



# RICHTER GEDEON

## Report on Corporate Governance<sup>1</sup>

In order to comply with international and domestic legal and regulatory requirements and the highest ethical standards in all of its operations Gedeon Richter Plc. is committed to developing and maintaining a corporate governance system. This commitment is highlighted by the practice of transparent and efficient differentiation of the competences and responsibilities of the General Meeting, the Board of Directors (which has operated two subcommittees since 2004, the Corporate Governance and Nomination Subcommittee and the Remuneration Subcommittee), the Supervisory Board, and the Executive Management.

The corporate governance system and practice developed and applied by Richter is in keeping with the Corporate Governance Recommendations of the Budapest Stock Exchange as well as with the stock market regulations currently in force. The Company reviews its corporate governance principles from time to time to keep abreast with continuously evolving international practice.

### **The Company's governing bodies:**

#### **General Meeting**

The supreme body of the Company is the General Meeting, which consists of all shareholders. The Company's Annual General Meeting is convened no later than by the last day of the fifth month of every business year. The Annual General Meeting addresses, among other points on the agenda, the following subjects:

- Report prepared pursuant to the Accounting Act presented by the Board of Directors for the previous business year, on the management, the financial situation and the business policy of the Company;
- Board of Directors' report on the practice of corporate governance and on the departures made by the Company in applying the Corporate Governance Recommendations of the Budapest Stock Exchange;
- Comments of the Supervisory Board on the Company's report prepared pursuant to the Accounting Act, including also the recommendation regarding the appropriation of after-tax profits;

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<sup>1</sup> The report is concerning on 2014 business year. The Company's annual general meeting in 2014 business year was convened and held in accordance with the provisions of Act IV of 2006 on business associations (Companies Act), however by AGM resolution No. 10/2014.04.24. the Company has approved to position itself under the force of Act V of 2013 on the Civil Code (Civil Code). With reference to the previously mentioned the Company has amended its Statutes, thus the text of present report – except for good cause – reflect the regulations of the Statutes effective since April 24, 2014 and references to the Civil Code.

- Comments of the Auditor on the Company's report prepared pursuant to the Accounting Act, including also the recommendation regarding the appropriation of after-tax profits;
- Approval of the annual report prepared pursuant to the Accounting Act, including also the decision regarding the appropriation of after-tax profits;
- Approval of the consolidated report in line with IFRS;
- Resolution on the remuneration of elected officers.

The Company shall publish the key data of the annual report prepared pursuant to the Accounting Act and of the report of the Board of Directors and the Supervisory Board, the total number (proportion) of shares and voting rights at the date of convening the General Meeting, including separate summaries on the individual share classes, together with a summary of the proposals relating to the items on the agenda, the supervisory board report on these, and draft resolutions, as well as forms for voting via proxy, on the Company's website at least twenty-one days prior to the annual General Meeting. The Company shall publish the names of the members of the Board of Directors and the Supervisory Board and all monetary and non-monetary benefits granted to these members in this role, detailed by members and legal title for the benefit simultaneously with convening the General Meeting.

The General Meeting is chaired by the Chairman of the Board of Directors or another person previously invited by the Board of Directors to take the chair. The General Meeting shall approve the identity of the chairman of the General Meeting prior to substantive discussion of further items on the agenda and until this has happened, the General Meeting cannot make a further substantive decision in respect of the items of the agenda.

### **Shareholders' rights and treatment of shareholders**

All shareholders are entitled to participate in the General Meeting, and to request information and to make observations and to submit motions as set forth in the Civil Code.

The Board of Directors shall provide every shareholder who makes a written request with information necessary to enable the shareholder to evaluate items on the General Meeting agenda, so that the shareholder, who made such a request at least eight days before the General Meeting, shall receive the requested information at least three days prior to the General Meeting.

