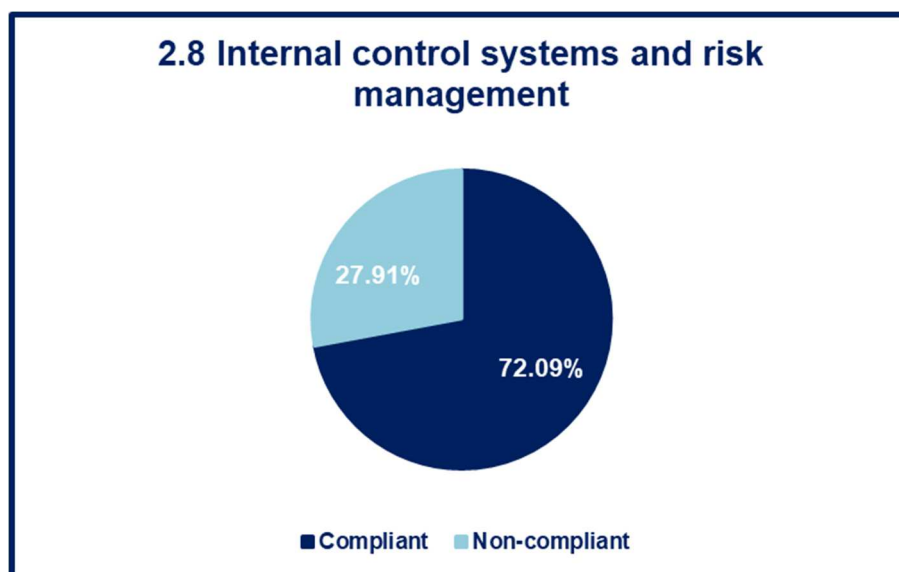
The majority of issuers have an independent body performing as the internal audit function. However, even if the issuer answered in the negative, it does not necessarily mean that the issuer does not have an internal control function, but that it is typically provided by the supervisory board / audit committee / other body or a case-by-case contractor. 20% of the issuers does not have such a function, but many of them are planning to establish it in the near future. Unrestricted access to information by internal auditors is appropriate, except where the function itself is not created. It is limited only in a slight percentage (> 10%) of cases, which, however, is inconsistent with the effective, independent, unaffected functioning of internal control.

The majority of the respondents have a compliance function, which is the other crucial element of the internal control system. This result is very promising, given that the function itself has recently been introduced in the domestic legal environment.

The compliance rates are similar compared to the last year's regarding the third key element, the risk management, considering that this is one of the oldest functions among the internal controls. However, there is a decrease of 13 percentage points of the compliance with the recommendation on informing the general meeting about the company's risk management. The primary reason for this is that the size

of operations and business activities of several smaller companies has not yet reached the size that would justify the reporting. Nevertheless, we consider it very important that this recommendation compliance rate changes positively in the future.

There was also a significant improvement of 33 percentage points in the communication of the internal control system within the organization, which is a very promising result.

