

## Corporate Governance Report and Statement

The Appenninn Asset Management Holding Public Limited Company (Company address: 1022, Budapest, Bég u. 3-5., hereinafter referred to as “the Company”) publishes the following comprehensive report and statement in regards to Corporate Governance:

With this report and statement the Company ensures a sound and transparent business operation in dealings with the Company’s owners, investors and all other market players.

The Company extends the principles of Corporate Governance to all Company affiliates, hereinafter all references to the Company shall include the Company’s affiliates as well.

### **A BRIEF PRESENTATION OF THE OPERATION OF THE BOARD OF DIRECTORS, AND A DESCRIPTION OF THE DIVISION OF RESPONSIBILITY AND DUTIES BETWEEN THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT**

The Managing Body of the Company – instead of the Executive Board and the Supervisory Board – is the executive management body of the Company is the Board of Directors, which comprises of 5 members, who are natural persons. The Board of Directors shall elect a Chairman from its members with a simple majority vote.

The Board of Directors shall convene as requested, but at least three times a year. The time elapsed between the Board of Directors’ meetings cannot exceed three months.

The Board of Directors’ meeting shall be convened by the Chairman of the Board of Directors. In case of the Chairman’s impediment, two members of the Board together can convene a meeting.

Any member of the Board of Directors can request a meeting in writing, indicating the reason and the purpose thereof. In such instances, the Chairman shall convene a meeting of the Board of Directors within 15 days following the receipt of such written request. If the Chairman fails to convene such a meeting within 5 days of the receipt of such request, any member of the Board can directly convene a meeting.

The Board of Directors’ meeting can be held without an official invitation if all Board of Directors’ members are present.

The Board of Directors has a quorum if it was convened officially, and at least 3 of its members are present.

The resolutions of the Board of Directors are made with a simple majority; in the event of a tie the Chairman shall have the casting vote.

The Board of Directors – if the importance and the urgency of the matter require an urgent decision – can make a resolution outside its regular meeting. In this case the Board of Directors has a quorum with all members present.



The extraordinary resolution can be applied if at least two Board of Directors' members support it.

The Board of Directors' members can cast their votes in writing, on a signed fax message, or on a document signed, scanned and attached in an email message or a signed original document sent as a registered mail (yes, no votes of abstention).

The 'Yes' votes must clearly indicate reference to the decision alternative listed in the resolution proposal. Board of Directors' members can vote on proposals in a text format that are listed on the resolution proposal. In case the vote includes a condition or a proposal different from the aforementioned text, it qualifies as a 'No' vote.

The Board of Directors' members shall certify their vote with a signature identical to their specimen signature or to their signature sample countersigned by an attorney.

In case not one recommended resolution gets the necessary support, the issue is added to the agenda at the Board of Directors' next meeting.

In case of extraordinary resolutions, members of the Board of Directors shall be notified in writing by the Chairman of the Board within 3 working days after the expiry of the voting date; along with the minutes on the voting and the resolution made.

The Board of Directors' rules of procedure include the tasks that fall within the scope of the Board of Directors.

The labour organisation of the Company is directed by the Board of Directors. Employer's rights over the Company's employees are exercised by the Board of Directors.

## **THE PRESENTATION OF VIEWPOINTS CONSIDERED WHEN EVALUATING THE WORK OF THE BOARD OF DIRECTORS, THE AUDIT COMMITTEE, AS WELL AS OF THE DIFFERENT MEMBERS**

**The following activities are within the sole scope of authority of the Board of Directors:**

- (a) set Company's business policy and principles;
- (b) convene the General Meeting, except for cases defined in the Company Act;
- (c) prepare and submit to the General Meeting the management report pursuant to the Accounting Act, and the proposal for the utilisation of after-tax earnings;
- (d) approval of the Company's organisational and operational rules (bylaws);
- (e) draw up its own rules of procedure and bylaws;
- (f) to prepare a report on the management, the financial situation, the Company equity and the business policy at least once a year for the General Meeting and once in three months for the Audit Committee;
- (g) ensure a proper keeping of Company's business books;
- (h) exercise employers' rights over employees according to the rules of procedures of the Board of Directors;

- (i) submit the minutes or an excerpt of the minutes of the General Meeting to the Court of Registration, along with a copy of the relevant attendance list, together with any modification of data registered in the company registry or in these Articles;
- (j) control the Company's operation and business conduct, decision on Company's business and development concepts and strategic plans, approval of the yearly business plans and as part of it, the yearly loan limit.
- (k) publish and deposit the balance sheet of the Company pursuant to the regulations in place;
- (l) perform all tasks in Company's affiliates, the authorisation to participate in referred companies' official meetings included;
- (m) acceptance of interim balance sheet that serves as a basis to payment of dividends;
- (n) decision on the disposal of Company's own assets acquired in any way with authorisation from the General Meeting;
- (o) decision on the increase of the share capital, unless otherwise provided by the Company Act;
- (p) decision on any matters which do not fall within the exclusive competence of the General Meeting.

**The scope of the Audit Committee is as follows:**

- (a) comment on the annual financial report pursuant to Accounting Act and monitor the audit;
- (b) put forward recommendations for the auditor as well as the remuneration thereof;
- (c) perform preparatory work for the conclusion of the contract with the auditor;
- (d) tasks related to co-operation with the audit company, monitoring the auditor's and the auditing company's independence and compliance with professional requirements and conflict of interest regulations, including any services provided by the auditor or by the auditing company in addition to the auditing of the annual report; and put forward recommendations for measures to be taken by the Board of Directors;
- (e) evaluation of the operation of the financial reporting system and recommendation for necessary measures to be taken;
- (f) help the work of the Board of Directors in order to adequately evaluate the financial reporting system;
- (g) monitor the efficiency of the internal audit and risk management systems.

**Evaluation of the managing executives and employees**

Company operates a Share Allotment Programme, which ensures that based on objective and subjective evaluation aspects all the company executives and employees are motivated in their work. The basis of the objective evaluation is one of the indicators below that are calculated based on figures compared with the base period.

The indicators are either

- the operating profit without the foreign exchange liability revaluation or
- the average operational costs (HUF/m<sup>2</sup>/month).

