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**Rába Automotive Holding Plc.**

# **CORPORATE GOVERNANCE REPORT**

**2020**



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## **Introduction**

### **The Company**

Rába Plc. is registered as a public limited company in Hungary by Győr Court of Justice as Court of Registration. The main market of Rába shares is the Hungarian Stock Exchange (BSE); so according to this, Rába takes into consideration the Hungarian Corporate Governance Policy and the obligatory legal regulations concerning to it.

RÁBA Plc. has always endeavoured to implement the highest standards of corporate governance structures and practices regarding to the national and international expectations. The main goal of the corporate governance system is to consider the interests of the shareholders of RÁBA Plc. and the broader group of stakeholders. Thereby it is ensured that the company enhances major value for its owners and people.

The Code of Corporate Governance introducing the corporate governance principles of RÁBA Plc. was approved at first in 2008. The Code of Corporate Governance is available at the web site of the Company:

[http://raba.hu/investment/en.befektetoi.raba.hu/doctar/Alapdokumentumok/Raba Plc Code of Corporate Governance 2014.pdf](http://raba.hu/investment/en.befektetoi.raba.hu/doctar/Alapdokumentumok/Raba%20Plc%20Code%20of%20Corporate%20Governance%202014.pdf)

Rába Plc. and its subsidiaries are committed to the increasing business profit achieved according to the company directives and in an ethical way. The basic target is to ensure a stable, permanent positive business. This target determinates also the desired attitudes, which are fixed in the Code of Ethics and Business Conduct. The Code of Ethics and Business Conduct is available at the web site of the Company:

[http://raba.hu/investment/fundamental\\_documents.html](http://raba.hu/investment/fundamental_documents.html)

### **Rába Group**

Rába Plc. controls the Rába Group, which is one of the biggest automotive groups of Hungary. The main point of the effective integration of Rába Group is the successful coordination of the activity of the subsidiaries. Rába Group consists of Rába Plc. as parent company and Rába Axle Ltd, Rába Automotive Components Ltd, Rába Vehicle Ltd. as wholly-owned subsidiaries. Diagonal Valor Ltd., one of the subsidiaries of Rába Group merged into Rába Axle Ltd. as of October 1, 2020.

## **1.1. A brief presentation of the operation of the Board of Directors and the distribution of responsibilities and tasks between the Board of Directors and the management**

### **1.1.1. Short description of the Board of Directors' activity**

The number of board members is between 3 and 7 persons. The chairman and the members of the Board of Directors are elected by the General Meeting of Shareholders for a definite period of time not exceeding five (5) years. Members of the Board of Directors can be recalled from office at any time without any cause and can be re-elected upon expiry of their mandate. The Board of Directors consists of 7 (seven) members at present. The term of the individual board members ends at the date stipulated in the resolution of the general meeting of shareholders adopted about the election of the board members.

Members of the Board of Directors or the members of the Supervisory Board may not (apart from the acquisition of shares or positions in public limited companies) acquire shareholding and may not be a chief executive officer or supervisory board member in business organisations conducting a main activity identical to that of the Company, except the GM grants approval to such acquisition or position.



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Executives and the SB members of the Company shall inform the companies about their new executive or SB positions within 15 days from the acceptance of such positions.

Unless the GM gives approval, the members of the Board of Directors and the Members of the Supervisory Board and their relatives may not conclude on their own behalf or in their own favour contracts falling within the scope of activities of the Company except for contracts which are usually concluded as part of the every-day life.

Pursuant to Act CLII of 2007, the Members of the Board of Directors are required to declare their assets.

### **1.1.2. Authority and tasks of the Board of Directors**

The Board of Directors shall be the executive organ of the Company. The Board of Directors is not an operative management body, it is not involved in the Company's daily business. It makes decisions, it is responsible for all matters relating to the Company's management and course of business not fell under the exclusive competence of the General Meeting or other corporate bodies by the Articles of Association of the Company or by the law.

The detailed rules for the tasks, the authority and operation of the Board of Directors are contained in the Articles 19-21 of the Articles of Association of Rába Plc and in the Rules of Procedure of the Board of Directors, that are available at the web site of the Company:

[http://raba.hu/investment/en.befektetoi.raba.hu/doctar/Alapdokumentumok/2021/Raba\\_Plc\\_Articles\\_of\\_Association\\_20201203.pdf](http://raba.hu/investment/en.befektetoi.raba.hu/doctar/Alapdokumentumok/2021/Raba_Plc_Articles_of_Association_20201203.pdf)

[http://raba.hu/investment/fundamental\\_documents.html](http://raba.hu/investment/fundamental_documents.html)

### **1.1.3. Management**

The management is responsible for the operative control of the Company. The management consists of 3 persons besides the Chief Executive Officer: the Chief Financial Officer, Human resources and Controlling Director and Strategic sourcing and business development Director.

#### **1.1.3.1. Chief Executive Officer**

The Chief Executive Officer shall be elected by the Board of Directors for an indefinite time-period.

After the amendment of the Articles of Association as of April 30, 2020, the Board of Directors exercises the fundamental employer's rights (establishing, terminating employment relations, amendment of employment contracts, establishment of remuneration, severance pay), establishes the performance requirements and the related benefits (performance based wages or other benefits) and the other employer's rights (especially vacation, foreign visit permits) in relation to the Chief Executive Officer.

Pursuant to Act CLII of 2007, the CEO is required to make declaration of assets.