At the request of a shareholder, the Board of Directors shall grant the shareholder access to the relevant documents and data of the Company. The Board of Directors may decide that it will disclose information or grant access to documents on condition that the requesting shareholder makes a written declaration of confidentiality. The Board of Directors may refuse to disclose information or grant access to documentation or data if its dissemination would compromise business secrets of the Company, the shareholder abuses this right, or does not make a declaration of confidentiality after being requested by the Board of Directors. If the shareholder finds that the refusal of his request is unfounded, then he may request the Court of Registration to oblige the Company to provide the requested information.

Shareholders may practise their rights after entitlement verification by way of the identification procedure. No certificate of ownership is required for the practice of shareholders' rights. The date of registration in the Share Register shall be the same as the date of the identification of ownership.

At the General Meeting, shareholders rights can be exercised via the voting card. The voting card shall contain the name and the number of votes entitled to the shareholder or the shareholder's representative. The Company shall only issue a voting card to a shareholder or shareholder's representative who is registered in the Share Register as the owner of the shares or as the shareholder's representative, or in case of jointly owned shares, as joint representative.

Shareholders may exercise their rights at the General Meeting through an authorized representative. Representatives may obtain voting cards if they present authorization contained in an official deed or a private deed of full probative value to the Company at the place and time indicated in the announcement regarding the General Meeting.

The name of a shareholder, or of a shareholder's representative, who wishes to participate in the General Meeting shall be recorded in the Share Register by the second working day preceding the commencement day of the General Meeting.

Only those shareholders may exercise their rights at the General Meeting who is the owner of the shares on the reference date for the identification of ownership and whose name is contained in the Share Register on the second business day before the first day of the General Meeting. The keeper of the Share Register shall ensure the possibility of exercising of the right of registration until 6.00 PM (Budapest time) on the second business day before the first day of the General Meeting.

Every share of nominal value HUF 100 entitles its holder to one vote. At general meetings, a shareholder may not exercise voting rights, for its own account or as a representative of another shareholder, alone or in concert with affiliated persons, in excess of twenty-five percent (25%) of the voting rights attached to the shares by shareholders present or represented at the General Meeting. A shareholder shall not be entitled to exercise voting rights prior to having effected full payment of its contribution in cash.

The shareholder is entitled to receive a share of the Company's profits that are distributable and where a dividend is declared by the General Meeting. Such dividend shall be in proportion to the number of nominal shares held by the shareholder (right to a dividend) however, dividends with respect to treasury shares shall be divided to shareholders entitled to dividends, payable in proportion of the nominal value of their shares. Shareholders that have been registered in the Share Register as a result of the identification of ownership prepared on the reference date established and announced by the Board of Directors regarding the payment of dividends are entitled to dividends. The date with relevance with respect to the entitlement to dividends established by the Board of Directors may be different than the date of the General Meeting adopting the decision for the payment of dividends.

In the event of termination of the Company without a legal successor, the shareholder shall be entitled - based on the payments and in-kind contributions made by the shareholder for the shares - to a proportion of any remaining assets of the Company following satisfaction of the creditors. Such proportion of the remaining assets shall be distributed to the shareholder in proportion to the ratio of the nominal value of its shareholding in the Company's registered capital and the total registered capital of the Company (proportional right to liquidation assets).

## **The Board of Directors**

The Board of Directors of Gedeon Richter Plc. is the decision making body of the Company in matters other than those that are within the exclusive competence of the General Meeting.

Increasing value for shareholders, profitability, enhancing efficiency and transparency of operation and providing the conditions for environmental protection and safe operation as well as good shareholder relations based on consistent information are priority considerations and goals for the Board of Directors.

## **The structure, competence and operation of the Board of Directors**

Pursuant to the Company's Statutes the Board of Directors is made up of at least three and not more than eleven members. Members of the Board of Directors are elected by the General Meeting for a definite term of not more than five years. Currently the Board of Directors consists of eleven members, eight of whom are independent. The Company applies the criteria of independence of the Civil Code. The Company's Managing Director is a member of the Board of Directors. Separation of the office of chairman of the Board of Directors and the Managing Director is a key aspect of corporate governance; the chairman of the Board of Directors is always elected from among the external (independent) members. The Board of Directors elects its chairman and deputy chairman from among its members.