The target figures for these indicators are the following:

- in case of the operating profit without the foreign exchange liability revaluation a 10 percent increase compared with the base period; or
- in case of the average operational costs (HUF/m<sup>2</sup>/month) a 5 percent decrease compared with the base period.

The base period for the objective evaluation is the year prior to the evaluated year.

The value of the base period indicators are established in line with the Company's annual report prepared in line with the International Financial Reporting Standards (IFRS), and the figure for the examined period is established based on the Company's flash report prepared in line with the International Financial Reporting Standards (IFRS), published until the last day of February following the year in question.

In case the Company does not prepare a flash report for the examined period, the objective weight must be calculated using figures from the Q3 report, with the use of the following formula:  $(Q3 \text{ data}/3) \times 4$ .

If the figure set as the objective target is met, the objective weight factor used during the objective evaluation process has a multiplicative value of 1, if it is not met this value equals to 0.

The subjective performance – not to be applied in case of the Board of Directors – is evaluated for each quarter by the end of the month following the quarter in question using the Performance Assessment template in Appendix 1. of the Company's Share Allotment Programme. The subjective quarterly assessment is defined based on the average of the ratings submitted by the entitled person, the employee's superior and the Company body authorised with the evaluation. The value of the subjective evaluation is between 0-100%, and the value of the bonus changes according to the subjective performance assessment results.

The volume of the share allotment is determined based on the average results of the quarterly assessment.

## **THE INTRODUCTION OF THE MEMBERS OF THE BOARD OF DIRECTORS, THE SUPERVISORY BOARD AND THE EXECUTIVE MANAGEMENT, A DESCRIPTION OF THE STRUCTURE OF COMMITTEES**

The Company is a Public Limited Company that operates under a unified management system pursuant to Article 21.4. of Act IV of 2006 on Business Associations. Consequently, the Company does not have a Supervisory Board, but the Board of Directors fulfils the Company's management and supervisory tasks at the same time.

### **Members of the Board of Directors (as of 31.12.2016):**

Gábor Székely (independent)

(Mother's maiden name: Eszter Katalin Szalai, address: 2750 Nagykőrös, Filó L. u. 20.)

Start of mandate: 12 March 2010

End of mandate: indefinite

Lőrinc Éder (independent)

(Mother's maiden name: Judit Nagy, address: 1137 Budapest, Pozsonyi út 32. 2. emelet 2/a.)

Start of mandate: 12 March 2010

End of mandate: indefinite

Zoltán Prutkay

(Mother's maiden name: Judit Herczeg, address: 1101 Budapest, Albertirsai út 6.)

Start of mandate: 30 April 2015

End of mandate: indefinite



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György Ádámosi Jr.

(Mother's maiden name: Farnciska Eszes, address: 9050 Appenzell, Salde 8., Switzerland)

Start of mandate: 17 January 2014

End of mandate: indefinite

Balázs Szabó (independent)

(Mother's maiden name: Éva Karancsy, address: 1025 Budapest, Karszt u. 5.)

Start of mandate: 10 April 2012

End of mandate: indefinite

Attila Gábor Kovács (independent)

(Mother's maiden name: Magdolna Kostyalik, address: 1026 Budapest, Bimbó út 130.)

tagság kezdete: 15 April 2016

tagság vége: indefinite

## **Audit Committee (as of 31.12.2016)**

The Audit Committee shall consist of three members, and these members are elected by the General Meeting.

### Members of the Audit Committee

Lőrinc Éder

Gábor Székely

Balázs Szabó

Following their election members of the Audit Committee receive full information on the Company's finances, accounting and operational features.

Members of the Audit Committee shall have the expertise as well as relevant and up-to-date experience regarding finances and accounting. In order to be able to execute its tasks the Audit Committee receives exact and detailed information on the work schedule of the Auditor; and the Audit Committee receives the reports regarding issues that occurred during the audit.

## **Other committees**

The Company does not operate a Nomination or a Remuneration Committee. The relevant functions are fulfilled by members of the Board of Directors without forming an official committee.

The Company did not create a separate labour organisation or Internal Audit function for reasons of cost efficiency.

## **THE NUMBER OF MEETINGS HELD IN THE RELEVANT PERIOD BY THE BOARD OF DIRECTORS AND THE AUDIT COMMITTEE, INCLUDING THE NUMBER OF MEMBERS ATTENDING**

The Board of Directors convened seven times in the period in question (between 1 January 2016 and 31 December 2016) with the following participation rates:

- 10 March 2016 (participation rate: 100%) the most important topics discussed:
  - Decision about the publication date of flash report 2015 QIV.**
  - Approval of the annual sessions program of the Board of Directors and Audit Committee**
  
- 24 March 2016 (participation rate: 100%)
  - Preparation of the Annual General Meeting**
  - Decision about treasury share transactions**
  
- 14 April 2016 (participation rate: 100%) the most important topics discussed:
  - 1. Annual report**
  - 2. Adoption of statements related to the report**
    - Report of the Board of Directors
    - Report of the Audit committee
    - Auditor's report
    - Adoption of the corporate governance report and statement
  - 3. Proposal for a new auditor the person and remuneration**
  - 4. Preparation of the Annual General Meeting**
  
- 20 May 2016 (participation rate: 100%) the most important topics discussed:
  - Decision about the capital raise**
  - Decision about Investor Relations**
  
- 25 May 2016 (participation rate: 100%) the most important topics discussed:
  - Decision about the interim report QI2016**
  
- 23 August 2016 (participation rate: 100%) the most important topics discussed:
  - Decision about the interim report QII2016**
  - Deciding on the sale of subsidiary**
  - Decision about subsidiary's refinancing**
  - Decision about treasury share transactions**
  
- 23 November 2016 (participation rate: 100%) the most important topics discussed:
  - Decision about the interimreport QIII 2016**
  - Deciding on the sale of subsidiary**
  - Decision about treasury share transactions**

The Audit Committee convened six times in the period in question (between 1 January 2016 and 31 December 2016).

