



European Bank
for Reconstruction and Development

CORPORATE GOVERNANCE LEGISLATION ASSESSMENT PROJECT

2007 ASSESSMENT

based on legislation in force on 1 November 2007

HUNGARY

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Overall Country Information

No.	Checklist	Brief description
1.	What is the level of dialogue (e.g. conferences, working groups) between the Government (including governmental bodies or other authorities such as Securities Commissions) and the private sector in respect to the need to improve corporate governance in your country?	The dialogue regarding the need of improving corporate governance is mostly going on between the Budapest Stock Exchange and the Ministry of Justice.
2.	Please describe any ongoing process(es) to improve the level of corporate governance in your country?	Significant corporate governance related legislation was made in 2006 and 2007 (e.g. new Companies Act has been introduced) so no major revision of the current rules is expected in the near future.
3.	Which bodies in the public and private sectors (both domestic and foreign) have initiated, supported and been active in promoting corporate governance reform? (For example, institutes of directors, centers/institutes of corporate governance, associations of shareholders, chambers of commerce, or IFIs).	The main driving force of the development of the corporate governance practice is the corporate governance committee of the Budapest Stock Exchange.
4.	Does a voluntary national code of corporate governance good practice exist? <i>[If yes, please specify the date of enactment, the latest amendments and if it is available on the web and include the link.]</i>	The Budapest Stock Exchange has approved a non-binding guide on corporate governance (Corporate Governance Recommendations) which guide in generally accepted as corporate governance principles for the companies quoted on the Budapest Stock Exchange. The Recommendations are available at: http://www.bse.hu/file/071026_CG_eng.pdf
5.	If the code exists:	
	a.) was the voluntary code of corporate governance developed by the Government or the private sector?	It was developed by the Budapest Stock Exchange.
	b.) to what extent is the code based on the OECD Principles?	It takes into account both the OECD (2004) principles and the latest EC legislation and proposals.
	c.) is it endorsed by the stock exchange or securities commission?	The latest version of the corporate governance guide was approved by the board of the Budapest Stock Exchange on 6 August 2007.
	d.) must companies/listed companies disclose their degree of compliance with the code (“comply or explain”)?	Pursuant to Section 312 of the Companies Act the board of directors of the companies listed on the Budapest Stock Exchange must present a compliance statement (i.e. summary of the corporate governance practice of the company in the previous year and the deviations from the corporate governance guide of the Budapest Stock Exchange) at the annual shareholder's meeting.
e.) are compliance statements published and easily accessible by investors? <i>[If yes, please describe. Include, if available, the website where the compliance statements can be found.]</i>	Yes, pursuant to Section 312 of the Companies Act the compliance statement must be published on the website of the respective company.	

No.	Checklist	Brief description
6.	To what extent has the Government announced plans for updating and strengthening of:	
	a.) the legal and court system	The court system was significantly revised in 2002 so no changes are expected recently. The plans for updating the legal system are generally transferable. The elaboration of a new Civil Code is going on for years and the milestones of this work are published regularly.
	b.) the corporate tax system	The corporate tax system is revised in each year, its frequent changes are not thoroughly consulted with the market players.
	c.) the educational system for business and legal professions	No such plans are currently known.
	d.) the application of international accounting and auditing standards?	No such plans are currently known.
7.	Which are the main laws and regulations addressing corporate governance in your country? [Please list titles and dates when they came into force.]	<p>Act IV of 1959 on the Civil Code, as amended, of the Republic of Hungary ("Civil Code");</p> <p>Act XXII of 1992 on the Labour Code, as amended, of the Republic of Hungary ("Labour Code");</p> <p>Act IV of 2006 on Business Association, as amended, of the Republic of Hungary ("Companies Act");</p> <p>Act V of 2006 on Public Company Information, Company Registration and Winding-up Proceedings, as amended, of the Republic of Hungary ("Companies Registration Act");</p> <p>Act CXX of 2001 on the Capital Markets, as amended, of the Republic of Hungary ("Capital Markets Act");</p> <p>Act C of 2000 on Accounting ("Accounting Act");</p> <p>Act LXXV of 2007 on the Hungarian Chamber of Auditors, the Auditors' Activity and Supervision of Auditors, as amended, of the Republic of Hungary ("Auditor Act");</p> <p>Act XLIX of 1991 on bankruptcy and liquidation procedures ("Bankruptcy Act");</p> <p>Regulations of the Budapest Stock Exchange Ltd. on the Code of Trading, as amended ("BSE Code of Trading");</p> <p>Act CXL of 2004 on general rules of administrative proceedings and services, as amended, of the Republic of Hungary ("Administrative Proceedings Act")</p>
8.	<p>Summarize recent significant legal developments affecting corporate governance.</p> <p><i>[Please indicate whether reviews are planned (and if so, where they stand in the legislative process). If reforms are pending, please provide a schedule of the main proposals which are relevant to corporate governance.]</i></p>	<p>In 2006, the option to choose one-tier system has been made available to the public companies limited by shares.</p> <p>The cases when the formation of supervisory board is mandatory have been narrowed (except for public companies limited by shares).</p> <p>The companies listed at the Budapest Stock Exchange are obliged to present a corporate governance compliance statement to the annual shareholders' meeting.</p>
9.	Please list the different corporate forms which are allowed under the law (e.g. partnerships, limited liability, joint stock, public limited) and briefly explain the main differences.	<ul style="list-style-type: none"> - unlimited partnership ("Kkt.") is a company form which can be established without any capital requirement and the members have unlimited liability for the debts of the company. - limited partnership ("Bt.") is a company form which can be established without any capital

No.	Checklist	Brief description
		<p>requirement and at least one of the members (active member) has unlimited liability while at least one of the members (silent member) has limited liability for the debts of the company.</p> <ul style="list-style-type: none"> - limited liability company ("Kft.") is a company form which can be established with an initial capital of at least HUF 500,000 (approx. EUR 2,000) and the liability of the members are limited to the amount of their capital contributions. Instead of shares, the capital contribution of each member is represented by one quota (i.e. each member has only one quota). - private company limited by shares ("Zrt.") is a company form which can be established with an initial capital of at least HUF 5,000,000 (approx. EUR 20,000) and the liability of the members are limited to the contribution value of their shares. The capital of the company is represented by printed or dematerialised shares which have never been offered to the public. - public company limited by shares ("Nyrt") is a company form which can be established with an initial capital of at least HUF 20,000,000 (approx. EUR 80,000) and the liability of the members are limited to the contribution value of their shares. The capital of the company is represented by dematerialised shares which have already been publicly offered.
10.	Are joint stock companies managed under a(n) <i>[please briefly explain]</i> :	
	a.) Compulsory one-tier system (no supervisory board)	N/A
	b.) Compulsory two tier-system (management board and supervisory board)	N/A
	c.) Option to choose one-tier/two-tier system	The Companies Act provides the option to choose between one-tier and two-tier system. If one-tier system is chosen the power of both the board of directors and the supervisory board conferred upon them by law are concentrated into and exercised by the board of directors which body is called in this case council of directors. In case of a two-tier system the members of the board of directors and the members of the supervisory board are elected by the shareholders' meeting. The same body elects the members of the council of directors in case of a one-tier system.

Principle I: Ensuring the basis for an effective corporate governance framework

The corporate governance framework should promote transparent and efficient markets, be consistent with the rule of law and clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities.

I.A. Corporate governance framework should be developed with a view to its impact on overall economic performance, market integrity, and the incentives it creates for market participants and promotion of transparent and effective markets.