Chairman of the Board of Directors: William de Gelsey

Members of the Board of Directors: Erik Bogsch

János Csák (from April 24, 2014)

Dr. Gábor Gulácsi

Gergely Horváth (until April 24, 2014)

Dr. László Kovács

Csaba Lantos

Christopher William Long

Dr. Tamás Mészáros (until April 24, 2014)

Dr. Gábor Perjés

Dr. Csaba Polacsek

Prof. Dr. Szilveszter E. Vizi

Dr. Kriszta Zolnay (from April 24, 2014)

A detailed introduction of the members of the Board of Directors and their independent status is available on the Company's website at [www.richter.hu](http://www.richter.hu).

The business activity of the Company is controlled by the Board of Directors in accordance with the Company's Statutes, the resolutions of the General Meeting and the relevant effective legal regulations. The Board's competence includes review and approval of the Company's future outlook, strategic principles and programmes, and its transactions beyond the boundaries of regular business. It monitors and regularly evaluates the Company's performance and the management's operation. It selects and contracts the Managing Director; it evaluates the Managing Director's performance and determines the Managing Director's remuneration. It ensures compliance with the statutory provisions and the Code of Corporate Ethics.

The Board of Directors acts and passes resolutions as a body. The Board of Directors keeps minutes of its meetings and its resolutions are documented. Besides the recurrent items on its agenda the Board discusses and evaluates the performance of each of the key business segments. In 2014 the Board of Directors held ten (10) meetings with an average attendance rate of 96.36 %.

The Board of Directors has the quorum required for decisions on the merit of matters if at least two-thirds but at least three of its current members are present. The current number of members shall mean the number of members in office at the given time. If the Board does not have a quorum when it is first called, the Chairman shall call a repeated meeting for a date within three days from the original date. The reconvened meeting shall have a quorum if the majority of, but not less than three, members of the Board are present. The Board of Directors shall pass its resolutions by simple majority.

Pursuant to the resolution of the Annual General Meeting of 24 April 2014 the remuneration of the Chairman of the Board of Directors was set at HUF 625,000.00 per month and that of the members of the Board of Directors at HUF 520,000.00 per month.

### **Subcommittees of the Board of Directors**

In order to improve efficiency of decision-making processes the Board of Directors set up two subcommittees in 2004. The subcommittees consist of at least three independent Board members. The chairmen and members of the subcommittees are elected by the Board for a term equal to the member's term on the Board. The duties of the subcommittees are determined by the Board of Directors.

The following subcommittees are in operation:

### **Corporate Governance and Nomination Subcommittee**

The Corporate Governance and Nomination Subcommittee consist of three independent members not employed by the Company.

Chairman: Dr. Tamás Mészáros (until April 24, 2014)  
Christopher William Long (from April 24, 2014)

Members: Christopher William Long (until April 24, 2014)  
János Csák (from April 24, 2014)  
Dr. Gábor Perjés

Permanent invitee: William de Gelsey, Chairman of the Board of Directors

Within its sphere of competence the Corporate Governance and Nomination Subcommittee

- makes proposals to the Board of Directors on the number and composition of the Board of Directors and the Supervisory Board in accordance with needs as they arise, and makes proposals on the requirements of independence, qualification and professional experience of proposed candidates;

- prepares decisions of the Board of Directors on candidates for the Board of Directors and the Supervisory Board by recommending suitable candidates and by evaluating candidates proposed by the shareholders' representatives;
- monitors the implementation of the approved principles of corporate governance, prepares annual reports to the Board of Directors, and proposes necessary changes and additions to them.

The Corporate Governance and Nomination Subcommittee acts and makes decisions as a body. The Subcommittee keeps minutes of its meetings and its decisions are recorded. In the 2014 business year the Corporate Governance and Nomination Subcommittee held two (2) meetings with an average attendance rate of 100%.

### **Remuneration Subcommittee**

The Remuneration Subcommittee consists of three members. The members of the Subcommittee are independent, not employed by the Company.