- 10 March 2016 (participation rate: 100%) the most important topics discussed:
  - Decision about the publication date of flash report 2015 QIV.**
  - Approval of the annual sessions program of the Board of Directors and Audit Committee**
  
- 24 March 2016 (participation rate: 100%)
  - Preparation of the Annual General Meeting**
  - Decision about treasury share transactions**
  
- 14 April 2016 (participation rate: 100%) the most important topics discussed:
  - 1. Annual report**
  - 2. Adoption of statements related to the report**
    - **Report of the Board of Directors**
    - **Report of the Audit committee**
    - **Auditor's report**
    - **Adoption of the corporate governance report and statement**
  - 3. Proposal for a new auditor the person and remuneration**
  - 4. Preparation of the Annual General Meeting**
  
- 25 May 2016 (participation rate: 100%) the most important topics discussed:
  - Decision about the interim report QI2016**
  
- 23 August 2016 (participation rate: 100%) the most important topics discussed:
  - Decision about the interim report QII2016**
  - Deciding on the sale of subsidiary**
  - Decision about subsidiary's refinancing**
  - Decision about treasury share transactions**
  
- 23 November 2016 (participation rate: 100%) the most important topics discussed:
  - Decision about the interimreport QIII 2016**
  - Deciding on the sale of subsidiary**
  - Decision about treasury share transactions**

## **THE PRESENTATION OF THE SYSTEM OF INTERNAL CONTROLS AND THE EVALUATION OF THE ACTIVITY IN THE RELEVANT PERIOD**

### **Division of scope of competence**

The scope of competence of the General Meeting, the Board of Directors and the Audit Committee are set out in the Company's Articles of Association, and the rules of procedure of the Board of Directors and the Audit Committee pursuant to effective legislation.

The sphere of employees' competence is set out in their job description. The Board of Directors is entitled to unilaterally modify the job description, but this cannot mean a change in the type of job.

### **Order of command**

The Board of Directors issues orders in the framework of its management role.

The orders issued affect Company's activities, operation, organisation, and all or most employees. This includes orders regarding business, finances and accounting, IT, statistics or data provision measures as well.

### **Appointment and new hires**

Employers' rights are exercised over Company's employees by the Board of Directors, and above the Board of Directors they are exercised by the General Meeting.

### **Company representation**

The Company's official representation is as follows: the person entitled for Company representation signs the documents in question under or above the Company's name with a signature identical to their specimen signature or to their signature sample countersigned by an attorney.

## **AUDITOR**

The task of the Auditor elected by the main body of the Company is to perform the audit as stipulated in the Accounting Act and verify the authenticity, reliability and legal compliance of the Company's annual financial report and the Company's financial situation and operating results.

The Auditor may examine the books and documents of the Company, request information from leading Company officials and employees of the Company, and may review the bank accounts, client account, book-keeping and contracts of the Company.

The Auditor of the Company is elected by the General Meeting for a maximum duration of 5 years. The Auditor appointed by the Company in 2016 engaged only in auditing activity.



## **A DETAILED PRESENTATION OF THE COMPANY'S DISCLOSURE POLICY, AND ITS POLICY ON TRADING BY INSIDERS**

### **Rules about Company's contact information provided to investors**

Unless otherwise stipulated in the Articles of Association, the Board of Directors and the person authorised by it is entitled to make statements on behalf of the Company and inform the investors.

Members of the Board of Directors and the person authorised by it can be contact during business hours on phone, through fax or by email.

Information on the different Company bodies, the members and the rules of procedure thereof are available on the Company's website.

The detailed contact information of the Company (postal address, phone and fax number, email address) is listed on the Company's website ([www.appenninnholding.com](http://www.appenninnholding.com)) and the investors can receive this information at the Company's seat.

The Company's business hours on working days are between 9AM and 4PM.

The Company discloses information in accordance with the effective laws and rules of the Budapest Stock Exchange. Accordingly, the Company published the quarterly reports, the interim management report and the annual report on the business activity, and when required by law or by the stock exchange regulations the Company published extraordinary announcements on the Company's website, on the [www.bet.hu](http://www.bet.hu) and [www.kozzetetelek.hu](http://www.kozzetetelek.hu) website, and the Company shall send the regulated information to an online media's editor's office.

In order to prevent insider trading the Company shall sets up its own guidelines regarding issues related to insider trading in accordance with the effective legislation and stock regulations. The Company shall ensure that the records concerning person with access to insider information are kept and such persons are informed about their obligations prescribed by law and stock exchange regulations.

## **A DETAILED DEMONSTRATION OF THE METHODS OF EXERCISING SHAREHOLDERS' RIGHTS**

The share capital of the Company consists of 39,800,000, that is, thirty-nine million eight hundred thousand dematerialised ordinary shares with the face value of HUF 100, that is, one hundred forints. Each ordinary share of the value HUF 100, that is, one hundred forint, provide rights to submit 1, that is, one vote.

The shareholder can exercise shareholder's rights against the Company only if the shareholder proves share ownership and is registered in the Share Register. The Share Register is kept by the Board of Directors.

Shareholder can exercise shareholder rights via a representative, who cannot be a member of the Board of Directors, the Auditors or a Company employee in leadership position. One representative can represent several shareholders, but a shareholder cannot have multiple representatives. The representative must vote in accordance with shareholder's direction, otherwise the vote is invalid. If no direction was given or it is not clear, representative cannot vote. Pursuant to the Capital Market Act shareholder representative acts in his name, for the benefit of the shareholder. Representation authorisation can be granted for one General Meeting, and it is extended to the continuation of the suspended or repeatedly invoked General Meeting due to lack of quorum. The authorisation submitted

to Company must be an authentic instrument or a private document of probative value. Withdrawal of authorisation is valid only if it is submitted to the General Meeting's Chairman before the opening; or if it refers to only one agenda item, before it is discussed. For the withdrawal of the authorisation the rules governing the grant of an authorisation shall apply. The authorised person shall exercise all shareholder's rights that shareholder is entitled to. The authorised person must name the shareholders represented when requested by Company, and prove the validity of the authorisation; otherwise no voting rights can be exercised. The stipulations regarding voting rights related to the Share Register apply also for the authorised person.