No.	Checklist	Yes	No	Reference to the relevant law
11.	a.) Does your country have a functioning stock exchange? [Please include the stock exchange website, if available.]	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Budapest Stock Exchange: www.bse.hu / www.bet.hu
	b.) Are there different listing segments on the stock exchange? [If yes, please describe, focusing on corporate governance.]	<input checked="" type="checkbox"/>	<input type="checkbox"/>	There are two listing segments at the Budapest Stock Exchange. Companies listed in Category "A" required to have at least 100 shareholders, the total capital of the relevant listed share series reaches HUF 2.5 billion, minimum of 25% or HUF 2 billion free float, etc. (1 EUR = approximately HUF 255)
12.	Are corporate bonds common in your country?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	It is common for major listed companies.
13.	Are Depositary Receipts (DRs) common in your country?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The BSE Code of Trading accepts and regulates DRs in details however, they are not commonly used in Hungary.
14.	Does the country have a legislative or regulatory body in charge of assessing the implementation, reviewing and developing corporate governance laws?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Within the framework of the Ministry of Justice a legislative committee is in operation being in charge of corporate law related legislation but no special committee is operating which is responsible for the development of corporate governance laws.
15.	Are there effective, ongoing consultations between regulatory authorities, the public and corporations regarding the development of corporate governance laws? Is the decision-making process used in the development of those laws made publicly available?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	There are significant efforts made to organise consultations between the authorities, corporations and the legal profession but, at the moment, the consultations cannot be deemed effective due to the very short time frame provided for such consultations.
16.	How transparent is the legal reform process? Does it allow all affected parties to fully understand the new laws and regulations?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The government must accept a legislation plan for a 5 year period which generally determines the legislative activities of the government. The plans for updating the legal system is fairly transferable therefore. Generally, the plans and bills are available to the public in due course of time.
17.	Can the securities market regulator intervene on behalf of shareholders in corporate disputes?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The market regulator does not have specific right to act on behalf of any shareholder in the course of a lawsuit but, in certain cases, may initiate court supervisory procedure which can fall within the interests of one or more

No.	Checklist	Yes	No	Reference to the relevant law
				shareholders.
18.	Does commercial, corporate or securities arbitration exist? If yes, are arbitration decisions binding and final?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Act LXXI of 1994 on arbitration established the Arbitration Tribunal attached to the Hungarian Chamber of Commerce and Industry. In addition, the Capital Markets Act provides the rules applicable to the Capital Market Permanent Arbitration Tribunal. The decision of the arbitrations is final and binding.
19.	Are state-owned companies subject to exactly the same corporate governance rules as other privately owned companies?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The Capital Markets Act (Sections 73, 76 A-B and 79) includes special rules for companies in which the state holds preferential share(s).

I.B The legal and regulatory requirements that affect corporate governance practices in a jurisdiction should be consistent with the rule of law, transparent and enforceable.

No.	Checklist	Yes	No	Reference to the relevant law
20.	Are the legal and regulatory requirements on corporate governance:			
	a.) generally clear and well understood by economic participants?			Due to the fact that significant changes effecting the rules of corporate governance were introduced in 2006 and 2007 therefore, the lack of sufficient court practice results in uncertainty to some extent.
	b.) sufficiently enforced in an efficient, consistent manner so as to constitute a transparent system?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Because of the lack of sufficient court practice the enforcement of certain rules of corporate governance is not surely provided.
21.	a.) Do special court/sections exist in the judiciary for corporate cases?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Pursuant to Act LXVI of 1997 on the organisational and administrative structure of courts economic collages are working within the relevant courts which are to decide on corporate cases.
	b.) Is there a significant percentage of corporate governance law that has never been tested in court?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Due to the number of rules recently introduced and the small size of the Hungarian economy there are significant number of rules which have never been tested in court.
	c.) Does a comprehensive case law collection exist so that interpretation of corporate governance legislation by courts is reasonably foreseeable?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The Supreme Court publishes the decisions of the courts which include significant substance therefore deserve public attention regularly. Such publications of the Supreme Court are generally followed by the courts.
22.	Do the laws usually specify sanctions and liabilities for breach of corporate governance laws and regulations?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Companies Act.
23.	If yes, are the responsibilities and sanctions for breach of the law with reference to the following subjects, clearly defined:			
	a.) management board	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Companies Act.

No.	Checklist	Yes	No	Reference to the relevant law
	b.) supervisory board (if applicable)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Companies Act.
	c.) corporate registry	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Companies Registration Act.
	d.) corporate auditors	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Auditor Act.
	e.) corporate evaluators/assessors (e.g., in case of contribution in kind)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	There is no such provision.

I.C. The division of responsibilities among different authorities in a jurisdiction should be clearly articulated and ensure that public interest is served.

No.	Checklist	Yes	No	Reference to the relevant law
24.	Does the law designate a clear division of responsibilities between different authorities (e.g., banking regulator, securities market regulator, competition authority)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The banking regulator and the securities market regulator form a single authority called Hungarian Financial Services Authority as from 2000.
25.	Is there an effective system of cooperation in place between regulators?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The Hungarian Financial Supervisory Authority and the Hungarian Competition Office entered into a co-operation agreement on January 2007. The aim of the agreement is to enforce the co-operation between the two authorities through information exchange about proceedings, the organization of consultations, collaboration in sectoral supervision in the field of competition and markets. Furthermore the parties have agreed that they mutually adjust their standpoints and support each other during the work in international organisations (e. g. in the OECD and in European bodies).
26.	Does the law address the issue of potential overlapping responsibilities or gaps in oversight between regulators?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 23 of the Administrative Proceedings Act
27.	Are the key laws perfectly harmonised without major inconsistencies, conflicts and discrepancies?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The relevant acts are sufficiently harmonised and no major disputes are known between various authorities in change.

I.D. Supervisory, regulatory, and enforcement authorities should have the authority, integrity and resources to fulfil their duties in a professional and objective manner. Moreover, their ruling should be timely, transparent, and fully explained.

No.	Checklist	Yes	No	Reference to the relevant law
28.	Is the market regulator in charge of corporate governance?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	There is no such general rule in the relevant legislation but certain specific powers are specified in Hungarian laws to that extent.
29.	Does the law assure the operational independence of the regulator from external political, commercial, or other interest interference when exercising its respective functions and powers?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 1 of Act CXXIV of 1999 on the Financial Services Authority.
30.	Is the regulator accountable to the Parliament or any other government body on an ongoing basis?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Pursuant to Section 6 of Act CXXIV of 1999 the president of the Hungarian Financial Services Authority shall report to the Minister of Finance in each half year in relation to the activities of the authority it leads.
31.	Is the budget of the regulator published and expenses transparently described?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The deed of budget of the Hungarian Financial Services Authority is yearly published on it web site.
32.	Does the law require that when developing new legislation, regulatory agencies should:			
	a.) understand in advance the effects, costs and consequences of such new legislation (e.g., by implementing a Regulatory Impact Analysis - RIA)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Act XI of 1987 on legislation provides that the need, effects and potential conflicts of the proposed legislation must be analysed however no RIA must be prepared.
	b.) take into account the availability of resources for the implementation and enforcement of those laws?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Act XI of 1987 on legislation provides that the conditions of the enforcement of the proposed legislation must be analysed prior to and subsequent to the enactment.
33.	a.) Are the rulings of regulatory agencies documented and publicly available?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The rulings and decisions of the regulator are available on its web site (www.pszaf.hu).
	b.) If so, is that information easily accessible?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	It is easily accessible as the decisions of the Hungarian Supervisory Authority are available on it web site by anybody.
34.	After regulatory agencies render their decisions, must they also provide explanations for those decisions?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 72 of the Administrative Proceedings Act.

Principle II: The rights of shareholders

The corporate governance framework should protect shareholders' rights

II.A. Basic shareholder rights include the right to: 1) secure methods of ownership registration; 2) convey or transfer shares; 3) obtain relevant information on the corporation on a timely and regular basis; 4) participate and vote in general shareholder meetings; 5) elect members of the board; and 6) share in the profits of the corporation.