Chairman: Prof. Dr. Szilveszter E. Vizi  
 Members: Csaba Lantos  
 William de Gelsey

Within its sphere of competence the Remuneration Subcommittee

- evaluates experiences related to the remuneration system of members of the Board of Directors and the Supervisory Board, and makes proposals as to its amendment taking into considerations the relevant effective legal regulations;
- makes proposals to the Board on the evaluation of the performance of the Managing Director and his remuneration.

The Remuneration Subcommittee acts and makes decisions as a body. The Subcommittee keeps minutes of its meetings and its decisions are documented. In the 2014 business year the Remuneration Subcommittee held two (2) meeting with an average attendance rate of 100%.

### **Division of responsibilities and duties between the Executive Management and the Board of Directors**

The Executive Management is responsible for management and control of the Company's operative activities. The chairman of the Executive Management is the Managing Director of the Company. The Board of Directors shall charge one of its members with the duty of controlling the operative activities of the Company in the capacity of Managing Director for a period determined by the Board of Directors. Except for the rights assigned to the General Meeting, the employer's rights over the Managing Director shall be exercised by the Board of Directors.

The Executive Management is a forum for the preparation of decisions, where all members have the right and obligation to provide an opinion. Based on the opinions of the members of

the Executive Management the final decision shall be made by the Managing Director or the Board of Directors, depending on their competence.

As set out by the Statutes the Board of Directors shall determine the competences of the Managing Director and shall approve the Company's Rules of Organization and Procedure. The Board of Directors may assign any of its powers related to day-to-day management to the Managing Director with terms and conditions to its discretion, and may from time to time revoke or change all or any of the powers so assigned; however, the assignation shall not affect the liability of the Board of Directors.

Under the Rules of Organization and Operation the Managing Director may assign some of his duties relating to the Company's internal administration to the Company's officers and employees by means of job descriptions, or by general or ad hoc orders. The Managing Director is competent to make decisions on any issues that are not within the sphere of competence of the General Meeting or the Board of Directors. The Managing Director may exercise and delegate employer's rights in respect of employees within the scope of and in such manner as defined in Annex B of the Company's Statutes and in the Company's Rules of Organization and Procedure.

The Managing Director makes decisions regarding the evaluation and remuneration of the work of the Executive Management in the context of the annual plan and the bonus system. The Board of Directors makes decisions regarding the evaluation and remuneration of the work of the Managing Director in the context of the annual plan and the bonus system and on the basis of the proposal of the Remuneration Subcommittee.

Members of the Executive Management:

Erik Bogsch	- Managing Director
Dr. Gábor Gulácsi	- Deputy Managing Director of Finance
Sándor Kováts	- Director of Commercial Services
Lajos Kovács	- Technical Director
András Radó	- Deputy Managing Director of Production and Logistics
Dr. Zsolt Szombathelyi	- Director of Research (until July 31, 2014)
Dr. István Greiner	- Director of Research (from August 1, 2014)
Dr. György Thaler	- Director of Development

A detailed introduction of the members of the Executive Management is available on the Company's website at [www.richter.hu](http://www.richter.hu).

## **Conflict of interest and independence**

In order to avoid conflict of interest of members of the Board of Directors and of the Executive Management in their relations to third parties the employment contract of members of the Executive Management prohibits employment or other legal relationship of a similar nature with an undertaking of a similar profile. Members of the Board of Directors and of the Supervisory Board shall make a declaration of no conflict of interest between their elected position and their other commitments upon their election. The Company applies the criteria of independence provided for by the Civil Code in respect of members of the Board of Directors and of the Supervisory Board.

## Supervisory Board

Pursuant to the Company's Statutes the Supervisory Board is made up of at least five and not more than nine members. Members of the Supervisory Board are elected by the General Meeting for a definite term of not more than three years.

Based upon the Statutes, as long as the number of the Company's full time employees exceeds a yearly average of two-hundred, employees shall participate in the control of the Company's activities through the Supervisory Board. In such case, one third of the members of the Supervisory Board shall be comprised of the employees' representatives. In the event of uneven number, such third shall be calculated in such manner which is more favourable to employees.