Shareholder is entitled to participate in the General Meeting, request information, make comments or submit a motion; and vote if shareholder's own voting rights are ensured pursuant to Art. 5.8. of the Articles of Association.

Voting rights cannot be exercised until shareholder paid the due financial contribution. The Board of Directors shall provide the necessary general information to all shareholders when the agenda item is discussed.

Other regulations government the exercise of shareholders' rights are stipulated in the Company's Articles of Association available on the Company's website.

## **A BRIEF PRESENTATION OF RULES ON THE CONDUCTING OF THE GENERAL MEETING**

A General Meeting must be convoked at least once a year until 30 April of the given year (Annual General Meeting).

Unless otherwise provided by the Company Act, the General Meeting is convened by the Board of Directors. The General Meeting can be held in a location different from Company Seat, the location is determined by the Board of Directors. The announcement on the General Meeting must be made at least 30 days prior to the meeting's day in line with rules governing Company announcements.

The public announcement shall contain: the name and the registered office of the Company; the date and the venue of the General Meeting; the items on the agenda of the General Meeting; the conditions for exercising the voting rights; the place and the date of the reconvened General Meeting to be held if the first General Meeting does not have a quorum; the way of holding the General Meeting; the closing of the Share Register until when the shareholder or the representative intending to take part in the General Meeting can be registered in the shareholders' registry (Article 304.2. of the Company Act); consequences of being registered in the Share Register (Article 304.3. of the Company Act); the conditions set out in the Articles of Association regarding the exercise of the right to request information (Article 214 of the Company Act) and provide supplement to the agenda of the general meeting (Articles 300 of the Company Act); and the information related to the date, place and method on the availability of the proposals and resolution proposals on the agenda of the general meeting.



The Board of Directors shall publish the annual financial report prepared in line with the accounting law; and the most important data of the Board of Directors' and Audit Committee's report; the calculations on the existing shares and voting rights at the time of the meeting announcement, and a summary of proposals related to the agenda and the proposals for a resolution at least 21 days prior to the General Meeting in pursuant to Company notice regulations.

The Company shall draw up an attendance list of shareholders present at the General Meeting. The attendance list shall contain the names of shareholders or their representatives, their addresses (registered offices), the number of shares and the number of votes each is entitled to cast and the changes in the number of people present during the General Meeting. The attendance list shall be certified by the Chairman of the General Meeting as well as the minute keeper. Minutes stipulated by the Company Act must be taken during the General Meeting.

The Chairman of the General Meeting is elected based on the proposal of the Chairman of the Board of Directors for the given general meeting.

Members of the Board of Directors, the Audit Committee and the Auditors are lawfully present at the General Meeting and can comment on the agenda and make motions.

Without a General Meeting shareholders cannot make resolutions in writing, and the Company cannot hold conference general meetings.

The General Meeting shall vote openly, and votes shall be cast in the following ways:

- (a) on voting ballots previously distributed by the Board of Directors,
- (b) through electronic voting tools,
- (c) by the show of hands,
- (d) by other means agreed upon at the venue.

If voting is cast on voting ballots, the not obviously marked votes are considered invalid. Extraordinary secret or open voting shall be cast for motions submitted by 10% of the shareholders in any question. During the vote all amending and original resolution proposals must be voted, independent of whether a resolution proposal has made them of no effect. The General Meeting first votes about the amendments in order of their submission, then the original resolution proposal is voted on.

The General Meeting has a quorum if shareholders representing more than half of the shares carrying voting rights are present.

If the General Meeting does not have a quorum, the General Meeting reconvened with the same agenda of the original General Meeting constitutes a quorum regardless of the number of shareholders present.

The reconvened General Meeting shall be held after a period of at least 10 days but no longer than 21 days after the date of the original General Meeting.

Unless otherwise provided by the Company Act, in points (a) to (f) of the Articles of Association, the proposal for a resolution must be decided with a three quarters majority.

The General Meeting may approve a resolution which may result in the de-listing of the Company's shares from the stock exchange – including any de-listing of the series of shares as a sanction – only if



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any investor(s) make prior bid related to the de-listing in pursuant to regulations of the Budapest Stock Exchange. The General Meeting can decide about the de-listing only if any shareholder or any group of shareholders made prior commitment to make a public bid to purchase the shares of owners who voted against the de-listing.

A general meeting resolution may decide on the suspension of the General Meeting. In this case the General Meeting must resume within 30 days after suspension, and the regulations governing the election of officials of the General Meeting must be applied. The General Meeting may be suspended only once.

All general meeting resolutions of the Company shall be published according to stipulations of the Securities Act.

Other regulations government the General Meeting are stipulated in the Company's Articles of Association available on the Company's website.

## **REMUNERATION STATEMENT**

The Company's remuneration statement is included in the Appendix of this Corporate Governance report.

## CORPORATE GOVERNANCE DECLARATION ON COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS

As part of the Corporate Governance Report, by completing the following tables, the Company declares to what extent it applied in its own practice of corporate governance the recommendation (R) and suggestions (S) formulated in different points of the Corporate Governance Recommendations published by the Budapest Stock Exchange Plc.

*We draw your attention to the fact that in case of event type questions you may answer with a YES even if there was no such event in the business year in question (for example no dividends were paid, or no shareholder announcements were submitted before the General Meeting for the proposals), but the Company would have acted according to the Recommendation based on the Articles of Associations and the Company's practice had the event occurred.*

*In light of the Recommendations the Company shall indicate only whether it applied the relevant recommendation or not, no reasons have to be provided.*

### Level of compliance with the Recommendations

The company should indicate whether it applies the relevant recommendation or not, and in the case of a negative answer, it should provide the reasons for not applying the given recommendation.

- R 1.1.1 The Managing Body ensured that shareholders received access to information in time to enable them to exercise their rights  
  
Yes
- R 1.1.2 The company applies the "one share - one vote" principle  
  
Yes
- R 1.2.8 The company ensures that shareholders must meet the same requirements in order to attend at the general meeting.  
  
Yes
- R 1.2.9 Items on the general meeting agenda only include subjects which are correctly detailed and summarized clearly and unambiguously.  
  