No.	Checklist	Yes	No	Reference to the relevant law
35.	Does the law require maintenance of a central or company share register where the shareholding of investors is recorded?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 202 of the Companies Act.
36.	Does the law require that the relevant share register be maintained by an external and independent organisation?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Pursuant to Section 202 of the Companies Act the book of share shall be maintained by the Board of Directors or by an authorised entity mandated by the Company.
37.	Under the law, does registration of shareholding in the central or company share register constitute proof of ownership? <i>[If not, please explain what is the legal evidence of share ownership.]</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Pursuant to Section 202 of the Companies Act the transfer of shares is effective vis-à-vis the company and the shareholder can only exercise the shareholder's rights if the given shareholder has been registered in the book of shares. However, due to the fact that the owner of the shares is not obliged to be registered therefore, the book of shares can only evidence the ownership of the shareholder who has requested to be registered.
38.	Under the law, can the parties (purchaser, seller or third parties) of shares require amendment of the register to record the change in shares' ownership? <i>[Please explain.]</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The Companies Act does not provide specifically who has the right and/or who are obliged to announce the change in shares' ownership.
39.	a.) Does the law require that all the shares be fully paid before they can be transferred?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Pursuant to Section 196 of Companies Act the so-called temporary shares (i.e. shares before fully paid up) can also be transferred.
	b.) Are shares of listed/public companies freely transferable?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 287 of the Companies Act.
	c.) Can the free transferability of shares be restricted by specific provisions in company articles or by private contractual agreements?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Pursuant to Section 287 of the Companies Act no restriction can be applied by law or by the charter however, it is possible under private contractual agreement.
40.	a.) Is the law providing shareholders the right to obtain information about the company at no costs and without undue delay? <i>[If applicable, please state the time limit for providing information.]</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Sections 27 and 298 of the Companies Act. No time limit is provided in the Companies Act.

No.	Checklist	Yes	No	Reference to the relevant law
	b.) Does the law provide for sanctions in case such information is not provided by the company in due time?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	There is no such provision.
41.	Under the law, is the shareholders' meeting the only body authorised to:			
	a.) elect/appoint members of the board? [<i>Please distinguish in case a two-tier system is in place.</i>]	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 231 of the Companies Act. The shareholders' meeting elects the members of the board of directors and the members of the supervisory board.
	b.) dismiss members of the board? [<i>Please distinguish in case there is a two-tier system in place.</i>]	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 231 of the Companies Act. The shareholders' meeting elects the members of the board of directors and the members of the supervisory board.
	c.) approve the company's audited annual report?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 231 of the Companies Act.
	d.) approve dividends?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 220 of the Companies Act. The charter of the company can authorise the board of directors to decide on the payment of interim dividends.
	e.) decide on the time frame within which approved dividends are paid out?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The time frame may either be decided by the shareholder's meeting or the board of directors.
42.	Are minority shareholders able to pool their votes for certain board candidates (for example, through cumulative voting)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	There is no such provision.
43.	Does the law give the shareholders' meeting the exclusive power to [<i>Please specify if the power can be delegated to the board by the charter</i>]:			
	a.) appoint auditors;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 231 of the Companies Act. Such power cannot be delegated.
	b.) approve the auditors' remuneration;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 231 of the Companies Act. Such power cannot be delegated.
	c.) request additional information regarding the auditors' report?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	It can either do by one or more shareholders, the shareholders' meeting or the Board of Directors.
	d.) approve remuneration of (supervisory/management) board members	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 231 of the Companies Act. The shareholders' meeting decides on the remuneration of the members of the board of directors and the members of the supervisory board. Such power cannot be delegated.
44.	Does the law impose any conditions on a company to declare dividends?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 231 of the Companies Act.
45.	Does the law require the distribution of dividends among holders of shares in proportion to their shareholding?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Pursuant to Section 187 of the Companies Act dividends preference shares may also be issued in which case the distribution of dividends may differ from the proportion of their shareholding.
46.	Does the law require the distribution of liquidated proceeds among holders of shares in proportion to their shareholding?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Pursuant to Section 186 of the Companies Act the company may issue shares to which special rights to any liquidation surplus are attached.

II.B Shareholders have the right to participate in, and to be sufficiently informed on, decisions concerning fundamental corporate changes such as: 1) amendments to the statutes, or articles of incorporation or similar governing documents of the company; 2) the authorisation of additional shares; and 3) extraordinary transactions that in effect result in the sale of the company.

No.	Checklist	Yes	No	Reference to the relevant law
	Does the law provide that shareholders should be notified of, and have the exclusive power to vote with respect to: [<i>Please specify if the power can be delegated to the board by the charter.</i>]:			
47.	a.) amendments to the company charter?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 231 of the Companies Act. Pursuant to Section 18 of the Companies Act the amendment of the charter with respect to the following matters may be delegated to the board of directors: (i) company name, (ii) registered seat, (iii) site, (iv) scope of activities. Pursuant to 252 of the Companies Act if the board of directors may decide on the increase of the registered capital under the relevant provision of the charter, it may also amend the charter to that extent.
	b.) issuance of additional shares?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Pursuant to Section 252 of the Companies Act such right may be delegated to the board of directors.
	c.) merger, take-over or reorganisation of the company?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 231 of the Companies Act. Such power cannot be delegated.
	d.) winding up or voluntary liquidation of the company?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 231 of the Companies Act. Such power cannot be delegated.
	e.) waiver of pre-emptive rights (in the event of capital increase)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 313 of the Companies Act. Such power cannot be delegated.
	f.) the amendment of the specific rights attached to any class of shares?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 231 of the Companies Act. Such power cannot be delegated.
48.	Does the law provide that existing shareholders have pre-emption rights to subscribe to newly issued shares in proportion to their relevant shareholding?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 313 of the Companies Act.
49.	a.) Does the law allow exceptions/restrictions to these pre-emption rights described in Question 48 above?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 313 of the Companies Act.
	b.) If yes, are these restrictions required to be approved on a case by case basis <i>and</i> by a super-majority vote of the shareholders (e.g. 75%)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Section 313 (4) of the Companies Act, however, no super-majority vote is require by law.
50.	Can shareholders delegate to boards the issuance of capital up to an authorized limit and within a specified time-frame?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 252 of the Companies Act.
51.	Does the law enable a shareholder who voted against any of the corporate changes in the company as referred to in Question 47 above to sell its shares to the company for not less than a price determined by an independent valuation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	There is no such provision.

No.	Checklist	Yes	No	Reference to the relevant law
	entity (or the market)?			

II.C Shareholders should have the opportunity to participate effectively and vote in general shareholder meetings and should be informed of the rules, including voting procedures that govern general shareholder meetings.

No.	Checklist	Yes	No	Reference to the relevant law
52.	Does the law require a shareholder meeting to be held annually, and within a specified time frame (e.g., 6 months) of the end of the company's fiscal year?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Pursuant to Section 232 (1) of the Companies Act, the shareholders' meeting shall be convened as frequently as set out in the charter, but at least once a year. According to Section 231 (2) (e) of the Companies Act, the shareholders' meeting has exclusive competence for approving the annual report. Section 151 (1) of the Accounting Act provides that the annual report shall be approved by the relevant body (i.e. the shareholders' meeting) and deposited with the court of registry within 150 days from the end of the company's fiscal year.
53.	Does the law empower the following people to request extraordinary shareholders' meetings:			
	a.) the chairman of the board of directors; or	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Section 232 (2) of the Companies Act provides - as a general rule - that the shareholders' meeting shall be convened by the board of directors. The board of directors - according to Section 243 (2) of the Companies Act - exercises its rights and duties as a body; therefore the extraordinary shareholders' meeting shall be convened by the board of directors as a whole and may not be required by the chairman of the board as a single member.
	b.) any member of the board of directors/supervisory board [<i>Please specify</i>]; or	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Pursuant to Section 232 (2) and 243 (2) of the Companies Act (see under clause 2. (a) above) the extraordinary shareholders' meeting shall be convened by the board of directors as a whole and may not be required by a single member of the board of directors. Pursuant to Section 35 (4) of the Companies Act, the supervisory board may convene the extraordinary shareholders' meeting, if - in its judgement - the activity of the board of directors is contrary to the law, the charter or the resolutions passed by the shareholders' meeting, or otherwise infringes the interests of the company or of its shareholders.