The detailed rules for the tasks and the authority of the Chief executive Officer are contained in the Article 22 of the Articles of Association of Rába Plc, which is available at the web site of the Company:

[http://raba.hu/investment/en.befektetoi.raba.hu/doctar/Alapdokumentumok/2021/Raba\\_Plc\\_Articles\\_of\\_Association\\_20201203.pdf](http://raba.hu/investment/en.befektetoi.raba.hu/doctar/Alapdokumentumok/2021/Raba_Plc_Articles_of_Association_20201203.pdf)

#### **1.1.3.2. Chief Financial Officer**

The Chief Financial Officer is the deputy of the employer's number one chief. After the amendment of the Articles of Association as of April 30, 2020, the Board of Directors exercises the fundamental employer's rights (establishing, terminating employment relations, amendment of employment contracts, establishment of remuneration, severance pay), establishes the performance requirements and the related benefits (performance based wages or other benefits) in relation to the Chief Financial Officer.



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The Chief Executive Officer exercises the non-fundamental, other employer's rights.

Management of the financial, accounting, business planning tasks of the Group, monitoring of the operation of the Group's companies, financial analysis thereof, preparation of the guidelines, coordination of the sale and leasing of assets fall within the Chief Financial Officer's activity.

#### **1.1.3.3. Human resources and Controlling Director**

After the amendment of the Articles of Association as of April 30, 2020, the Board of Directors exercises the fundamental employer's rights (establishing, terminating employment relations, amendment of employment contracts, establishment of remuneration, severance pay), establishes the performance requirements and the related benefits (performance based wages or other benefits) in relation to the Human resources and Controlling Director as employees as per the Section (2) of the Paragraph 208 of the Labour Code.

The Chief Executive Officer exercises the non-fundamental, other employer's rights.

Planning, organization, managing, coordination and controlling of the human resources management, preparation and implementation of the human resources development (human strategy) fitting into the business plan, creation of management information systems, planning systems, analysing methods, construction of "Make or buy" standards and the controlling of the current process for efficiency, managing of the activity for optimization of product portfolio (evaluation based on analysis, working out of proposals), definition, measuring and evaluation of KPIs fall within the Human resources and Controlling Director's activity.

#### **1.1.3.4. Strategic sourcing and business development Director**

After the amendment of the Articles of Association as of April 30, 2020, the Board of Directors exercises the fundamental employer's rights (establishing, terminating employment relations, amendment of employment contracts, establishment of remuneration, severance pay), establishes the performance requirements and the related benefits (performance based wages or other benefits) in relation to the Strategic sourcing and business development Director as employees as per the Section (2) of the Paragraph 208 of the Labour Code.

The Chief Executive Officer exercises the non-fundamental, other employer's rights.

Managing of the strategic sourcing process of the Company, determination of the sourcing strategy and signing of the related strategic contracts, preparation and approval of the frame agreement for strategic services on Group level, searching of the market, business possibilities, determination of the business development directions, managing of the exploration process of the new business opportunities, establishment of new relations, identification of new businesses (product/client), managing of the introduction projects of new product/client fall within the Strategic sourcing and business development Director's activity.

#### **1.1.4. Relationship between the Board of Directors and the Management**

The members of the management attended the normal and extraordinary meeting of the Board of Directors.

The management reports to the members of the Board of Directors quarterly. They are informed on the operation of the Company and the Group, introduced the efficiency's difference from the base period and the business plan.

The management prepares ad hoc analysis about the significant changes of the operation of the Company and the Group, and about the projects different from the business plan for the Board of Directors.



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## **1.2. An introduction of the Board of Directors, Supervisory Board (and Audit Committee) and management members, a presentation of the boards' structures**

### **1.2.1. Members of Board of Directors**

Hetzmann, Béla, Chairman of the Board of Directors, mandate from 04.12.2020 till 19.05.2021 (independent)

Pintér, István, Chairman of the Board of Directors mandate from 21.10.2005 till 03.12.2020 (not independent)

Bánócziné Dr. Csernák, Ibolya Virág, Member of the Board of Directors, mandate from 12.04.2019 till 19.05.2021 (independent)

dr. Csüllög, Nóra, Member of the Board of Directors, mandate from 04.12.2020 till 19.05.2021 (independent)

Lang-Péli, Éva, Member of the Board of Directors, mandate from 04.12.2020 till 19.05.2021 (independent)

Major, János, Member of the Board of Directors, mandate from 12.04.2019 till 19.05.2021 (independent)

Majoros, Csaba, Member of the Board of Directors, mandate from 04.12.2020 till 19.05.2021 (independent)

Mráz, Dániel Emánuel, Member of the Board of Directors, mandate from 04.12.2020 till 19.05.2021 (independent)

dr. Pálvölgyi, Ákos Mátyás, Member of the Board of Directors, mandate from 12.04.2019 till 09.04.2020 (independent)

Sebők, Roland, Member of the Board of Directors, mandate from 12.04.2019 till 03.12.2020 (independent)

dr. Toperczer, András Ákos, Member of the Board of Directors, mandate from 30.04.2020 till 03.12.2020 (independent)

dr. Tóth, Tamás, Member of the Board of Directors, mandate from 12.04.2019 till 03.12.2020 (independent)

Wáberer, György Péter, Member of the Board of Directors, mandate from 20.06.2012 till 03.12.2020 (independent)

CV of the members of Board of Directors is available at the web site of Rába Plc:

[http://raba.hu/english/board\\_of\\_directors\\_and\\_supervisory\\_board.html](http://raba.hu/english/board_of_directors_and_supervisory_board.html)

### **1.2.2. Members of Supervisory Board (and Audit Committee)**

Lepsényi, István, Chairman of the Supervisory Board (and Audit Committee), mandate from 04.12.2020 till 30.04.2022 (independent)

dr. Pafféri, Zoltán Lajos, Chairman of the Supervisory Board (and Audit Committee), mandate from 12.07.2018 till 03.12.2020 (independent)