Currently the Supervisory Board consists of five members. Two of its members represent the employees and the remaining three members are independent (external) persons.

Chairman of the Supervisory Board:	Dr. Attila Chikán
Members:	Dr. Jonathán Róbert Bedros
	Jenő Fodor (employees' representative)
	Mrs. Tamásné Méhész
	Gábor Tóth (employees' representative)

A detailed introduction of the members of the Supervisory Board and their independent status is available on the Company's website at [www.richter.hu](http://www.richter.hu).

The Supervisory Board monitors the operations of the Company. The Supervisory Board holds meetings regularly in accordance with the relevant legal regulations and its agenda, passes resolutions on the topics determined in its work plan, and takes action whenever the Company's operative activity so requires. The Supervisory Board keeps minutes of its meetings and its decisions are recorded.

Within its competence the Supervisory Board submits proposals to the Board of Directors, discusses the Company's strategy, financial results, capital expenditure policies, and internal control, risk management and audit systems. At its meetings the Supervisory Board receives regular and suitably detailed information about the Company's management. The Chairman of the Supervisory Board is entitled to participate in the meetings of the Board of Directors with the right to give advice. In the 2014 business year the Supervisory Board held seven (7) meetings with an average attendance rate of 94.28 %.

The Supervisory Board shall have a quorum if at least each of its members has been duly invited thereto and at least two-thirds, but at least four members are present. The reconvened meeting originally adjourned due to the absence of a quorum shall have a quorum if at least three (3) members of the Supervisory Board - in the ratio defined in Section 16.8 of the Statutes - are present. The Supervisory Board shall pass its resolutions by simple majority of those present.

At the Annual General Meeting of 24 April 2014 the remuneration of the Chairman of the Supervisory Board was set at HUF 460,000.00 per month and that of the members of the Supervisory Board at HUF 375,000.00 per month.



## **Audit Board**

The Company has an Audit Board consisting of three members. Its members are elected by the General Meeting from among the independent members of the Supervisory Board. At least one member of the Audit Board shall have a professional certificate in accounting or auditing.

Members of the Audit Board:           Dr. Attila Chikán  
   Dr. Jonathán Róbert Bedros  
   Mrs. Tamásné Méhész

The Audit Board is responsible for the supervision of the Company's internal accounting rules. Accordingly, the competence of the Audit Board includes the following:

- to give an opinion on the annual report prepared pursuant to the Accounting Act;
- monitoring the statutory audit of the annual report prepared pursuant to the Accounting Act;
- making a recommendation concerning the person and remuneration of the auditor;
- preparation of the contract to be concluded with the auditor;
- monitoring compliance with the qualification requirements, regulations on conflict of interest and independency on the part of the auditor, discharging the duties relating to cooperation with the auditor, monitoring other services provided by the auditor to the company besides the auditing of the annual report prepared pursuant to the Accounting Act, and - where necessary - tabling recommendations to the Supervisory Board for taking measures;
- analysis of the financial reporting system and making recommendations when any action is deemed necessary;
- assisting the work of the Supervisory Board so as to exercise proper control of the financial reporting system as well as
- monitoring the effectiveness of the company's internal control and risk management.

The Audit Board acts and makes decisions as a body. The Board keeps minutes of its meetings and its decisions are recorded.

In the 2014 business year the Audit Board held two (2) meetings with an average attendance rate of 100%.

## **Internal controls and risk management system of the Company**

Richter considers risk management as a tool of effective corporate governance. Our goal is to identify, understand and assess risks in a timely fashion and to take steps to manage them. Evaluation of internal controls is part of risk assessment; hence the risk assessment function supports the Company in maintaining more efficient internal control mechanisms.

Richter's position is that it is impossible to devise a uniform system for all aspects of risk management; consequently, we rely on the meetings of the Company's various bodies in risk related decision-making and trust the skills, experience and judgment of our decision-makers in the implementation of internal requirements and rules.