Yes  
The proposals included the suggestions of the Supervisory Board and a detailed explanation of the effects of the decision.  
No (The Company does not have a Supervisory Board, the function thereof is carried out by the Board of Directors.)
- R 1.2.10 Shareholders' comments on and supplements to the items on the agenda were published at least two days prior to the general meeting.  
  
Yes (such case didn't occurred)
- R 1.3.8 Comments on the items of the agenda were made available to shareholders simultaneously with registration at the latest.  
  
Yes (such case didn't occurred)  
Written comments made on the items on the agenda were published two working days prior to the general meeting.  
  
Yes (such case didn't occurred)
- R 1.3.10 The election and dismissal of executives took place individually and by separate resolutions.  
  
No (As no rules of procedure proposal was in place, for reasons of simplicity the proposal featured as one agenda

- item was closed as in one resolution, with details included.)
- R 2.1.1 The responsibilities of the Managing Body include those laid out in.  
**Yes**
- R 2.3.1 The Managing Body held meetings regularly, at times designated in advance.  
**Yes**  
The Supervisory Board held meetings regularly, at times designated in advance.  
**No** (The Company does not have a Supervisory Board, the function thereof is carried out by the Board of Directors.)  
The rules of procedure of the Managing Body provide for unscheduled meetings and decision-making through electronic communications channels.  
**Yes**  
The rules of procedure of the Supervisory Board provide for unscheduled meetings and decision-making through electronic communications channels.  
**No** (The Company does not have a Supervisory Board, the function thereof is carried out by the Board of Directors.)
- R 2.5.1 The Board of Directors / Supervisory Board of the company has a sufficient number of independent members to ensure the impartiality of the board.  
**Yes**
- R 2.5.4 At regular intervals (in connection with the CG Report) the Board of Directors / Supervisory Board requested a confirmation of their independent status from those members considered independent.  
**Yes**
- R 2.5.6 The company disclosed on its website the guidelines on the independence of the Board of Directors / Supervisory Board, as well as the criteria applied for assessing independence.  
**No** (The criteria regarding the independence of the Board of Directors are stipulated in Article 309 of the Act on Business Associations.)
- R 2.6.1 Members of the Managing Body informed the Managing Body (Supervisory Board/Audit Committee) if they (or any other person in a close relationship to them) had a significant personal stake in a transaction of the company (or the company's subsidiary).  
**Yes** (such case didn't occurred)
- R 2.6.2 Transactions between board and executive management members (and persons in close relationship to them) and the company (or its subsidiary) were conducted according to general rules of practice of the company, but with stricter transparency rules in place.  
**Yes** (such case didn't occurred)  
Transactions which according to , fell outside the normal course of the company's business, and their terms and conditions were approved by the Supervisory Board (Audit Committee).  
**Yes** (such case didn't occurred)
- R 2.6.3 Board members informed the Supervisory Board/Audit Committee if they received an offer of Board membership or an offer of an executive management position in a company which is not part of the company group.  
**Yes** (such case didn't occurred)
- R 2.6.4 The Managing Body established its guidelines on information flow within the company and the handling of insider information, and monitored compliance with those guidelines.  
**Yes**  
The Managing Body established its guidelines regarding insiders' trading in securities and monitored compliance with those guidelines.  
**Yes**
- R 2.7.1 The Managing Body formulated remuneration guidelines regarding the evaluation and remuneration of the work of the Managing Body, the Supervisory Board and the executive management.  
**Yes**

The Supervisory Board formed an opinion on the remuneration guidelines.

**No** (The Company does not have a Supervisory Board, the function thereof is carried out by the Board of Directors.)

The guidelines regarding the remuneration for the Managing Body and the Supervisory Board and the changes in those guidelines were approved by the general meeting, as a separate item on the agenda.

**Yes**

R 2.7.2. The Managing Body prepared an evaluation of the work it carried out in the given business year.

**Yes**

R 2.7.2.1 The Supervisory Board prepared an evaluation of the work it carried out in the given business year.

**No** (The Company does not have a Supervisory Board, the function thereof is carried out by the Board of Directors.)

R 2.7.3 It is the responsibility of the Managing Body to monitor the performance of and determine the remuneration for the executive management.

**Yes**

The frameworks of benefits due to members of the executive management that do not represent normal practice, and the changes in those benefits were approved by the general meeting as a separate agenda item.

**Yes**

R 2.7.4 The structure of share-incentive schemes were approved by the general meeting.

**Yes**

Prior to the decision by the general meeting on share-incentive schemes, shareholders received detailed information

**Yes**

R 2.7.7 The Remuneration Statement was prepared by the company and submitted to the general meeting.

**Yes**

The Remuneration Statement includes information about the remuneration of individual members of the Managing Body, the Supervisory Board, and the executive management.

**Yes**

R 2.8.1 The Managing Body or the committee operated by it is responsible for monitoring and controlling the company's entire risk management.

**Yes**

The Managing Body requests information on the efficiency of risk management procedures at regular intervals.

**Yes**

The Managing Body took the necessary steps to identify the major risk areas.

**Yes**

R 2.8.3 The Managing Body formulated the principles regarding the system of internal controls.

**Yes**

The system of internal controls established by the executive management guarantees the management of risks affecting the activities of the company, and the achievement of the company's performance and profit targets.

**Yes**

R 2.8.4 When developing the system of internal controls, the Managing Body took into consideration the viewpoints included in.

**Yes**

R 2.8.5 It is the duty and responsibility of the executive management to develop and maintain the system of internal controls.