Dr. Harmath, Zsolt, Member of the Supervisory Board (and Audit Committee), mandate from 17.04.2016 till 30.04.2022 (independent)

dr. Kanta, Tünde, Member of the Supervisory Board (and Audit Committee), mandate from 14.04.2017 till 03.12.2020 (independent)

dr. Szabó, Sándor József, Member of the Supervisory Board (and Audit Committee), mandate from 04.12.2020 till 30.04.2022 (independent)

CV of the members of Supervisory Board (and Audit Committee is available at the web site of Rába Plc:

[http://raba.hu/english/board\\_of\\_directors\\_and\\_supervisory\\_board.html](http://raba.hu/english/board_of_directors_and_supervisory_board.html)



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### **1.2.3. Members of management**

Pintér, István, Chief Executive Officer

Balog, Béla, Chief Financial Officer

Steszli, Ádám, Human Resources and Controlling Director

Deák, Attila, Strategic sourcing and business development Director

CV of members of management is available at the web site of Rába Plc:

<http://raba.hu/english/management.html>

### **1.2.4. Structure of Supervisory Board and Audit Committee**

#### **Supervisory Board**

Supervision of the Company's executive management is performed by the Supervisory Board elected by the General Meeting of Shareholders. The Supervisory Board of the Company is made up of three members. The task of the Supervisory Board is to supervise the management of the Company in favour of the supreme body and with the purpose of protecting the Company's interest.

The chairman and the members of the Supervisory Board are elected by the General Meeting of Shareholders.

The members of the Supervisory Board are elected for a definite period of time, no longer than five years. Members of the Supervisory Board can be re-elected or recalled, without cause. The term of a member of the Supervisory Board elected through interim election, shall expire when the term of the other members of the Supervisory Board expire.

#### **Audit Committee**

From among the independent members of the Supervisory Board the general meeting of shareholders shall elect a three-member Audit Committee.

If the Supervisory Board has three members, and all are independent pursuant to the law, they are automatically elected by the General Meeting of Shareholders to become members of the Audit Committee. The chairman of the Audit Committee is elected by the members from among themselves. The termination of the membership in the Audit Committee is governed by the rules for the termination of the membership in the Supervisory Board. The membership in the Audit Committee is also terminated if the membership in the Supervisory Board is terminated.

### **1.3. Meetings of the Board of Directors, Supervisory Board (and Audit Committee) held in the given period**

The Board of Directors of Rába Plc. had got 2 times general meeting, 2 times meeting held by means of telecommunication and 19 times written voting in 2020, with an average attendance of 89.4 per cent. The Board of Directors discussed the submissions to the General Meeting, the main events concerning the Group and their effects, the periodical and expected results, the plans and prospects of the companies, among others on its meetings.

The regulations relating to the state of emergency declared because of coronavirus pandemic (Covid-19) did not allow to hold the annual general meeting convened for April 9, 2020 and the extraordinary general meeting convened for December 3, 2020 with the personal attendance of the shareholders. So according to the legal authorization the Board of Directors passed, in its competence of General Meeting, the resolutions related to the agenda items of the General Meeting on April 30, 2020 and on December 3, 2020.

The Supervisory Board (and Audit Committee) had got 1 time general meeting, 1 time meeting held by means of telecommunication and 6 times written voting in 2020, always with an attendance of



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100%. The Committees discussed the main events of the Company, its economic, financial situation and the reports of the internal auditor on their meetings.

#### **1.4. Presentation of the work done by the Board of Directors, the Supervisory Board and the management as well as the considerations for assessing their individual members**

The base of the evaluation of the Board of Directors' and Management' work is the strategy and the business plan.

The Board of Directors makes a detailed on analysis based strategy plan generally for 4 years. This plan will be controlled every year and does the necessary updates. With the evaluation of the work done for realizing the plan the Committee qualify the correctness of the strategy and evaluate itself work. The Board of Directors generally prepares a report on the Company's business operations in the last business year for the annual general meeting.

The work of the Chief Executive Officer and the Chief Financial Officer was evaluated through the fulfilment of the business plan. This evaluation will take place formally at the last Board of Directors' Meeting after the Annual General Meeting, when they determine the payable amount of annual bonus for the Chief Executive Officer and the Chief Financial Officer.

The Supervisory Board expressed the opinion previously on evaluation of the performance of the Chief Executive Officer, the Chief Financial Officer and the Human Resources and Controlling Director.

The annual work of the Human resources and controlling director was evaluated by the Chief Executive Officer in framework of the „annual personal efficiency evaluation" (APEE). The payable amount of the bonus was determinate by fulfilment of business and personal targets.

The evaluation of the work of the Chief Executive Officer and the Chief Financial Officer will be documented in the records of the Board of Directors' Meeting, and it of the Human Resources and Controlling Director will be documented on the personal efficiency evaluation sheet.

The Supervisory Board reviews its activity in the previous year yearly. The annual general meeting discusses the Report of the Supervisory Board under the approval of the annual financial statements.

The assessment of the work done in 2019, carried out in 2020 did not result in any personal changes.

#### **1.5. Operation and tasks of the Supervisory Board and Audit Committee**

Considering that the professional introduction of the Committee members is presented in Item 1.2 and the Item 1.3 gives information on the meetings held, this Item is about the operation and tasks of the committees.

##### **1.5.1. Supervisory Board**

Supervision of the Company's executive management is performed by the Supervisory Board elected by the General Meeting of Shareholders. The Supervisory Board of the Company is made up of three members. The task of the Supervisory Board is to supervise the management of the Company in favour of the supreme body and with the purpose of protecting the Company's interest.

The chairman and the members of the Supervisory Board are elected by the General Meeting of Shareholders.