Accountability and controls related to risk management:

- ▶ The Board of Directors shall be responsible for the overall control and supervision of Richter's risk management. In this context, the Board of Directors holds the Executive Management accountable for the identification of major areas of exposure, develops the key risk management requirements together with the Executive Management, and requires regular information about the efficiency of related risk management and internal control procedures.
- ▶ The Executive Management shall report to the Board of Directors regarding the implementation of risk management procedures and is ultimately responsible for risk management. The duties and responsibilities of the Executive Management shall also cover the development and maintenance of internal controls that ensure the management of exposures arising from the Company's operation and help achieve the Company's goals.
- ▶ Management of strategic risks is the direct competence of the Executive Management.
- ▶ The various functional areas are responsible for operating and compliance risk management in their particular areas. The risk management efforts of the heads of functional areas are supported by the meetings of the Company's bodies. The heads of the functional areas report to the Executive Management about risks in their particular areas in the context of the Company's internal reporting function.
- ▶ Financial risks are managed by the financial control function in a centralized fashion.
- ▶ The Audit Department conducts independent and objective assessment of the suitability of the internal controls system for efficient risk management. The assessment is performed on the basis of approved annual plans. When drawing up the annual plan the Audit Department shall take into consideration the Company's exposures (based on importance and rotation) as well as the proposals of the Executive Management. The Audit Department reports on the functioning of the internal control mechanisms at least annually.
- ▶ Risk management, internal controls and corporate governance functions shall be evaluated annually in the context of the Annual Report.

## **The Statutory Auditor**

In 2014 Gedeon Richter Plc.'s statutory Auditor was **PricewaterhouseCoopers Könyvvizsgáló Kft.** The individual auditor in charge appointed by the Auditor company, as responsible for fulfilment of tasks of the Auditor was Ms. Éva Barsi, member of the Hungarian Chamber of the Auditors.

In accordance with its contract, PricewaterhouseCoopers Könyvvizsgáló Kft. audits the Company's individual Annual Report prepared pursuant to Act C of 2000 on Accounting, and the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS, earlier IAS).

The audit of the financial statements mentioned above was conducted in accordance with the Hungarian Auditing Standards, the International Standards of Auditing (ISA) and the Accounting Act and other statutory provisions relevant to auditing.

The Statutory Auditor ensures continuity of auditing through regular on-site work and participation in meetings of the Board of Directors and the Supervisory Board, and through other forms of consultation. In addition, the Auditor reviews the Company's quarterly reports to BSE.

Pursuant to the resolution of the Annual General Meeting of 24 April 2014 the remuneration of the Statutory Auditor for the 2014 business year is HUF 19,000,000.00 + VAT, which includes fees for the auditing of the non-consolidated 2014 annual report in accordance with the Hungarian Accounting Act, the fee for examining the consonance between the non-consolidated annual report and business report for 2014, the fee for the auditor's report relating to the 2014 consolidated report and business report prepared in accordance with IFRS principles and the fee for auditing the Company's interim financial statements of 31 August 2014 according to the Hungarian Accounting Act, and the reviewing of the quarterly reports prepared for the Budapest Stock Exchange.

With the approval of the General Meeting, the business organization appointed as Auditor has audited the Company's financial statements prepared according to the Hungarian Accounting Act and also audited the Company's financial statements prepared according to the International Financial Reporting Standards.

## **Shareholder relations**

The official formal contacts with shareholders include the annual reports and financial statements, the quarterly reports published through the Budapest Stock Exchange and other announcements. In addition, shareholders receive information about the Company's business, results and strategies at the Annual General Meeting. The Company organizes roadshows for investors to inform shareholders and Global Depository Receipt (GDR) holders based in the United States, the United Kingdom and in all parts of Continental Europe. During the year investors may contact the Company with their inquiries and may put questions and make proposals at the General Meeting.

The Company's Investor Relations Department is responsible for coordinating the above activities. The Share Registration Department focuses primarily on small shareholder relations. In order to promote efficiency of information the Company designates special pages to issues of interest to shareholders and financial stakeholders on its website [www.richter.hu](http://www.richter.hu).