No.	Checklist	Yes	No	Reference to the relevant law
	c.) one or more shareholders whose aggregate shareholding represents at least 10% of the Company's issued shares? <i>[Please specify the required shareholding.]</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<p>According to Section 49 (1) of the Companies Act the shareholders representing 5% or more of the votes may at any time request the board of directors to convene the shareholders' meeting, indicating the reason and the purpose thereof. Please note that the charter may also grant this right to shareholders representing a smaller proportion of the votes.</p> <p>If the board of directors does not comply with this request within a period of 30 days, upon the request of the shareholders making the proposal, the court of registration convenes the shareholders' meeting within a period of 30 days or empowers the shareholders making the proposal to convene the meeting themselves.</p>
54.	Does the law enable shareholders to participate in the shareholders' meeting not only in person, but also:			
	a.) by post	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<p>Pursuant to Section 307 of the Companies Act in case of public companies limited by shares, the shareholders are not entitled to pass resolutions in writing without convening a shareholders' meeting.</p> <p>The shareholder may be represented at the shareholders' meeting by a third person under proxy, but Section 298 (4) of the Companies Act states that the members of the board of directors, the company manager, the employees of the company hired for executive positions and the members of the supervisory board are not entitled to represent the shareholder. Based on Section 213 (4) of the Companies Act the power of attorney is to be incorporated in a notarial deed or in a private document having full probative force. Furthermore, Section 298 (5) of the Companies Act disposes of a special form - the details of which are to be regulated in the charter - that may serve for representing the shareholder at the meeting and is to be sent to the shareholders by the company.</p>
55.	Does the law require that a shareholders' meeting be attended by a quorum of shareholders (presence quorum) representing an aggregate of at least 50% + 1 of the company's issued and outstanding common and preferred shares at the first call? <i>[Please specify the quorum for the first, second and third call.]</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<p>Pursuant to Section 234 (1) of the Companies Act the shareholders' meeting has quorum if shareholders representing more than half of the votes embodied by shares with voting rights are present. Nevertheless, Section 235 of the Companies Act states that the charter may exclude or differ from such provision in cases of decisions that require a simple majority of votes.</p> <p>Section 234 (2) of the Companies Act provides that if the shareholders' meeting fails to have quorum, the repeated shareholders' meeting shall - unless otherwise provided by the charter - have quorum irrespective of the number of the shareholders attending the meeting.</p>

No.	Checklist	Yes	No	Reference to the relevant law
56.	Does the law require the adoption of ordinary resolutions by an affirmative vote of a majority (of 50% + 1) of all of the company's issued and outstanding voting shares (decision quorum)? <i>[Please specify the quorum for the first, second and third call.]</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Pursuant to Section 20 (6) of the Companies Act, unless otherwise provided by law or by the charter, the shareholders' meeting shall pass resolutions by a simple majority of votes of the shareholders attending the meeting.
57.	Does the law require a super-majority vote of at least 75% of all the company's issued and outstanding voting shares regarding resolutions for the following matters:			
	a.) any amendment to the company's charter <i>[Please specify the quorum required at the second and third call.]</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Pursuant to Section 236 (1) of the Companies Act, the shareholders' meeting shall pass the resolution by a majority of $\frac{3}{4}$ of votes of the shareholders attending the meeting with respect to decisions concerning the approval and amendment to the charter. Unless otherwise required by the charter of the company the repeated meeting has a quorum notwithstanding to the number of shareholders present. A majority of $\frac{3}{4}$ of the votes present is required to pass such a resolution in case of a repeated shareholders' meeting.
	b.) any merger or reorganisation of the company <i>[Please specify the quorum required at the second and third call.]</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Pursuant to Section 236 (1) of the Companies Act, the shareholders' meeting shall pass the resolution by a majority of $\frac{3}{4}$ of votes of the shareholders attending the meeting with respect to decisions concerning the transformation of the company. Unless otherwise required by the charter of the company the repeated meeting has a quorum notwithstanding to the number of shareholders present. A majority of $\frac{3}{4}$ of the votes of the shareholders attending the meeting is required to pass such a resolution in case of a repeated shareholders' meeting.
	c.) the winding up or voluntary liquidation of the company <i>[Please specify the quorum required at the second and third call.]</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Pursuant to Section 236 (1) of the Companies Act, the shareholders' meeting shall pass the resolution by a majority of $\frac{3}{4}$ of votes of the shareholders attending the meeting with respect to decisions concerning the termination of the company without legal succession. Unless otherwise required by the charter of the company the repeated meeting has a quorum notwithstanding to the number of shareholders present. A majority of $\frac{3}{4}$ of the votes of the shareholders attending the meeting is required to pass such a resolution in case of a repeated shareholders' meeting.
d.) a waiver of shareholders' tender rights in case of voluntary redemption <i>[Please specify the quorum required at the second and third call.]; and</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Section 193 of the Companies Act.	

No.	Checklist	Yes	No	Reference to the relevant law
	e.) any single transaction or series of transactions involving at least 25% of the company's assets? [Please specify the quorum required at the second and third call.]	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Pursuant to Section 236 (1) of the Companies Act, the shareholders' meeting shall pass the resolution by a majority of $\frac{3}{4}$ of votes of the shareholders attending the meeting with respect to certain, specified matters. This matter is not listed therein. However, the charter of the company may provide for further cases when a majority of $\frac{3}{4}$ of votes of the shareholders attending the meeting is required for passing a resolution.
58.	In the case of any proposed restriction(s) on, or any amendment of, the specific rights attached to any class of shares, does the law require:			
	a.) the 50 % + 1 presence quorum and	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Pursuant to Section 234 (1) of the Companies Act the shareholders' meeting has quorum if shareholders representing more than half of the votes embodied by shares with voting rights are present.
	b.) a super-majority vote of at least 75% of the company's issued and outstanding voting shares within each such class of shares which may be affected by the proposed restriction or amendment?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	In case of private companies limited by shares Section 237 of the Companies Act provides that resolutions of the shareholders' meeting that discriminate against the rights attached to a certain series of shares may only be passed if the shareholders of the affected series of shares give their consent according to the procedure set forth in the charter. However, this rules - according to Section 305 (2) of the Companies Act - may not be applied for public companies limited by shares. Pursuant to Section 236 (1) of the Companies Act, the shareholders' meeting shall pass the resolution by a majority of $\frac{3}{4}$ of votes of the shareholders attending the meeting with respect to decisions concerning the variation of the rights attached to the individual series of shares, and the transformation of categories or classes of shares. Nevertheless, we note that in this case the percentage of votes (75%) is to be calculated taking into account the shareholders attending the meeting and not all the issued and outstanding shares of the company.
59.	Is there a certain amount of time that must elapse between a first and second call?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Pursuant to Section 234 (2) of the Companies Act, a period of at least 3 days and 21 days at a maximum shall elapse between the failed shareholders' meeting and the repeated second call, unless the charter provides otherwise.
60.	In cases where the rules relating to the holding of shareholders' meetings have been violated, does the law provide for the right of shareholders to bring an action in order to set aside a shareholder's resolution? [If yes, please specify what is the percentage required for such action.]	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Pursuant to Section 45 (1) of the Companies Act, any shareholder may request a court review of resolutions passed by the organs of the company with reference to the fact that such resolution is contradictory with the Companies Act, other legal regulations or the charter. There is not specific percentage required for such action; any shareholder may apply for the court review.

II.C.1 Shareholders should be furnished with sufficient and timely information concerning the date, location and agenda of general meetings, as well as full and timely information regarding the issues to be decided at the meeting.

No.	Checklist	Yes	No	Reference to the relevant law
61.	a.) Does the law require that the company notify the shareholders of the agenda for a shareholders' meeting at least 20 calendar days in advance of the scheduled shareholders' meeting?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 303 of the Companies Act. The notice period is at least 30 days however, the notice period is only at least 15 calendar days in case the shareholders' meeting is convoked for the purpose of forming a shareholders' position on a public takeover bid or pursuant to the initiative of a person acquiring influence in the company by way of public takeover bid.
	b.) Does the law allow that the notification of the general meeting be published in a newspaper or official gazette, without the need for individual notification to each shareholder? <i>[If yes, please specify if it is required that the newspaper must have national distribution.]</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 303 of the Companies Act. It is not specifically required that the newspaper must have a national distribution.
62.	Does the law require a power of attorney proxy form to be sent out at the same time when the notice convening the meeting is sent out?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Section 298 (5) of the Companies Act. It is not required, but it is specifically permitted.
63.	In case of a proposed shareholders' meeting where any of the proposed resolutions require super-majority approval, does the law require that the company send a copy of the agenda, including any valuation reports and proposed resolutions and charter amendments to the shareholders?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Sections 303 and 304 (1) of the Companies Act. Separate notification of the shareholders is not required. However, the agenda, the proposed resolutions, the significant data of the annual financial report (and the report of the board of directors and the supervisory board thereon) and the summary of the proposals on the agenda must be published in accordance with the rules to be set forth in the charter of the company.