The members of the Supervisory Board are elected for a definite period of time, no longer than five years. Members of the Supervisory Board can be re-elected or recalled, without cause. The term of a member of the Supervisory Board elected through interim election, shall expire when the term of the other members of the Supervisory Board expire.





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Pursuant to Act CLII of 2007, the Members of the Supervisory Board and Audit Committee are required to declare their assets.

The detailed rules for the tasks, the authority and operation of the Supervisory Board are contained in the Articles 23-24 of the Articles of Association of Rába Plc and in the Rules of Procedure of the Supervisory Board, that are available at the web site of the Company:

[http://raba.hu/investment/en.befektetoi.raba.hu/doctar/Alapdokumentumok/2021/Raba\\_Plc\\_Articles\\_of\\_Association\\_20201203.pdf](http://raba.hu/investment/en.befektetoi.raba.hu/doctar/Alapdokumentumok/2021/Raba_Plc_Articles_of_Association_20201203.pdf)

[http://raba.hu/investment/en.befektetoi.raba.hu/doctar/Alapdokumentumok/Raba\\_Plc\\_Rules\\_of\\_Procedure\\_SB\\_2016.pdf](http://raba.hu/investment/en.befektetoi.raba.hu/doctar/Alapdokumentumok/Raba_Plc_Rules_of_Procedure_SB_2016.pdf)

### **1.5.2. Audit Committee**

From among the independent members of the Supervisory Board the general meeting of shareholders shall elect a three-member Audit Committee.

If the Supervisory Board has three members, and all are independent pursuant to the law, they are automatically elected by the General Meeting of Shareholders to become members of the Audit Committee. The chairman of the Audit Committee is elected by the members from among themselves. The termination of the membership in the Audit Committee is governed by the rules for the termination of the membership in the Supervisory Board. The membership in the Audit Committee is also terminated if the membership in the Supervisory Board is terminated.

The Audit Committee shall – unless it is composed automatically of the members of the Supervisory Board – prepare its own procedures. If it is composed automatically of the members of the Supervisory Board, its procedures are identical with those of the Supervisory Board.

Pursuant to Act CLII of 2007, the Members of the Audit Committee are required to declare their assets.

Furthermore, the Audit Committee is governed by the special provisions concerning the of public-interest entities of Act CXX of 2001 on the Capital Market.

The detailed rules for the tasks, the authority and operation of the Audit Committee are contained in the Article 24.5 of the Articles of Association of Rába Plc and in the Rules of Procedure of the Supervisory Board, that are available at the web site of the Company:

[http://raba.hu/investment/en.befektetoi.raba.hu/doctar/Alapdokumentumok/2021/Raba\\_Plc\\_Articles\\_of\\_Association\\_20201203.pdf](http://raba.hu/investment/en.befektetoi.raba.hu/doctar/Alapdokumentumok/2021/Raba_Plc_Articles_of_Association_20201203.pdf)

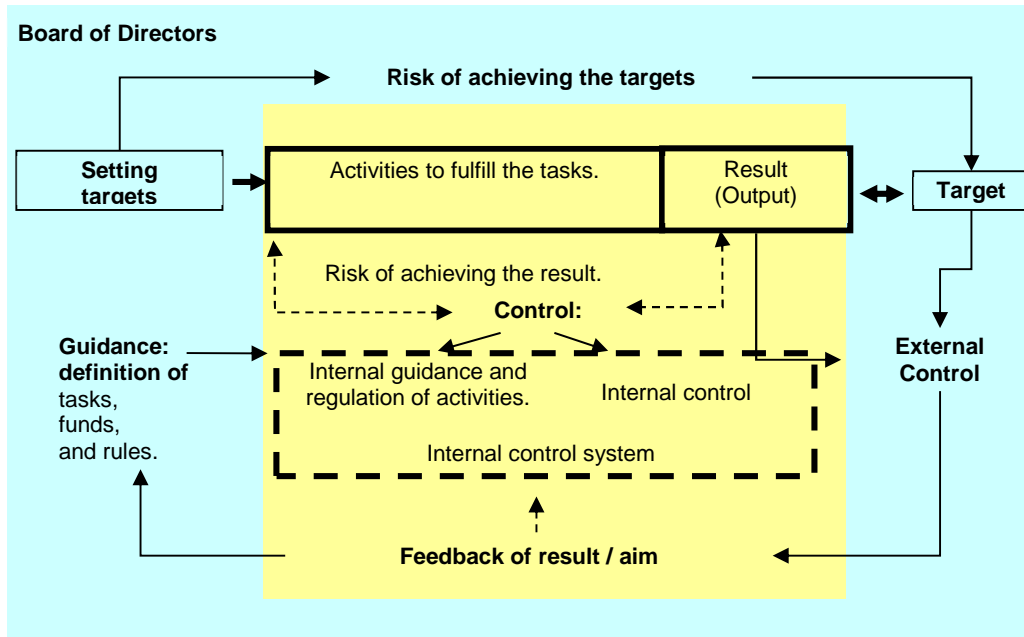
[http://raba.hu/investment/en.befektetoi.raba.hu/doctar/Alapdokumentumok/Raba\\_Plc\\_Rules\\_of\\_Procedure\\_SB\\_2016.pdf](http://raba.hu/investment/en.befektetoi.raba.hu/doctar/Alapdokumentumok/Raba_Plc_Rules_of_Procedure_SB_2016.pdf)

### **1.6. System of internal controls, evaluation of the activities performed in the given period, efficiency and effectiveness of the risk management procedures**

The target of the internal control is fulfilling with a required quality the defined tasks of the organization:

- to fulfil its economic activities regularly, economically, efficiently and effectively;
- to be in accordance with the relative rules and regulations of law;
- to satisfy completely the demand of buyers in time.