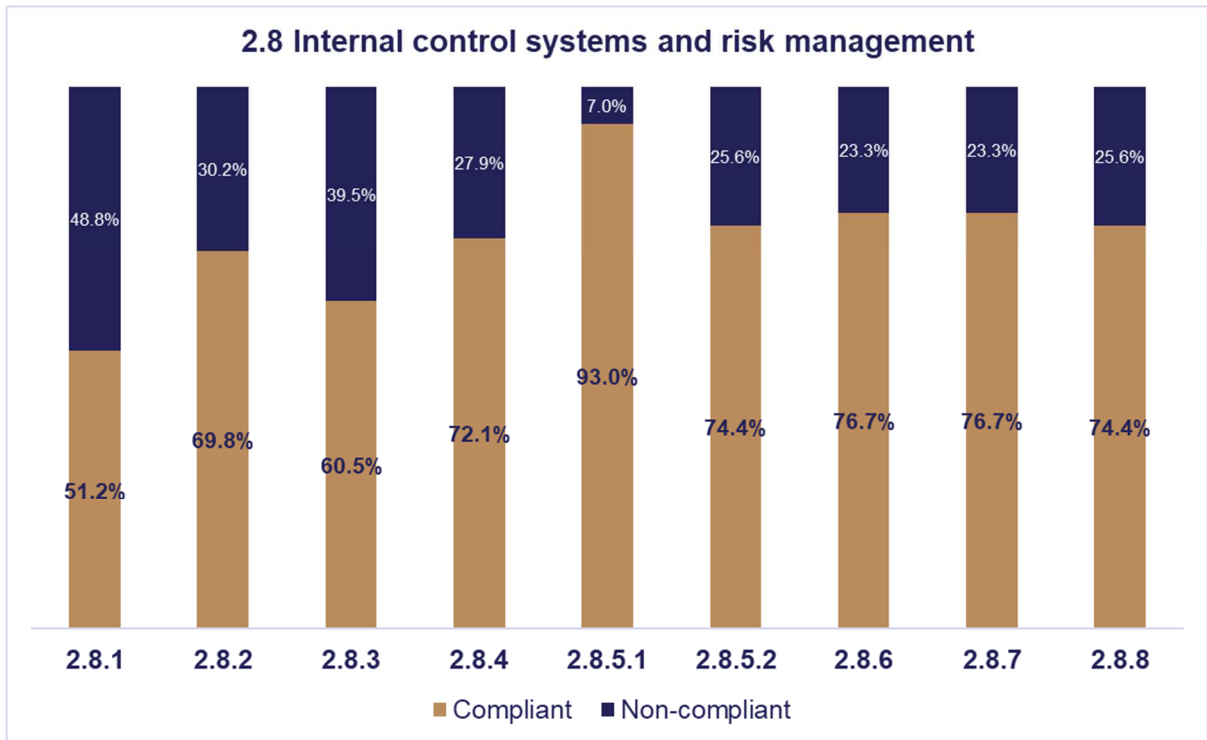


Recommendation / Proposal	No.	Text of the recommendation/proposal	Compliance rate (%)	Change (% point)
Recommendation	2.8.1	Did the Company create an independent internal audit function that reports directly to the Audit Committee / Supervisory Board?	51.2%	9.7%
Recommendation	2.8.2	Does Internal Audit have unrestricted access to all information necessary for carrying out audits?	69.8%	-
Recommendation	2.8.3	Did shareholders receive information about the operation of the system of internal controls?	60.5%	21.4%
Recommendation	2.8.4	Does the Company have a function ensuring compliance (compliance function)?	72.1%	-
Recommendation	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?	93.0%	0.3%
Recommendation	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?	74.4%	-13.4%
Recommendation	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?	76.7%	3.6%

Recommendation	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?	76.7%	-1.3%
Recommendation	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?	74.4%	33.0%

Note to the table:

2.8.3 The majority of issuers conducted a report (a significant increase over the previous year) on the operation of the system of internal controls for shareholders; furthermore, procedures were implemented for receiving and processing reports on the operation of internal controls and for the reporting of the internal controls.



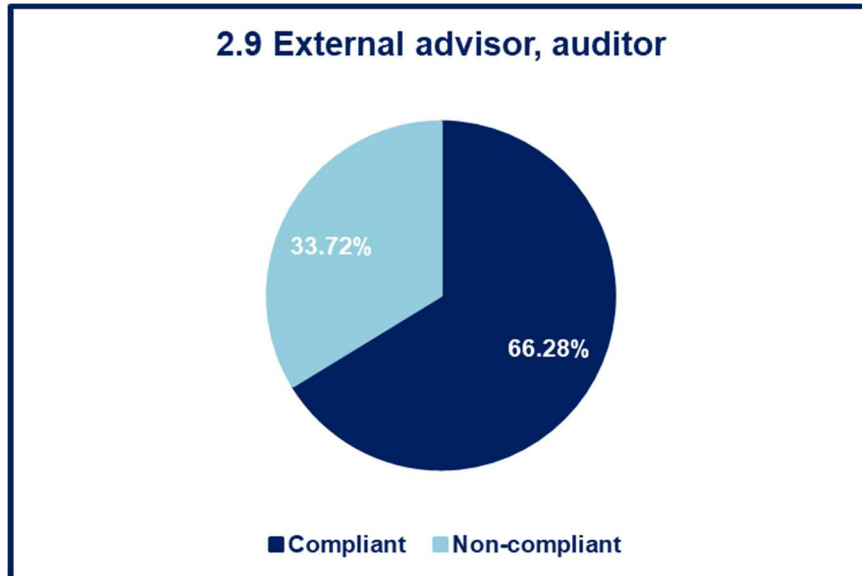
2.9 External advisor, auditor

Compliance rates show a minimal but ascending trend in the set of recommendations / proposals on external advisors and auditors.

Only a minority of the respondents have internal procedures to apply when using external advisor(s) and their outsourced services.

91% of the respondents invite the company's auditor to meetings of the board of directors / governing board discussing financial reports. In accordance with applicable legal provisions, the statutory auditor

shall be invited to the meeting of the company's supreme body discussing the company's financial report, whether or not the audit findings made it necessary. The omission of this invitation is against the law, so greater attention should be paid in the future to comply with this recommendation.



Recommendation / Proposal	No.	Text of the recommendation/proposal	Compliance rate (%)	Change (% point)
Proposal	2.9.1	Does the Company have in place internal procedures regarding the use of external advisors and outsourced activities?	41.9%	2.8%
Recommendation	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?	90.7%	2.9%