II.C.2. Opportunity should be provided for shareholders to ask questions to the board and to place items on the agenda at general meetings, subject to reasonable limitations.

No.	Checklist	Yes	No	Reference to the relevant law
64.	Does the law require the agenda for a shareholders' meeting to be adopted by the board of directors?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Sections 232(2) of the Companies Act.
65.	Does the law provide for additional items to be added to the agenda at the request of:			
	a.) the chairman of the board of directors;	<input type="checkbox"/>	<input checked="" type="checkbox"/>	There is no such provision.
	b.) any 2 directors; or	<input type="checkbox"/>	<input checked="" type="checkbox"/>	There is no such specific provision.

	c.) any one or more shareholders whose aggregate shareholding represents at least 10% of the company's issued and outstanding shares?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Sections 217 and 300 (1) of the Companies Act. Shareholders holding at least 1% of the votes have such right.
66.	a.) Does the law allow shareholders to submit questions in advance of a shareholders' meeting to which management and board members are required to reply at such shareholders' meeting?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 298(1) of the Companies Act. The board of directors may reject the reply only if the response would infringe the business secret of the company in the view of the board (but the shareholders' meeting may oblige the board of directors to provide the reply even in such cases).
	b.) Does the law impose any penalties for not replying to such a shareholder request?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Sections 74 (1)(d), 77 (1)(c) and 81 of the Companies Registration Act. The shareholder may request the conduct of a judicial supervisory procedure (by the court of registration). As part of such procedure, the court may (among others) impose a fine on the company or the members of the board of directors (in the range of HUF 100,000-10,000,000) or invalidate the concerned resolution or apply other measures specified in the law.
	c.) Does the law allow shareholders to ask questions at the shareholder meeting?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Sections 27 and 214 of the Companies Act.

II.D Capital structures and arrangements that enable certain shareholders to obtain a degree of control disproportionate to their equity ownership should be disclosed.

No.	Checklist	Yes	No	Reference to the relevant law
67.	a.) Does the law regulate cross-shareholdings ¹ ?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 287(2) of the Companies Act.
	b.) Is there a voting cap limiting the number of votes that a shareholder, who holds a cross-shareholding in another company, may exercise in dealings with that company (for example a voting cap of 10%)? [If so, please specify the voting cap.]	<input type="checkbox"/>	<input checked="" type="checkbox"/>	There is no such rule.
68.	a.) Are there rules that govern the disclosure by shareholders of ultimate beneficial ownership? If yes, please specify the thresholds for disclosure of ownership.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Sections 65/A and 67 of the Capital Markets Act. The threshold is 5% of the votes. With respect to disclosure requirements, direct and indirect shareholdings must be calculated together. Indirect shareholding is defined as equity interest or holding voting rights.
	b.) Do ownership disclosure rules enable shareholders to obtain a clear picture of a company's ultimate ownership and the identity of intermediaries?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Sections 65-67 of the Capital Markets Act. However, in practice, it may not be always easy to obtain a clear picture of the real ultimate owners.

¹ A cross-shareholding is where the company owns shares in another company which is also one of its own shareholders.

No.	Checklist	Yes	No	Reference to the relevant law
69.	Does the law impose restrictions on transactions involving shareholders with a conflict of interest regarding the transaction in order to avoid disadvantageous transaction terms for the company?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Sections 211 and 222 of the Companies Act.
70.	Are shareholders required to disclose shareholder agreements to the company, the authorities and/or to other shareholders?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	There is no such requirement.

II.E Changes of corporate control should be allowed to function in an efficient and transparent manner.

II.E.1. The rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers and sales of substantial portions of corporate assets, should be clearly articulated and disclosed so that investors understand their rights and recourse. Transactions should occur at transparent prices and under fair conditions that protect the rights of all shareholders according to their class.

No.	Checklist	Yes	No	Reference to the relevant law
71.	Does the law require notification to the company, the other shareholders, the securities commission, the stock exchange or anti-monopoly office if a shareholder builds up a significant shareholding in the company? <i>[Please briefly describe how the law define significant shareholding.]</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Sections 65-67 of the Capital Markets Act. Notification to the board of directors of the company and the Hungarian securities commission (PSZÁF) and publication is required. Significant shareholding is 5% of the votes, and then the obtaining of any further 5%, provided that after 50% specific thresholds trigger the notification. The shareholding is calculated with adding together direct and indirect holdings, holdings of persons acting in concert, holdings of close relatives etc. Call options, re-purchase rights, forward purchase rights regarding a voting share or rights to exercise votes on the basis of a use agreement also constitute a shareholding.
72.	Does the law impose any penalties for non-notification (e.g. a shareholder not being allowed to exercise the voting rights attached to the shares)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 67 (9) of the Capital Markets Act. The respective shareholder is not allowed to exercise the voting rights.
73.	Are shareholders of the same class treated equally during changes of control? Is there a provision that minorities receive the same price as the controlling owner?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Sections 69 (3), 71 (1), 72, 74 (4) of the Capital Markets Act and Section 176(2) of the Companies Act.
74.	Does the law include a provision allowing an offeror to require the holders of the remaining securities to sell their securities at a fair price (the so-called minority squeezed out)? If yes, please specify the shareholding threshold.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 76/D (1) of the Capital Markets Act. The shareholding threshold is 90% (applicable only following a public takeover bid).

No.	Checklist	Yes	No	Reference to the relevant law
75.	Does the law include a provision allowing the holders of remaining securities to require the offeror to buy their securities at a fair price (the so-called minority buy-out)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 76/D (6) of the Capital Markets Act. In case the offeror has obtained a shareholding of at least 90% by way of public takeover bid.

II.E.2. Anti-takeover devices should not be used to shield management from accountability.

No.	Checklist	Yes	No	Reference to the relevant law
76.	Does the law require an authorisation by a shareholders' resolution with a majority of 75% of the company's issued shares, before the board of directors is entitled to enter into any transaction other than for full and valid consideration as a measure to prevent a change of control in the company?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Such requirement has been cancelled as of 24 October 2007 (ex-Section 305 (1) of the Companies Act).

Principle III: The equitable treatment of shareholders

The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights.

III.A. All shareholders of the same class should be treated equally.

III.A.1 Within any class, all shareholders should have the same voting rights. All investors should be able to obtain information about the voting rights attached to all classes of shares before they purchase. Any changes in voting rights should be subject to shareholder vote.

No.	Checklist	Yes	No	Reference to the relevant law
77.	Does the law require that within any class of shareholders all shareholders have the same voting rights? If yes, does the law implement the principle “one share-one vote”?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Section 183 of the Companies Act. A share class may consist of different series of shares with different voting rights. However, within any series of shares, all shareholders must have the same voting rights. Shares with multiple voting rights may be issued and voting rights related to shares may be restricted or excluded (Sections 186 and 188 of the Companies Act).
78.	Does the law allow investors to have access to information about the voting rights attached to all classes of shares before they purchase? If yes, where is this information available?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 208 (2)(b) of the Companies Act and Sections 10 and 51 of the Companies Registration Act. The charter of the company must include such information, and the charter is available for everyone at the court of registration for inspection.