## Approach based on risks



### The internal control system of the Company is based on two main principles

- Internal guidance and regulation of activities
- Internal control

According to the Act CXXII of 2009 on law-efficient operation of a publicly owned companies and the Government Decree No. 339/2019.(XII.23.) on the internal control system of publicly owned companies, the Company is required to set up and operate an internal control system as of January 1, 2021.

### Internal coordination and regulation of the activity

- Rába's management exercises the internal controls in different levelled and regulated (daily, weekly, monthly) manager meetings. To handle the risks defined at meetings immediate arrangements will be made.
- The economic processes of the company and their persons in charge will be guided and controlled by written managing-, procedure- and work rules, which are updated time to time continually.

### Internal control

The acting internal control organization works under the supervision of the Supervisory Board. It does its activity based on and according to the approved yearly internal control plan, which will be completed with ad-hoc monitoring.

Pursuant to the conflict of interest rule as per Government Decree No. 339/2019. (XII. 23.), persons performing internal control functions at the parent company cannot participate in the internal controlling of the subsidiary. In consideration of this conflict of interest regulation, the earlier group-level system had to be replaced by internal controlling organisations for each member company in such a way that the internal controlling organisation of each company was under the professional supervision of the supervisory board of the given company.

According to the interpretation of the Ministry without Portfolio Responsible for Managing National Assets, this conflict of interest rule does not apply to groups of companies, developing group-level



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internal controlling is actually the preferred solution, thus the Company has returned to group-level internal controlling starting January 1, 2021.

The internal controls done during 2020 didn't find any deficiency dangerous for the operation of the company or for the interests of shareholders. There was any offence against law. All the deficiencies written in the internal control reports are solved or under way and all the proposals of these reports are launched.

The Company's shareholders are informed about the operation of the internal control system by the Company's publications.

### **Risk management**

To the operation of the company it is essential to manage the risk aspects. Rába Plc's production, products, sale, markets and customers mean different risks to the company. The company's risk management for the effective activity is based upon two pillars:

1. Managing of the change of the customer's demand, assurance of the conditions of the operation and production

The company minimizes the risks in relation to the continuous course of business by the planned maintenance of the key producing equipment, the realization of the investments in accordance with the strategic plan, the plans prepared for the unexpected production stop (outsourcing) and manages the change of the customer's demand mainly by use of allocated cumulative working hours and operation of consignment stores. The risks are managed at different levels according to its measures and seriousness.

2. Financial risk management

The financial risk management is specialized in short, market risks. The main means applied now or applicable by managing the financial risks:

- to enter into swap, forward and option FX transactions
- to apply customer insurance
- to apply property insurance
- to operate an internal supplier, customer qualification system.

The Company managed the risks arisen of an appropriate quality. Extraordinary expenses, significant negative effects did not come up due to the inadequate management of the external and internal risks.

### **1.7. Activity of the auditor**

In 2020 the audit of Rába Group was done by Ernst & Young Kft. Ms. Zsuzsanna Éva Bartha is the auditor in charge, Mr. Péter Mészáros is the deputy auditor on behalf of the appointed company. The company does not provide other professional services different from the audit in 2020.

### **1.8. Publication policy, insider people**

In its publication policy Rába Plc. uses statutory and required rules according to the publicize rules and regulations of law, the rules of Budapest Stock Exchange and the rules of its own Articles of Associations. The places of publicize are: the website of the company ([www.raba.hu](http://www.raba.hu)) and the official website of Budapest Stock Exchange according to the articles of associations; and the capital market publication system operating by the Central Bank of Hungary.

According to 199§ of Capital Market Act, based on Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse Rába Plc. ensures that the records concerning persons with access to insider information, working for Rába in labour relation or in other



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quasi contract, are kept in accordance with the provisions of the law. Directives of Capital Market Law are valid to the insider people.

### **1.9. Exercising shareholders' rights**

The shareholders may exercise shareholders' rights in relation to the Company provided that they are registered in the Company's Register of Shareholders and their ownership of shares is certified by a shareholding certificate.

The shareholding certificate is not required for exercising shareholders' rights if the Register of Shareholders is compiled by way of shareholder's identification initiated by the Company,

Shareholders shall be entitled to participate in the General Meetings and to vote if they hold shares with voting rights. To exercise shareholders' rights at the General Meeting of Shareholders, either in person, or through the authorised representative, the shareholder's name has to be shown in the Register of Shareholders at 6 p.m., on the second working day preceding the starting day of the General Meeting of Shareholders, based on the shareholder's identification initiated by the Company for the period between the 7th and the 5th working day preceding the General Meeting of Shareholders.

The Register of Shareholders shall be kept by the Board of Directors of the Company or by the person contracted with the Board of Directors for keeping the Register of Shareholders. The Register of Shareholders shall contain for each shareholder: the company/name of the shareholder (proxy holder); seat/address of the shareholder (proxy holder); number, nominal value of shares, amount paid for the individual shares, as well as the ownership ratio of the shareholder (proxy holder) per share series and the date of entry into the Register of Shareholders.

Shareholders have the right to a pro-rata portion of the net profit to be distributed according to the resolution of the General Meeting of Shareholders (dividend).

Shareholders recorded in the Register of Shareholders on the day as defined by the General Meeting of Shareholders deciding about the dividend payment are entitled to a dividend. The right to claim an uncollected dividend shall lapse after five years from when the dividend was due.