## **The Company's disclosure practices**

In accordance with the statutory provisions in force and the Regulations for Listing, Continued Trading and Disclosure of the Budapest Stock Exchange, the Company publishes its announcements, disclosures as well as its regular and extraordinary information on the website of the Budapest Stock Exchange ([www.bet.hu](http://www.bet.hu)), the website dedicated to capital market disclosures managed by the National Bank of Hungary ([www.kozzetetelek.hu](http://www.kozzetetelek.hu)), and on the Company's own website ([www.richter.hu](http://www.richter.hu)), as well as in the Hungarian Companies Journal. The invitation to the General Meeting is also published in the Financial Times in addition to the above. Accordingly, the Company publishes quarterly reports, and following conclusion of the business year, an annual report, and provides extraordinary information in cases where it becomes aware of actual or expected changes in its business that may directly

or indirectly affect the value or yield of its shares, or that are material for market players for making investment related decisions. In addition, the Company's Investor Relations Department keeps in touch with investors on a regular basis.

### **The Company' policy regarding insider trading**

Act CXX of 2001 on the Capital Market Act defines insider persons. The Company has developed regulations on the prohibition insider trading as provided by law.

The Company considers persons as insiders according to Sec. 201. (2) of the Capital Market Act.

### **Code of Ethics**

The Company has a Code of Ethics. The Code of Ethics provides for the conduct expected of the Company's employees in subordinate positions and for the higher levels of conduct demands on executive staff. It also sets guidelines on communications within the Company and on relations the Company and its business partners.

### **Corporate Social Responsibility**

The Company is committed to its immediate environment and the broader community, therefore, it feels responsible for supporting community goals according to its own capabilities or in cooperation with other organizations. Gedeon Richter Plc. believes it should play its part in the areas connected with its business activity. Consequently, the Company is a firm supporter of health care and education, and in particular chemical pharmaceutical and medical studies. Among foundations supporting education, of major importance is the "Talentum" Foundation, established in 2008, which supports education in natural science, health and medicine and talented young people. Cooperation agreements with universities offering courses in natural sciences support the research and educational activities of these universities. As far as the support of Hungarian health care is concerned, we have established the "Gedeon Richter for Hungarian Healthcare" Foundation. We also participate in Hungarian health projects aimed at promoting disease awareness and prevention. One such initiative is the Richter Health City project providing complex support to healthcare, launched in 2009. In 2011, the Company launched the "Richter for Women" programme, involving several initiatives. Part of this, the "Richter Golden Mum" award shared first prize in the Prizma Creative Award "Project of Year" in 2013. Gedeon Richter Plc. also received the Bisnode Reliability award in 2013. Reliability substantiated by the Bisnode certification is synonymous with long-term sustainability and at the same time symbolizes high-quality business status.

In 2014 Gedeon Richter Plc. was recognized with the Telenor Ethical Company award, established by Telenor Hungary and Transparency International Hungary. In 2014 we published our Sustainability report for 2012-2013. This is the first time we are presenting both the corporate social responsibility of our manufacturing subsidiaries and their environmental protection and safety activity.

The Company is determined that its activities should serve the interests of a healthier generation in the future.


### **Environmental awareness**

Compliance with health, safety and environmental regulations is a priority for Richter, therefore the Company strictly observes the statutory provisions relevant to these areas in all of its operations. Gedeon Richter Plc. is convinced that efficient and successful production is the basis of preserving its employees' health, creating a safe working environment, and protecting the environment.

Economic development and operations which that takes into consideration the state of our environment and social expectations and are pursued in possession of government permits and in compliance with their provisions – in brief, this is Richter's environmental protection strategy. The Company complies with Hungarian and international environmental laws and regulations and has held an Integrated Pollution Prevention Control (IPPC) licence since 2004. With a view to continuously improving its environmental performance, the Company operates an Environmental Management System according to ISO 14001; its system has been awarded an internationally valid environmental certificate since 2001.