- Yes**
- R 2.8.6 The company created an independent Internal Audit function which reports to the Audit Committee / Supervisory Board.
- No** (The Company did not create a separate Internal Audit function for purposes of cost efficiency.)  
The Internal Audit reported at least once to the Audit Committee / Supervisory Board on the operation of risk management, internal control mechanisms and corporate governance functions.
- No** (The Company did not create a separate Internal Audit function for purposes of cost efficiency.)
- R 2.8.7 The internal audit activity is carried out by the Internal Audit function based on authorisation from the Audit Committee / Supervisory Board.
- No** (See 2.8.6.)  
As an organisation, the Internal Audit function is independent from the executive management
- No** (See 2.8.6.)
- R 2.8.8 The Internal Audit schedule was approved by the Managing Body (Supervisory Board) based on the recommendation of the Audit Committee.
- No** (See 2.8.6.)
- R 2.8.9 The Managing Body prepared its report for shareholders on the operation of internal controls.
- No** (It was the Company's Auditor to confirm the operation of internal controls.)  
The Managing Body developed its procedures regarding the receipt, processing of reports on the operation of internal controls, and the preparation of its own report.
- No** (It was the Company's Auditor to confirm the operation of internal controls.)
- R 2.8.11 The Managing Body identified the most important deficiencies or flow in the system of internal controls, and reviewed and re-evaluated the relevant activities.
- Yes**
- R 2.9.2 The Managing Body, the Supervisory Board and the Audit Committee were notified in all cases when an assignment given to the auditor may have resulted in significant additional expense, caused a conflict of interest, or affected normal business practices significantly in any other way.
- Yes**
- R 2.9.3 The Managing Body informed the Supervisory Board of any assignment given to the external auditor or an external advisor in connection with any event which held significant bearing on the operations of the company.
- No** (The Company does not have a Supervisory Board, the function thereof is carried out by the Board of Directors.)  
The Managing Body pre-determined in a resolution what circumstances constitute "significant bearing".
- Yes** (Didn't realised till now)
- R 3.1.6 On its website, the company disclosed duties delegated to the Audit Committee, as well as the committees targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).
- Yes**
- R 3.1.6.1 On its website, the company disclosed duties delegated to the Nomination Committee, as well as the committees targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).
- No** (There is no such Committee set up at the Company)
- R 3.1.6.2 On its website, the company disclosed duties delegated to the Remuneration Committee, as well as the committees targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).
- No** (There is no such Committee set up at the Company)
- R 3.2.1 The Audit Committee / Supervisory Board monitored the efficiency of risk management, the operation of internal controls, and the activity of the Internal Audit.



- Yes (See 2.8.6. and 2.8.9.)
- R 3.2.3 The Audit Committee / Supervisory Board received accurate and detailed information on the work schedule of the Internal Auditor and the independent auditor, and received the auditor's report on problems discovered during the audit.
- Yes
- R 3.2.4 The Audit Committee / Supervisory Board requested the new candidate for the position of auditor to submit the disclosure statement according to 3.2.4.
- Yes
- R 3.3.1 There is a Nomination Committee operating at the company.
- No (The Board of Directors assumes the role of this Committee.)
- R 3.3.2 The Nomination Committee provided for the preparation of personnel changes.
- Yes
- The Nomination Committee reviewed the procedures regarding the election and appointment of members of the executive management.
- Yes
- The Nomination Committee evaluated the activity of board and executive management members.
- Yes
- The Nomination Committee examined all the proposals regarding the nomination of board members which were submitted by shareholders or the Managing Body.
- Yes
- R 3.4.1 There is a Remuneration Committee operating at the company.
- No (The Board of Directors assumes the role of this Committee.)
- R 3.4.2 The Remuneration Committee made a proposal for the system of remuneration for the boards and the executive management (individual levels and the structure of remuneration), and carries out its monitoring.
- Yes
- R 3.4.3 The remuneration of the executive management was approved by the Managing Body based on the recommendation of the Remuneration Committee
- No (The Board of Directors assumes the role of this Committee.)
- The remuneration of the Managing Body was approved by the general meeting based on the recommendation of the Remuneration Committee.
- Yes
- The Remuneration Committee also monitored the share option, cost reimbursement and other benefits in the remuneration system.
- Yes (The Board of Directors assumes the role of this Committee.)
- R 3.4.4 The Remuneration Committee made proposals regarding remuneration guidelines.
- Yes
- R 3.4.4.1 The Remuneration Committee made proposals regarding the remuneration of individual persons.
- Yes
- R 3.4.4.2 The Remuneration Committee reviewed the terms and conditions of contracts concluded with the members of the executive management.
- Yes
- R 3.4.4.3 The Remuneration Committee ascertained whether the company fulfilled its disclosure obligations regarding remuneration issues.

- Yes  
R 3.4.7 The majority of the members of the Remuneration Committee are independent.
- Yes  
R 3.5.1 The Managing Body disclosed its reasons for combining the Remuneration and Nomination Committees.  
No (There is no such combining; the Board of Directors fulfils the role of the Remuneration and Nomination Committees.)
- R 3.5.2 The Managing Body carried out the duties of the Nomination Committee and disclosed its reasons for doing so.  
Yes  
R 3.5.2.1 The Managing Body carried out the duties of the Remuneration Committee and disclosed its reasons for doing so.
- Yes  
R 4.1.1 In its disclosure guidelines, the Managing Body established those principles and procedures which ensure that all relevant information about the operations of the company and circumstances influencing its share price are disclosed and made available accurately, in a timely fashion and in full.
- Yes  
R 4.1.2 The company ensured in its disclosure activities that all shareholders and market participants were treated equally.
- Yes  
R 4.1.3 The company's disclosure guidelines include the procedures governing electronic, on-line disclosure.  
No (All information is published in all disclosure format, therefore no separate procedures governing electronic or on-line disclosure is necessary.)  
The company develops its website taking into consideration disclosure guidelines and the provision of information to investors.
- Yes  
R 4.1.4 The Managing Body assessed the efficiency of disclosure processes.
- Yes  
R 4.1.5 The company published its corporate events calendar on its website.
- Yes  
R 4.1.6 In the annual report and on the website of the company, the public was informed about the company's corporate strategy, its main business activities, business ethics and its policies regarding other stakeholders.
- Yes  
R 4.1.8 In the annual report the Managing Body disclosed the character and size of any other assignments given by the company or its subsidiaries to the auditing firm responsible for auditing the financial statements.  
No (No such assignments were given)
- R 4.1.9 In the annual report and on the website the company discloses information on the professional career of the members of the Managing Body, the Supervisory Board and the executive management
- Yes  
R 4.1.10 The company provided information on the internal organisation and operation of the Managing Body and the Supervisory Board.
- Yes  
R4.1.10.1 The company provided information on the criteria considered when evaluating the work of the Managing Body, the executive management and the individual members thereof.
- Yes  
R 4.1.11 In the annual report and in the Remuneration Statement on the company's website, the company informed the public about the applied remuneration guidelines, including the remuneration and fees provided for members of the Managing Body, the Supervisory Board and the executive management.