The detailed rules for exercising of shareholders' rights are contained in the Articles of Association of Rába Plc, which is available at the web site of the Company:

[http://raba.hu/investment/en.befektetoi.raba.hu/doctar/Alapdokumentumok/2021/Raba\\_Plc\\_Articles\\_of\\_Association\\_20201203.pdf](http://raba.hu/investment/en.befektetoi.raba.hu/doctar/Alapdokumentumok/2021/Raba_Plc_Articles_of_Association_20201203.pdf)

### **1.10. Rules for the settlement of the General Meeting**

The supreme organ of the Company is the General Meeting of Shareholders, composed of the totality of the shareholders. The General Meeting of Shareholders has the right to decide matters under the competence of the Board of Directors, including those of the Chief Executive Officer, as well.

The Annual General Meeting is held once a year, by the deadline stipulated by the relevant legal regulation. If it is necessary, the Company may hold extraordinary general meeting, beside the annual general meeting, at any time as specified in the Articles of Association.

The detailed rules for tasks, authority and settlement of the General Meeting are contained in the Articles 13-18 of the Articles of Association of Rába Plc, which is available at the web site of the Company:

[http://raba.hu/investment/en.befektetoi.raba.hu/doctar/Alapdokumentumok/2021/Raba\\_Plc\\_Articles\\_of\\_Association\\_20201203.pdf](http://raba.hu/investment/en.befektetoi.raba.hu/doctar/Alapdokumentumok/2021/Raba_Plc_Articles_of_Association_20201203.pdf)



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### **1.11. Remuneration policy, remuneration report**

Pursuant to Act LXVII of 2019 on Encouraging long-term shareholder engagement and amendments of certain laws for harmonisation purposes, the Company has drafted its Remuneration Policy, approved through the resolution No. 12/2020.04.30., passed by the general meeting of shareholders (through the Board of Directors).

In line with the provisions of the regulation, the Remuneration Policy is applicable from the 2021 business year.

Subsequently, the Company shall draft a remuneration report annually, to be published on the webpage following the voting of the general meeting of shareholders called to express its position.

The Remuneration policy is available at the web site of the Company:

[http://raba.hu/investment/en.befektetoi.raba.hu/doctar/Alapdokumentumok/Raba\\_Plc\\_Remuneration\\_rules\\_policy\\_2020.pdf](http://raba.hu/investment/en.befektetoi.raba.hu/doctar/Alapdokumentumok/Raba_Plc_Remuneration_rules_policy_2020.pdf)

Győr, March 2021



## Corporate Governance Report on Compliance with the Corporate Governance Recommendations

### LEVEL OF COMPLIANCE WITH THE RECOMMENDATIONS

#### 1. Shareholders' rights and the General Meeting

##### 1.1. General Principles

- 1.1.1. Does the Company have an organisational unit dealing with investor relationship management, or a designated person to perform these tasks?

**Yes**

- 1.1.2. Are the Company's Articles of Association available on the Company's website?

**Yes**

- 1.1.4. If the Company's Articles of Association allow shareholders to exercise their rights in their absence, did the Company publish the methods and conditions of doing so, including all necessary documents?

**Yes**

##### 1.2. Convening the General Meeting

- 1.2.1. Did the Company publish on its website a summary document containing the rules applicable to the conduct of its General Meetings and to the exercise of voting rights by shareholders?

**Yes**

- 1.2.2. Did the Company publish the exact date when the range of those eligible to participate in a given company event is set (record date), and also the last day when the shares granting eligibility for participating in a given company event are traded?

**Yes**

- 1.2.3. Did the Company hold its General Meetings in a manner providing for maximum shareholder participation?

**Yes**

- 1.2.6. The Company did not restrict the shareholders' right to designate a different representative for each of their securities accounts to represent them at any General Meeting.

**Yes**

- 1.2.7. For proposals for the agenda items, were the Board of Directors' draft resolution and also the Supervisory Board's opinion disclosed to the shareholders?

**Yes**

##### 1.3. Conducting the General Meeting

- 1.3.3. The Company did not restrict the right of its shareholders attending a General Meeting to request information, add comments and submit proposals, or set any preconditions for these with the exception of some measures taken to conduct the General Meeting in a correct manner and as intended.

**Yes**



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- 1.3.4. By answering the questions raised at the General Meeting, did the Company ensure compliance with the information provision and disclosure principles set out in legal and stock exchange requirements?

**Yes**

- 1.3.5. Did the Company publish on its website the answers to the questions that the representatives of the Company's boards or its auditor present at the General Meeting could not satisfactorily answer at the meeting within 3 working days following the General Meeting, or an official statement explaining why it refrained from giving answers?

**Yes**

- 1.3.7. Did the Chairman of the General Meeting order a recess or suggest that the General Meeting be postponed when a proposal or proposal relating to a particular issue on the agenda was submitted which the shareholders hadn't had a chance to become familiar with before the General Meeting?

**Yes**

- 1.3.8.1. The Chairman of the General Meeting did not use a combined voting procedure for a decision related to electing and recalling executive officers and Supervisory Board members.

**Yes**

- 1.3.8.2. For executive officers or Supervisory Board members, whose nominations were supported by shareholders, did the Company disclose the identity of the supporting shareholder(s)?

**Yes**

*Explanation: Yes, the Company disclosed the identity of the nominating shareholder(s).*

- 1.3.9. Prior to discussing agenda items concerning the amendment of the Articles of Association, did the General Meeting pass a separate resolution to determine whether to decide on each amendment of the Articles of Association by individual votes, joint votes, or votes combined in a specific way?

**No**

*Explanation: According to the practices until now, the General Meeting passed one resolution on the amendment of the Articles of Association proposed by the Company and resolutions on each amendment of the Articles of Association proposed by shareholder motion separated, except when the General Meeting required differently, then passed a separate resolution on setting of the consolidated memorandum of the Articles of Association according to the amendments and submitting thereof to the Court of Registry.*

- 1.3.10. Did the Company publish the minutes of the General Meeting containing the resolutions, the description of the draft resolutions and any important questions and answers related to the draft resolutions within 30 days following the General Meeting?