III.A.2 Minority shareholders should be protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly, and should have effective means of redress

No.	Checklist	Yes	No	Reference to the relevant law
79.	Does the law provide for specific sanctions and/or liabilities in case of:			
	a.) violation of the rules on notification of shareholder meetings	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Sections 74 (1)(d), 77 (1)(c) and 81 of the Companies Registration Act. The shareholder may request the conduct of a judicial supervisory procedure (by the court of registration). As part of such procedure, the court may (among others) impose a fine on the company or the members of the board of directors (in the range of HUF 100,000-10,000,000) or invalidate the concerned resolution or apply other measures specified in the law.
	b.) violation of rules allowing shareholders to place items on the agenda for the annual meeting	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	c.) delays or failure to pay dividends authorized by shareholder meetings	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
d.) failure to allow inspection of books and records	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 27 (2) of the Companies Act. Upon the shareholder's request, the court of registration may oblige the company to allow the inspection of books and records.	

III.A.3 Votes should be cast by custodians or nominees in a manner agreed upon with the beneficial owner of the shares

No.	Checklist	Yes	No	Reference to the relevant law
80.	Are financial institutions, holding shares in custody for investors, required by law to provide shareholders with information concerning their options in the use of their voting rights?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Sections 151-155 of the Capital Markets Act

III.A.4 Processes and procedures for general shareholder meetings should allow for equitable treatment of all shareholders. Company procedures should not make it unduly difficult or expensive to cast votes.

No.	Checklist	Yes	No	Reference to the relevant law
81.	Can the general meeting be held abroad or in a place other than the company headquarters?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Pursuant to Section 232 (5) of the Companies Act the general meeting must be held at the registered seat of the company unless otherwise provided by the charter or the board of directors.

III.B. Insider trading and abusive self-dealing should be prohibited.

No.	Checklist	Yes	No	Reference to the relevant law
82.	Does the law require company disclosure of information likely to affect stock exchange prices (in order to prevent insider dealing of shares), without undue delay?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 54 of the Capital Markets Act. Without delay but within 1 business day at the latest.
83.	Are there any laws in place which prevent or punish insider trading?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Sections 200-201/D of the Capital Markets Act.
84.	Are board members, senior managers or controlling shareholders required to disclose transactions involving their company's shares?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 201/B of the Capital Markets Act (except for senior managers).

III.C. Members of the board and managers should be required to disclose any material interests in transactions or matters affecting the corporation.

No.	Checklist	Yes	No	Reference to the relevant law
85.	Under the law, is a shareholder, director, officer or employee of the company who has conflicting interests in a deal between the company and another party, required to disclose such interests to the company?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	However, in relation to directors their general fiduciary duties may be interpreted as requiring disclosure in certain cases (Section 30 of the Companies Act). Another partially related rule is that under Section 25 of the Companies Act directors and their close relatives may not conclude any transactions falling within the scope of the main activities of the company on their own account, unless specifically permitted in the articles of association.
86.	Under the law, must the Board of Directors / Supervisory Board [<i>please specify</i>] ensure that the company pay a fair price for assets or services purchased from or sold to any shareholder, director, officer, employee, agent or representative or related entities of the company?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 211 of the Companies Act. The prior consent of the general meeting is required for any contract on the transfer of assets within two years from the company's registration between the company and one of its shareholders holding at least 10% of the voting rights (or its related parties), where the value of the compensation to be provided by the company amounts to 1/10 or more of its share capital. Section 30 of the Companies Act. Under the directors general fiduciary duties, the board of directors should generally ensure with respect to all agreements that the price is at least fair for the company.
87.	Can directors, officers or shareholders of a company who have conflicts of interests with the company, be legally prevented from voting at the meetings where those interest-related issues are discussed?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Pursuant to Section 20 (5) of the Companies Act such shareholders may not vote. The constitutive documents of the company may include further prohibitions (e.g. with respect to the directors regarding board decisions).

No.	Checklist	Yes	No	Reference to the relevant law
88.	a.) Does the law allow the company to give people including the company's directors, officers and employees the right to buy shares?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 191 of the Companies Act specifically allows the issuance of employees shares to employees (and officers). Other stock option schemes may also be available (e.g. sale of treasury shares to directors, officers – Sections 223-230 of the Companies Act).
	b.) Are there any restrictions imposed on such acts?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 191 of the Companies Act. The nominal value of employee shares may not to exceed 15% of the total share capital.
89.	Does the law require that all related party transactions be:			
	a.) specifically approved by the board (supervisory/management please specify)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	There is no such requirement.
	b.) disclosed to shareholders?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	However, as set out above, certain related party transactions require shareholders approval (Section 25 and 211 of the Companies Act).
	c.) registered in the company financial statement?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Sections 29, 30 etc. of the Accounting Act.
90.	Does the law require disclosure of loans made by the company to related parties (e.g. parent companies, subsidiaries, directors, employees, their spouses, children or relatives of the company or related companies)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	There is no such provision.
91.	Under the law, can transactions made by companies, which are not based on fair market values, be invalidated and action be taken against the relevant parties?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 201 of the Civil Code.

Principle IV: The role of stakeholders in corporate governance

The corporate governance framework should recognise the rights of the stakeholders as established by law and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.

IV.A. The corporate governance framework should assure that the rights of stakeholders (i.e. employees, suppliers, creditors) protected by law are respected.

No.	Checklist	Yes	No	Reference to the relevant law
92.	Does the law contain clear provisions on:			
	a.) safety at work for employees?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Labour Code, Act XCIII of 1993 on protection of labour, other labour laws.
	b.) protection of suppliers as stakeholders?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Civil Code, Companies Act, Bankruptcy Act.
	c.) protection of creditors as stakeholders?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Civil Code, Companies Act, Bankruptcy Act.
	d.) environmental protection (e.g., implementation of the “polluter must pay” principle)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Act LIII of 1995 on the general rules regarding the protection of environment.

IV.B. Where stakeholder interests are protected by law, stakeholders should have the opportunity to obtain effective redress for violation of their rights.

No.	Checklist	Yes	No	Reference to the relevant law
93.	Does the law incorporate effective and easily workable remedies for violations of:			
	a.) employees rights?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Labour Code, Act XCIII of 1993 on protection of labour and other labour laws.
	b.) suppliers rights?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Civil Code, Companies Act, Bankruptcy Act.
	c.) creditors rights?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Civil Code, Companies Act, Bankruptcy Act.
	d.) environmental regulations?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Act LIII of 1995 on the general rules regarding the protection of environment.

IV.C. The corporate governance framework should permit performance-enhancing mechanisms for stakeholder participation.

No.	Checklist	Yes	No	Reference to the relevant law
94.	Does the law require employee representation on boards (supervisory/management- please specify)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Sections 38-39 of the Companies Act. At least one third of the supervisory board members shall be employee delegates in case the number of the company's employees exceeds 200 on an annual basis. In case the company has a one-tier management system, the board of directors and the works' council shall agree on the rights of the employees regarding the supervision of the management.
95.	Does the law permit employee stock ownership plans or other profit sharing mechanisms?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 191 of the Companies Act permits the issuance of employee shares.
96.	Does the law permit creditor involvement during insolvency proceedings?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	For instance, Sections 39, 41-45 of the Bankruptcy Act.

IV.D. Where stakeholders participate in the corporate governance process, they should have access to relevant, sufficient and reliable information on a timely and regular basis.

No.	Checklist	Yes	No	Reference to the relevant law
97.	Do stakeholders have special access to corporate information?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Generally, like all members of the public, they have access to such corporate information which must be filed with the court of registration (Section 10 of the Companies Registration Act). Specifically, the employees have special access to corporate information through the works' council and/or the employee delegate member of the supervisory board (Section 68 of the Labour Code, Sections 38 (4) and 39 (3) of the Companies Act). Creditors have special access to corporate information in case of a liquidation or bankruptcy procedure (e.g. Sections 39 (3), 40 (5), 46 (2) of the Bankruptcy Act).

IV.E. Stakeholders, including individual employees and their representative bodies, should be able to freely communicate their concerns about illegal or unethical practices to the board and their rights should not be compromised for doing this.

No.	Checklist	Yes	No	Reference to the relevant law
98.	Are there any provisions protecting "whistleblowers" (employees and other stakeholders that file complaints/voice concerns regarding unethical or illegal practices by corporate officers)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	There is no specific provision for the special protection of such persons.