- Yes
- R 4.1.12 The Managing Body disclosed its risk management guidelines, including the system of internal controls, the applied risk management principles and basic rules, as well as information about major risks.
- Yes
- R 4.1.13 In order to provide market participants with information, the company publishes its report on corporate governance at the same time that it publishes its annual report.
- Yes
- R 4.1.14 The company discloses its guidelines governing insiders' trading in the company's securities on its website.  
No (The Company – as prescribed by law – has its guidelines governing insiders' trading.)  
The company published in the annual report and on its website ownership in the company's securities held by the members of the Managing Body, the Supervisory Board and the executive management, as well as any interests held in share-incentive schemes.
- Yes
- R 4.1.15 In the annual report and on its website, the company disclosed any relationship between members of the Managing Body and the executive management with a third party, which might have an influence on the operations of the company.  
No (No such relationship existed, and the CVs were made publicly available.)

### Level of compliance with the Suggestions

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

- |         |   |                 |
|---------|---|-----------------|
| S 1.1.3 | The company has an investor relations department.   | <u>Yes</u> / No |
| S 1.2.1 | The company published on its website the summary document regarding the conducting of the general meeting and the exercise of shareholders' rights to vote (including voting via proxy) | <u>Yes</u> / No |
| S 1.2.2 | The company's articles of association are available on the company's website.   | <u>Yes</u> / No |
| S 1.2.3 | The company disclosed on its website information according to 1.2.3 (on the record date of corporate events).   | <u>Yes</u> / No |
| S 1.2.4 | Information and documents according to 1.2.4 regarding general meetings (invitations, proposals, draft resolutions, resolutions, minutes) were published on the company's website.      | <u>Yes</u> / No |
| S 1.2.5 | The general meeting of the company was held in a way that ensured the greatest possible shareholder participation.  | <u>Yes</u> / No |
| S 1.2.6 | Additions to the agenda were published within 5 days of receipt, in the same manner as the publication of the original invitation for the general meeting.                              | <u>Yes</u> / No |
| S 1.2.7 | The voting procedure applied by the company ensured unambiguous, clear and fast decision-making by shareholders.  | <u>Yes</u> / No |

S 1.2.11	At the shareholders' request, the company also provided information on the general meeting electronically.	<b><u>Yes</u></b> / No
S 1.3.1	The identity of the chairman of the general meeting was approved by the company's general meeting prior to the discussion of the items on the agenda.	<b><u>Yes</u></b> / No
S 1.3.2	The Managing Body and the Supervisory Board were represented at the general meeting.	<b><u>Yes</u></b> / No
S 1.3.3	The company's articles of association render possible that at the initiation of the chairman of the Managing Body or the shareholders of the company, a third party be invited to the company's general meeting and be granted the right of participation in the discussion of the relevant items on the agenda.	<b><u>Yes</u></b> / No
S 1.3.4	The company did not prevent shareholders attending the general meeting from exercising their rights to request information, make comments and proposals, and did not set any pre-requisites to do so.	<b><u>Yes</u></b> / No
S 1.3.5	The company published on its website within three days its answers to those questions which it was unable to answer satisfactorily at the general meeting. Where the company declined to give an answer it published its reasons for doing so.	<b><u>Yes</u></b> / No
S 1.3.6	The chairman of the general meeting and the company ensured that in answering the questions raised at the general meeting, national laws and regulations of the Stock Exchange pertaining to disclosure were complied with.	<b><u>Yes</u></b> / No
S 1.3.7	The company published a press release and held a press conference on the decisions passed at the general meeting.	<b><u>Yes</u></b> / No
S 1.3.11	The company's general meeting decided on the different amendments of the articles of association in separate resolutions.	<b><u>Yes</u></b> / No
S 1.3.12	The minutes of the general meeting containing the resolutions, the presentation of draft resolutions, as well as the most important questions and answers regarding the draft resolutions were published by the company within 30 days of the general meeting.	<b><u>Yes</u></b> / No
S 1.4.1	The dividend was paid within 10 days to those shareholders who had provided all the necessary information and documentation.	<b><u>Yes</u></b> / No
S 1.4.2	The company disclosed its policy regarding anti-takeover devices.	Yes / <b><u>No</u></b>
S 2.1.2	The rules of procedure define the composition of the Managing Body and all procedures and protocols for the preparation and holding of meetings, the drafting of resolutions and other related matters.	<b><u>Yes</u></b> / No
S 2.2.1	The rules of procedure and the work schedule of the Supervisory Board gives a detailed description of its operation and duties, as well as procedures and processes which the Supervisory Board followed.	Yes / <b><u>No</u></b>
S 2.3.2	Board members had access to the proposals of a given meeting at least five days prior to the board meeting.	<b><u>Yes</u></b> / No