**Yes**

*Explanation: The Company published the draft resolutions of the General Meeting, then the resolutions of the General Meeting. Since there is not any legal obligation on publishing of the Minutes of the General Meeting, the Company met its commitments on deposition of the Minutes of the General Meeting on the Court of Registry according to the current prescriptions of the Civil Code.*

## **1.6. Transparency and Publication**

- 1.6.1.1. Do the Company's publication guidelines cover the procedures for electronic, online disclosure?

**Yes**

- 1.6.1.2. Does the Company design its by considering the aspects of disclosure and the information of investors?

**Yes**



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1.6.2.1. Does the Company have an internal publication policy in place which covers the processing of the information listed in Section 1.6.2 of the Recommendations document?

**Yes**

1.6.2.2. Do the internal regulations of the Company cover the methods for the assessment of events judged to be important for publication?

**Yes**

1.6.2.3. Did the Board of Directors assess the efficiency of the publication processes?

**Yes**

*Explanation: The management assesses the efficiency of the publication processes at the Company.*

1.6.2.4. Did the Company publish the findings of the efficiency assessment of the publication process?

**No**

*Explanation: The Company assesses the efficiency of the publication processes by an internal analysis. It is not required to publish its findings, so the Company does not consider necessary to publish it.*

1.6.3. Did the Company publish its annual company event calendar?

**Yes**

1.6.4. Did the Company publish its strategy, business ethics and policies regarding other stakeholders?

**Yes**

*Explanation: The strategic guidelines were not fully published because of business policy.*

1.6.5. Did the Company publish the career information of Board of Directors, Supervisory Board and management members in its annual report or on the company website?

**Yes**

1.6.6. Did the Company publish all relevant information about the internal organisation and the operation of the Board of Directors and the Supervisory Board, about the work of the management, the assessments of these and the changes in the current year?

**Yes**

1.6.8. Did the Company publish its risk management guidelines and information about its system of internal controls, the main risks and the principles for their management?

**Yes**

*Explanation: The Company is requested to set up the internal control system as of January 1, 2021.*

1.6.9.1. Did the Company publish its guidelines relating to the trading of its shares by insiders?

**No**

*Explanation: The Company enforces the legal provisions.*

1.6.9.2. Did the Company disclose the share of the Board of Directors, Supervisory Board and management members in the securities issued by the Company, as well as the extent of their interest under the equity-based incentive system in the annual report or in some other way?

**Yes**

1.6.10. Did the Company publish the relationship of Board of Directors, Supervisory Board and management members may have with third parties which could affect the operation of the Company?

**Yes**





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## **2. Governance, Control, Risk Management**

### **2.1. Distribution of responsibilities and competences within the Company**

- 2.1.1. Does the Company's Articles of Association contain clear provisions regarding the responsibilities and competences of the General Meeting and the Board of Directors?

**Yes**

### **2.2. Board of Directors**

- 2.2.1. Does the Board of Directors have a rules of procedure in place defining the organisational structure, the actions for arranging for and conducting the meetings, and the tasks regarding the adopted resolutions, as well as other issues related to the operation of the Board of Directors?

**Yes**

- 2.2.2. Does the Company publish the procedure used for nominating Board of Directors members and the principles for determining their remuneration?

**No**

*Explanation: The Company does not publish the procedure used for nominating the members of the Board of Directors; they are nominated pursuant to shareholder motion on the General Meeting.*

### **2.3. Supervisory Board**

- 2.3.1. Does the Supervisory Board provide a detailed description of its operation and duties, as well as the administrative procedures and processes followed by it, in its rules of procedure and work plan?

**Yes**

### **2.4. Meetings of the Board of Directors and the Supervisory Board**

- 2.4.1.1. Did the Board of Directors and the Supervisory Board hold meetings periodically at a pre-defined interval?

**Yes**

- 2.4.1.2. Did the rules of procedure of the Board of Directors and the Supervisory Board provide rules for the conduct of meetings that cannot be planned in advance, and for decision-making using electronic telecommunications means?

**Yes**

- 2.4.2.1. Did board members have access to the proposals to be presented at the meeting of the respective board at least five days prior to the meeting?

**Yes**

- 2.4.2.2. Did the Company arrange the proper conduct of the meetings, the drawing up of the meeting minutes and management of the resolutions made by the Board of Directors and the Supervisory Board?

**Yes**

- 2.4.3. Do the rules of procedure provide for the regular or ad hoc participation of non-board members at respective board's meetings?

**Yes**



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## 2.5. Members of the Board of Directors and the Supervisory Board

- 2.5.1. Were the members of the Board of Directors and the Supervisory Board nominated and elected in a transparent process, and was the information about the candidates made public in due time before the General Meeting?

**Yes**

*Explanation: The members of the Board of Directors and of the Supervisory Board are nominated and elected pursuant to shareholder motion. The Company do not have any influence, when and what information gives the shareholder in its motion referring to the candidates.*

- 2.5.2. Does the composition and size of the boards comply with the principles set out in Section 2.5.2 of the Recommendations?

**Yes**

- 2.5.3. Did the Company ensure that the newly elected Board of Directors and Supervisory Board members became familiar with the structure and operation of the Company and their tasks were carried out as members of the respective boards?

**Yes**

## 2.6. Independence of Supervisory Board members

- 2.6.1. Did the Supervisory Board request (in the context of preparing the annual corporate governance report) its members considered to be independent to confirm their independence at regular intervals?

**Yes**

- 2.6.2. Does the Company provide information about the tools which ensure that the Board of Directors assesses objectively the management's activities?