Principle V: Disclosure and Transparency

The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.

Timely and accurate disclosure allows all potential investors and market participants to review publicly available information based on which investment decisions are made.

V.A. Disclosure should include but not be limited to, material information on:

V.A.1 The financial and operating results of the company.

No.	Checklist	Yes	No	Reference to the relevant law
99.	Does the law require all joint stock companies to prepare annual audited financial statements?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 4 and 155 of the Accounting Act. Section 18.2.2. of the BSE Code of Trading.
100.	Does the law require all joint stock companies to prepare quarterly financial reports?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	It is not required by law in general but Section 18.2.1.4 of BSE Code of Trading requires from companies whose shares are listed in "A" category on the Budapest Stock Exchange.
101.	Does the law require joint stock companies to prepare group accounts on consolidated basis?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 10 of the Accounting Act.
102.	Do laws or regulations to include in their annual reports to shareholders that:			
	a.) The financial statements are their (board's) responsibility.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Section 244 (3) of the Companies Act. The accurateness of the financial books is the duty of the Board of Directors, but this duty does not need to be expressly stated in the financial statements.
	b.) The auditor is responsible for reporting on the financial statements.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 156 (6) of the Accounting Act.
	c.) The financial statements fairly present the state of company affairs.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 4 (2) of the Accounting Act and BSE Code of Trading, Section (18.2.2.2.c)

V.A.2 *Members of the board and key executives, and their remuneration.*

No.	Checklist	Yes	No	Reference to the relevant law
103.	Is the company required by law to disclose board positions in other companies of individual board members and key executives?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	No such obligation is stated in the law, but regarding Hungarian companies such information is available from the company registry.
104.	Does the law require the company to disclose the compensation of board members and key executives? [Please specify if the disclosure is on individual or aggregate basis.]	<input type="checkbox"/>	<input checked="" type="checkbox"/>	No such specific disclosure obligation is stated in the law however, the shareholders' resolution on the remuneration of the members of the board of directors are available to the public at the court of registration for inspection.
105.	Under the law, do shareholders determine the remuneration of the board?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 231 (2) d) of the Companies Act.

V.A.3 *Material foreseeable risk factors*

No.	Checklist	Yes	No	Reference to the relevant law
106.	Is the company required by law to disclose to users of financial information and market participants information on reasonably foreseeable material risk such as the following:			Not specifically stated in the law, but any circumstances that directly or indirectly affect the value or the yield of a security have to be published according to Section 54 of the Capital Markets Act. Section 19 of the BSE Code of Trading.
	a.) risks specific to the industry or geographic area;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	b.) dependence on commodities;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	c.) financial market risk, including interest rate or currency risk;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	d.) risk related to derivatives and off-shore;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
e.) environmental liabilities?	<input checked="" type="checkbox"/>	<input type="checkbox"/>		

V.A.4 *Material issues regarding employees and other stakeholders.*

No.	Checklist	Yes	No	Reference to the relevant law
107.	Does the law require the company to disclose key issues relevant to employees and stakeholders that may materially affect the performance of the company (such as management/employee relations and relations with creditors)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 54 of the Capital Markets Act. Section 19 of the BSE Code of Trading.

No.	Checklist	Yes	No	Reference to the relevant law
	suppliers and local communities)?			

V.A.5. Governance structures and policies.

No.	Checklist	Yes	No	Reference to the relevant law
108.	Does the law require the company to appoint a responsible body/officer in charge of corporate governance issues (e.g., company secretary)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	No such obligation is stated in the law.
109.	Does the law require the company to disclose (e.g. in its annual report or a similar document) its corporate governance structures and policies, (for example, by providing information on the division of authority between shareholders, management and board members)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 312 of the Companies Act, but only companies listed on the Budapest Stock Exchange. The report on corporate governance shall be approved by the supervisory board and the shareholders' meeting.

V.B. Information should be prepared, audited, and disclosed in accordance with high quality standards of accounting, financial and non-financial disclosure, and audit.

No.	Checklist	Yes	No	Reference to the relevant law
110.	Does the law require the company to prepare and disclose financial and operating data in accordance with internationally recognised accounting standards?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	All companies need to apply the Hungarian Accounting Standards, but pursuant to Section 18.2.2. of the BSE Code of Trading companies listed on the Budapest Stock Exchange shall publish their annual report also according to IFRS or US GAAP.

V.C. An annual audit should be conducted by an independent auditor in order to provide an external and objective assurance on the way in which financial statements have been prepared and presented.

No.	Checklist	Yes	No	Reference to the relevant law
111.	Does the law require financial results to be annually audited by an independent auditor? Is the independence of the external auditor defined?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 155 of the Accounting Act and Section 53 of the Auditor Act.

No.	Checklist	Yes	No	Reference to the relevant law
112.	Does the law provide a test to ensure that the auditor is truly independent from the influence of management?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 41 (5) of the Companies Act and Section 53 of the Auditor Act.

V.D. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users.

No.	Checklist	Yes	No	Reference to the relevant law
113.	How often is the company required by law to disseminate information to shareholders?			
	a.) annually?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Sections 52-55 of the Capital Markets Act. Yearly and every 6 months for general information. With regard to extraordinary information within 1 working day.
	b.) quarterly?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	There is no general obligation but pursuant to Section 18.2.1.4 of the BSE Code of Trading for companies whose shares are listed in "A" category on the Budapest Stock Exchange must do it quarterly.
	c.) monthly?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	No such obligation is included in the law.
	d.) upon certain events (e.g. before the general meeting)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	See above.
114.	How often is the company required by law to disseminate information to the securities commission and the stock exchange?			
	a.) annually?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Sections 52-55 of the Capital Markets Act. Yearly and every 6 months for general information. With regard to extraordinary information within 1 working day.
	b.) quarterly??	<input type="checkbox"/>	<input checked="" type="checkbox"/>	There is no general obligation to that extent but pursuant to Section 18.2.1.4 of the BSE Code of Trading for companies whose shares are listed in "A" category on the Budapest Stock Exchange must do it quarterly..
	c.) monthly?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	No such obligation is stated in the law.
	d.) upon certain events (e.g. before the general meeting)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	See above.
115.	Does the law require the company to make publicly available <i>[Please describe how the law requires these documents to be made available/disclosed]</i>			
	a.) minutes of the shareholders meetings;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Pursuant to Section 238 (3) of the Companies Act it must be filed with the Court of Registration.
	b.) audited financial statements of the company, as approved by the shareholders' meeting;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Pursuant to Sections 18-19 of the Companies Registration Act and Sections 153-154 of the Accounting Act it must be filed with the Court of Registration and with the Ministry of Justice.

No.	Checklist	Yes	No	Reference to the relevant law
	c.) any amendments to the company charter or other constitutional documents of similar nature (e.g., articles of association);	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Pursuant to the Companies Registration Act it must be filed with the Court of Registration.
	d.) the names of any resigning or removed directors and of newly elected directors;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	e.) the name of the statutory auditor;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	f.) information on bankruptcy proceedings?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
116.	Does the law require that the following documentation be made available for shareholder inspection at the offices of the company:			
	a.) the company's charter or other constitutional documents of similar nature including all amendments;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 27 (2) of the Companies Act.
	b.) financial statements and statutory auditor reports;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	See the relevant Section of the Companies Act above.
	c.) any report of an independent evaluation expert prepared in connection with a shareholders' meeting;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	See the relevant Section of the Companies Act above.
	d.) minutes of each shareholder meeting and of each board meeting and any sub-committee;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	See the relevant Section of the Companies Act above.
	e.) a list of shareholders owning 1% or more of the company's issued shares;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	See the relevant Section of the Companies Act above.
	f.) a list of shareholders who have not fully paid for their shares and the amounts due?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	See the relevant Section of the Companies Act above.
117.	Is the company required by law to provide an annual report and/or monthly/quarterly reports to third parties upon request?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	No such obligation is included in the law however these documents are publicly available otherwise.

Principle VI: The Responsibilities of the Board

The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders.

VIA Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and the shareholders.