S 2.3.3	The rules of procedure regulate the regular or occasional participation at board meetings of persons who are not members of the boards.	<b><u>Yes</u></b> / No
S 2.4.1	The election of the members of the Managing Body took place in a transparent way, information on candidates was made public at least five days prior to the general meeting.	<b><u>Yes</u></b> / No
S 2.4.2	The composition of boards and the number of members complies with the principles specified in 2.4.2	<b><u>Yes</u></b> / No
S 2.4.3	Newly elected, non-executive board members were able to familiarize themselves with the structure and operations of the company, as well as their duties as board members through a tailored induction programme.	<b><u>Yes</u></b> / No
S 2.5.2	The separation of the responsibilities of the Chairman of the Managing Body from those of the Chief Executive Officer has been outlined in the basic documents of the company.	Yes / <b><u>No</u></b>
S 2.5.3	The company has published a statement about the means it uses to ensure that the Managing Body gives an objective assessment of the executive management's work where the functions of Chairman and CEO are combined.	Yes / <b><u>No</u></b>
S 2.5.5	The company's Supervisory Board has no member who held a position in the Managing Body or the executive management of the company in the three years prior to his nomination.	Yes / <b><u>No</u></b>
S 2.7.5	The development of the remuneration system of the Managing Body, the Supervisory Board and the executive management serves the strategic interests of the company and thereby those of the shareholders.	<b><u>Yes</u></b> / No
S 2.7.6	In the case of members of the Supervisory Board, the company applies a fixed amount of remuneration and does not apply a remuneration component related to the share price.	Yes / <b><u>No</u></b>
S 2.8.2	The Managing Body developed its risk management policy and regulations with the cooperation of those executives who are responsible for the design, maintenance and control of risk management procedures and their integration into the company's daily operations.	<b><u>Yes</u></b> / No
S 2.8.10	When evaluating the system of internal controls, the Managing Body took into consideration the aspects mentioned in 2.8.10	<b><u>Yes</u></b> / No
S 2.8.12	The company's auditor assessed and evaluated the company's risk management systems and the risk management activity of the executive management, and submitted its report on the matter to the Audit Committee / Supervisory Board.	<b><u>Yes</u></b> / No
S 2.9.1	The rules of procedure of the Managing Body cover the procedure to be followed when employing an external advisor.	<b><u>Yes</u></b> / No
S 2.9.1.1	The rules of procedure of the Supervisory Board cover the procedure to be followed when employing an external advisor.	Yes / <b><u>No</u></b>
S 2.9.1.2	The rules of procedure of the Audit Committee cover the procedure to be followed when employing an external advisor.	<b><u>Yes</u></b> / No
S 2.9.1.3	The rules of procedure of the Nomination Committee cover the procedure to be followed when	Yes / <b><u>No</u></b>

	employing an external advisor.	
S 2.9.1.4	The rules of procedure of the Remuneration Committee cover the procedure to be followed when employing an external advisor.	Yes / <b><u>No</u></b>
S 2.9.4	The Managing Body may invite the company's auditor to participate in those meetings where it debates general meeting agenda items.	<b><u>Yes</u></b> / No
S 2.9.5	The company's Internal Audit function co-operated with the auditor in order to help it successfully carry out the audit.	Yes / <b><u>No</u></b>
S 3.1.2	The chairmen of the Audit Committee regularly inform the Managing Body about the meetings of the committee, and the committee prepared at least one report for the Managing Body and the Supervisory Board in the given business year.	<b><u>Yes</u></b> / No
S 3.1.2.1	The chairmen of the Nomination Committee regularly inform the Managing Body about the meetings of the committee, and the committee prepared at least one report for the Managing Body and the Supervisory Board in the given business year.	Yes / <b><u>No</u></b>
S 3.1.2.2	The chairmen of the Remuneration Committee regularly inform the Managing Body about the meetings of the committee, and the committee prepared at least one report for the Managing Body and the Supervisory Board in the given business year.	Yes / <b><u>No</u></b>
S 3.1.4	The company's committees are made up of members who have the capabilities, professional expertise and experience required to perform their duties.	<b><u>Yes</u></b> / No
S 3.1.5	The rules of procedure of committees operating at the company include those aspects detailed in 3.1.5	<b><u>Yes</u></b> / No
S 3.2.2	The members of the Audit Committee / Supervisory Board were fully informed about the accounting, financial and operational peculiarities of the company.	<b><u>Yes</u></b> / No
S 3.3.3	The Nomination Committee prepared at least one evaluation for the chairman of the Managing Body on the operation of the Managing Body and the work and suitability of the members of the Managing Body.	Yes / <b><u>No</u></b>
S 3.3.4	The majority of the members of the Nomination Committee are independent.	Yes / <b><u>No</u></b>
S 3.3.5	The rules of procedure of the Nomination Committee includes those details contained in 3.3.5	Yes / <b><u>No</u></b>
S 3.4.5	The Remuneration Committee prepared the Remuneration Statement.	Yes / <b><u>No</u></b>
S 3.4.6	The Remuneration Committee exclusively consists of non-executive members of the Managing Body.	Yes / <b><u>No</u></b>
S 4.1.4	The disclosure guidelines of the company at least extend to those details contained in 4.1.4	<b><u>Yes</u></b> / No



# Appenninn Holding

	The Managing Body informed shareholders in the annual report on the findings of the investigation into the efficiency of disclosure procedures.	<b><u>Yes</u></b> / No
S 4.1.7	The company's financial reports followed IFRS guidelines.	<b><u>Yes</u></b> / No
S 4.1.16	The company also prepares and releases its disclosures in English.	<b><u>Yes</u></b> / No

**SUMMARY OF REMUNERATIONS  
REGARDING MEMBERS OF THE BOARD OF DIRECTORS**

The **Appeninn Vagyonkezelő Holding Public Limited Company** (Company address: 1022 Budapest, Bég utca 3-5., Court registration number: 01-10-046538, Budapest Metropolitan Court as Court of Registration, hereinafter referred to as “the Company”) in regards to the Annual General Meeting convened on the 15 April 2016 pursuant to Articles 312.A. of Act IV of 2006 on Business Associations hereby discloses a summary of the Board of Directors’ remuneration:

<b>name of the Member of the Board of Directors</b>	<b>Financial remuneration (HUF)</b>	<b>type of entitlement</b>	<b>Non-financial remuneration (HUF)</b>	<b>type of entitlement</b>
<b>Gábor SZÉKELY</b> BD member and Chairman of the Audit Committee	400,000	Fees for 2016	0	
<b>Lőrinc ÉDER</b> BD and Audit Committee member	400,000	Fees for 2016	0	
<b>Balázs SZABÓ</b> BD and Audit Committee member	400,000	Fees for 2016	0	
<b>Zoltán PRUTKAY</b> member of the BD	300,000 2,628,571	Fees for 2016 Annual salary 2016	0	
<b>Attila KOVÁCS</b> member of the BD	0	-	0	
Total	4,428,571		0	

Budapest, 13 April, 2017

**Appeninn Asset Management Holding  
Public Limited Company**  
Represented by:

Gábor SZÉKELY  
member of the Board of Directors  
Chairman of the Audit Committee

György ÁDÁMOSI Jr.  
Chairman of the Board of Directors