**Yes**

- 2.6.3. Did the Company publish its guidelines concerning the independence of its Supervisory Board members and the applied independence criteria on its website?

**No**

*Explanation: The Company enforces the legal provisions.*

- 2.6.4. Does the Supervisory Board of the Company have any members who has held any position in the Board of Directors or in the management of the Company in the previous five years, not including cases when they were involved to ensure employee participation?

**No**

*Explanation: Dr. Zsolt Harmath resigned from his position at the Board of Directors as of 14.04.2016 and he is a member of the Supervisory Board from 17.04.2016.*

## 2.7. Conflict of interest of Board of Directors and Supervisory Board members – insider trading

- 2.7.1. Did members of the Board of Directors inform the Board of Directors and (if applicable) the Supervisory Board (or the Audit Committee if a uniform governance system is in place) if they, or individuals they have business relations with, or their relatives have interest in any business transactions of the Company (or any subsidiaries thereof) which excludes their independence?

**Yes**

- 2.7.2. Were transactions and assignments between members of boards/ members of the management/individuals closely associated with them and the Company/subsidiaries of the



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Company carried out in accordance with the Company's general business practice but applying more stringent transparency rules compared to general business practice, and were they approved?

**Yes**

2.7.3. Did board members inform the Supervisory Board / Audit Committee (Nominating Committee) if they had received an appointment for board membership or management position of a company not belonging to the Company Group?

**Yes**

2.7.4. Did the Board of Directors develop guidelines for the flow of information and the management of insider information within the Company, and monitor compliance with them?

**Yes**

*Explanation: The management developed and monitor the internal rules for the flow of information and the management of insider information within the Company.*

## **2.8. Internal control systems and risk management**

2.8.1. Did the Company create an independent internal audit function that reports directly to the Audit Committee / Supervisory Board?

**Yes**

2.8.2. Does Internal Audit have unrestricted access to all information necessary for carrying out audits?

**Yes**

2.8.3. Did shareholders receive information about the operation of the system of internal controls?

**Yes**

*Explanation: The Company is requested to set up the internal control system as of January 1, 2021.*

2.8.4. Does the Company have a function ensuring compliance (compliance function)?

**Yes**

*Explanation: The Company is requested to set up a compliance department as of January 1, 2021. Before that, the tasks were not performed by one department.*

2.8.5.1. Is the Board of Directors or a committee operated by it responsible for the supervision and management of the entire risk management of the Company?

**Yes**

2.8.5.2. Did the relevant organisation of the Company and the General Meeting received information about the efficiency of the risk management procedures?

**Yes**

2.8.6. With the involvement of the relevant areas, did the Board of Directors develop the basic principles of risk management taking into account the special idiosyncrasies of the industry and the Company?

**Yes**

2.8.7. Did the Board of Directors define the principles for the system of internal controls to ensure the management and control of the risks affecting the Company's activities as well as the achievement of its performance and profit objectives?

**Yes**

*Explanation: According to legal regulations it is the duty of the Chief Executive Director to set up and operate the internal control system at the publicly owned companies as of January 1, 2021.*



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- 2.8.8. Did internal control systems functions report about the operation of internal control mechanisms and corporate governance functions to the competent board at least once a year?

**Yes**

## **2.9. External Advisor, Auditor**

- 2.9.2. Did the Board of Directors invite the Company's auditor in an advisory capacity to the meetings on financial reports?

**Yes**

## **Level of compliance with the Proposals**

- 1.1.3. Does the Company's Articles of Association provide an opportunity for shareholders to exercise their voting rights also when they are not present in person?

**Yes**

- 1.2.4. Did the Company determine the place and time of General Meetings initiated by shareholders by taking the initiating shareholders' proposal into account?

**Yes**

- 1.2.5. Does the voting procedure used by the Company ensure a clear, unambiguous and fast determination of voting results, and in the case of electronic voting, also the validity and reliability of the results?

**Yes**

- 1.3.1.1. Were the Board of Directors and the Supervisory Board represented at the General Meeting?

**Yes**

*Explanation: At the General Meeting, the Board of Directors was represented by the Chairman of the Board of Directors, nobody represented the Supervisory Board because of COVID-19 pandemic.*

- 1.3.1.2. In the event the Board of Directors and the Supervisory Board was absent, was it disclosed by the Chairman of the General Meeting before discussion of the agenda began?

**Yes**

- 1.3.2.1. The Articles of Association of the Company did not preclude any individuals from receiving an invitation to the General Meetings of the Company at the initiative of the Chairman of the Board of Directors and being granted the right to express their opinion and to add comments there if that person's presence and expert opinion is presumed to be necessary or help provide information to the shareholders and help the General Meeting make decisions.

**Yes**

- 1.3.2.2. The Articles of Association of the Company did not preclude any individual from receiving an invitation to the General Meetings of the Company at the initiative of shareholders requesting to supplement the agenda items of the General Meeting and from being granted the right to express their opinion and to add comments there.

**Yes**

- 1.3.6. Does the annual report of the Company prepared as specified in the Accounting Act contain a brief, easy-to-understand and illustrative summary for shareholders, including all material information related to the Company's annual operation?

**Yes**



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1.4.1. In line with Section 1.4.1, did the Company pay dividend within 10 working days to those of its shareholders who had submitted all the necessary information and documents?

**Yes**

1.6.11. Did the Company publish its information in English as well, in line with the provisions of Section 1.6.11?

**Yes**

1.6.12. Did the Company inform its investors about its operation, financial situation and assets on a regular basis, but at least quarterly?

**Yes**

2.9.1. Does the Company have in place internal procedures regarding the use of external advisors and outsourced activities?

**Yes**

Győr, March 2021