No.	Checklist	Yes	No	Reference to the relevant law
118.	Does the law require the management/supervisory board [<i>please specify</i>] to act in the best interest of the company and its shareholders?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Sections 30 and 35 of the Companies Act, but when the company is threatened with insolvency, members of the board of directors shall perform their duties in the interests of the creditors.
119.	Does the law provide for shareholders to bring actions on behalf of the company against the board? (i.e., derivative suit) [<i>If yes, please specify the shareholding necessary to start such action.</i>]	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 49 (5) of the Companies Act, if the shareholders' meeting of company does not validate a claim against the members of the board of directors, or the members of the supervisory board, or the auditor, shareholders holding at least 5% of the votes may file a suit against them on behalf of the company.
120.	a.) In discharging their duties, are board members personally liable for breaches of the law while they are in office?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 30 of the Companies Act, but they are liable only directly to the company and for any damage that have been caused by them to a third party shall be borne by the company.
	b.) Are executives who sign the annual report and prospectus personally liable for the accuracy of information included therein?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Pursuant to Section 244 (3) of the Companies Act the accurateness of the financial books is the duty of the board of directors. The members of the board of directors who sign the annual report do not have any additional liability because of the fact of the signing. Pursuant to Sections 30 (2), (4) and 36 (4) of the Companies Act both the members of the board of directors and that of the supervisory board have joint and several and unlimited liability towards the company.

VI.B. The board should fulfil certain key functions, including:

VI.B.1. Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestitures.

No.	Checklist	Yes	No	Reference to the relevant law
121.	Under the law, do the responsibilities of the board [in case of a two tier system, please specify if it is the responsibility of the management or supervisory board]include:			
	a.) reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Such duties are not specifically stated in the law, but the board of directors is responsible for the general operation and management of the company, reporting on the financial position and business policy of the company (Section 244 of the Companies Act). Amongst others the Board of Directors is responsible for the activities listed herein. The supervisory board's duties are: supervising the activity of the board of directors, preparing a report on the financial statements (Sections 33 and 35 of the Companies Act).
	b.) setting performance objectives;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	c.) monitoring implementation and corporate performance; and	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
d.) overseeing major capital expenditures, acquisitions and divestitures?	<input checked="" type="checkbox"/>	<input type="checkbox"/>		

VI.B.2. Selecting, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning.

No.	Checklist	Yes	No	Reference to the relevant law
122.	Under the law, do the responsibilities of the board [in case of a two tier system, please specify if it is the responsibility of the management or supervisory board]include:			
	a.) selecting, compensating, monitoring key executives	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Pursuant to Section 28 of the Companies Act the board of directors (or one of its members under delegation) exercises the employer's rights over employees of the company.
	b.) replacing key executives, and	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
c.) overseeing succession planning?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Pursuant to Section 231 (d) of the Companies Act the shareholders' meeting exercises the employer's rights over the members of the board of directors.	

VI.B.3. *Reviewing key executive and board remuneration, and ensuring a formal and transparent board nomination process.*

No.	Checklist	Yes	No	Reference to the relevant law
123.	Under the law, do the responsibilities of the board [<i>in case of a two tier system, please specify if it is the responsibility of the management or supervisory board</i>] include:			
	a.) reviewing key executive and board remuneration, and	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Pursuant to Section 28 of the Companies Act the board of directors (or one of its members under delegation) exercises the employer's rights over employees of the company. Pursuant to Section 231 (d) of the Companies Act the shareholders' meeting exercises the employer's rights over the members of the board of directors.
	b.) ensuring a formal and transparent nomination process for board members?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

VI.B.4. *Monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.*

No.	Checklist	Yes	No	Reference to the relevant law
124.	Under the law, do the responsibilities of the board (<i>in the case of a two tier system, please specify if it is the responsibility of the management or supervisory board</i>) include functions such as monitoring and managing potential conflicts of interest involving management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Under the general provisions of the Companies Act this falls within the duties of both the board of directors and the supervisory board.

VI.B.5. *Ensuring the integrity of the corporation's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for monitoring risk, financial control, and compliance with the law.*

No.	Checklist	Yes	No	Reference to the relevant law
125.	Under the law, do the responsibilities of the board [<i>in case of a two tier system, please specify if it is the responsibility of the management or supervisory board</i>] include:			
	a.) ensuring the integrity of the corporation's accounting and financial reporting systems, including the independent audit, and	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Pursuant to Section 244 (3) of the Companies Act the accurateness of the financial books is the duty of the board of directors. The supervisory board supervises the activities of the board of directors in general which also includes therefore the supervision of this specific activity of the board of directors.
	b.) ensuring that appropriate systems of control are in place, in particular, systems for monitoring risk, financial control, and compliance with the law?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

VI.B.6. Monitoring the effectiveness of the governance practices under which it operates and making changes as needed.

No.	Checklist	Yes	No	Reference to the relevant law
126.	Does the law require that the responsibilities of the board include functions such as monitoring the effectiveness of the governance practices under which it operates and making changes as needed?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	General provisions of the Companies Act apply, but such duties are not specifically stated in the law.

VI.B.7. Overseeing the process of disclosure and communications.

No.	Checklist	Yes	No	Reference to the relevant law
127.	Does the law require that the responsibilities of the board include functions such as overseeing the process of disclosure and communications?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The Board of Directors is responsible for such activities, however, such duties are not specifically stated in the law. Hence, general provisions of the Companies Act apply.
128.	Does the law require the board to review the annual report prior to submission to the shareholders' meeting for final approval?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 244 (1) of the Companies Act.
129.	Does the law require the board to make recommendations regarding issues to be voted on at the shareholders' meetings?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	No specific duty stated in the law, but the board of directors prepares and makes the proposals for the resolutions to the shareholders' meeting, which in practice are deemed to be recommendations. In certain cases the board of directors has to make a proposal, e.g. in case of a buyout offer from a third part (Section 73/A (4) of the Capital Markets Act).

VI.C. The board should be able to exercise objective judgement on corporate affairs independent, in particular, from management.

VI.C.1. Boards should consider assigning a sufficient number of non-executive board members capable of exercising independent judgement to tasks where there is a potential for conflict of interest. Examples of such key responsibilities are financial reporting, nomination of executive, board and auditors' remuneration.

No.	Checklist	Yes	No	Reference to the relevant law
130.	Does the law require that the board include a sufficient number of non-executive and independent directors?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Pursuant to Section 309 (2) of the Companies Act more than half of the members of the board of directors shall be independent if a one-tier system is in place (council of directors). If there is two tier system is operated the same requirements are applicable to the members of the supervisory board.

No.	Checklist	Yes	No	Reference to the relevant law
131.	Does the law determine board independence? <i>[If yes, please include the definition.]</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Pursuant to Section 309 (3) of the Companies Act, amongst others, non independent is an employee, a shareholder holding at least 30% of the voting rights, a member of the board of directors holding share options.
132.	Does the law require the board (<i>management/supervisory – please specify</i>) to have separate committees for dealing with:			
	a.) Auditing and financial reporting?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Audit committee must be established pursuant to Section 311 of the Companies Act.
	b.) Executive and board remuneration?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	No such committee is required by the law.
	c.) Board nominations?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
d.) Corporate governance (i.e., to oversee compliance with company governance standards)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
133.	Are the board committees required to have a minimum number of non-executive board members or independent board members?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Pursuant to Section 311 of the Companies Act the audit committee shall have at least 3 members and all members shall be elected from the independent members of the council of directors (in case of a one tier system) or supervisory board (in case of a two tier system).

VI.C.2. Board members should devote sufficient time to their responsibilities.

No.	Checklist	Yes	No	Reference to the relevant law
134.	Are there limitations imposed by law as to the number of board directorships that a director can hold? <i>[Please specify.]</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Pursuant to Section 24 (3) Companies Act a director can be an executive officer in any number of companies, but have to report any new position to the companies where such executive officer already holds a position. The limitation of 3 positions was lifted in 2006.

This Assessment does not constitute legal advice. Readers are advised to seek appropriate legal advice before entering into any transaction, making any determination or taking any action related to matters discussed herein.

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