Gedeon Richter Plc. believes it is important to make its environmental efforts and achievements known to everybody interested. From 2001 to 2004 Gedeon Richter Plc. provided information in annual environmental reports. Starting in 2005 the Company is providing information on environmental protection to the authorities and general public in its regular Sustainability reports.

Budapest, 28 April, 2015



William de Gelsey  
Chairman of the Board of Directors



Christopher William Long  
Member of the Board of Directors

## **CORPORATE GOVERNANCE DECLARATION**

### **on Compliance with the Corporate Governance Recommendations of the Budapest Stock Exchange Ltd.**

The Board of Directors of **Chemical Works of Gedeon Richter Plc.** (1103 Budapest, Gyömrői út 19-21., Register of Companies No.: 01-10-040944) (the "Company") makes the following declaration and provides the following information on behalf of the Company:

#### **Level of compliance with the Recommendations**

##### **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.**

No. Each shares of HUF 100 nominal value entitle to one vote. Under the Company's Statutes the maximum level of voting rights which may be exercised by a single shareholder independently or as a proxy or jointly with one or more person(s) shall be twenty-five percent (25%) of the total voting rights represented by the shareholders or their proxies attending the General Meeting.

##### **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 matters that are correctly detailed and summarized clearly and unambiguously.**

Yes

**The draft resolutions included the proposals of the Supervisory Board and a detailed explanation of the effects of the decision.**

Yes

##### **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.**

No, there were no comments or supplements.

**R 1.3.8**

**Comments on the items of the agenda were made available to shareholders simultaneously with registration at the latest.**

No, there were no such comments.

**Written comments made on the items on the agenda were published two working days prior to the general meeting.**

No, there were no such comments.

**R 1.3.10**

**The election and dismissal of executives took place individually and by separate resolutions.**

Yes

**R 2.1.1**

**The responsibilities of the Managing Body include those laid out in 2.1.1.**

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.**

Yes

**The rules of procedure of the Managing Body provide for unscheduled meetings and decision-making through electronic communications channels.**

Yes, they provide for extraordinary meetings called at short notice, and it is also possible to pass resolutions without a meeting; however, decision-making is not possible through electronic communications channels.

**The rules of procedure of the Supervisory Board provide for unscheduled meetings and decision-making through electronic communications channels.**

Yes, they provide for extraordinary meetings called at short notice, and it is also possible to pass resolutions without a meeting; however, decision-making is not possible through electronic communications channels.

**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 Company applies the criteria of independence provided for by the Civil Code. Earlier the Company applied BSE's former recommendations for assessing independence of members of the Board of Directors and the Supervisory Board. The Company's position is that the relevant statutory provisions provide an adequate basis for assessment of independence.

**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).**

No, there was no such case.

**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.**

No, there was no such transaction.

**Transactions which according to 2.6.2 fell outside the normal course of the company's business, and their terms and conditions were approved by the Supervisory Board (Audit Committee).**

No, there was no such transaction.

**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.**

No, there was no such case.

**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.**

No. According to the Company's practice members of the Board of Directors and the Supervisory Board undertake their work against fixed remuneration whose amount is approved by the Company's Annual General Meeting under a separate item on the agenda. The Managing Director makes decisions regarding the evaluation and remuneration of the work of the Executive Management in the context of the annual plan and the bonus system and on the basis of the proposal of the Remuneration Subcommittee.

**The Supervisory Board formed an opinion on the remuneration guidelines.**

No, there are no remuneration guidelines (see above).

**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.**

No (see above). According to the Company's practice members of the Board of Directors and the Supervisory Board undertake their work against fixed remuneration whose amount is approved by the Company's Annual General Meeting from year to year under a separate item on the agenda.

**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.**

Yes

**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.**

No. The Managing Director makes decisions regarding the evaluation and remuneration of the work of the Executive Management in the context of the annual plan and the bonus system.

**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.**

No, there was no deviation from the normal practice in respect of benefits.

#### **R 2.7.4**

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

No, there were no such schemes.

**Prior to the decision by the general meeting on share-incentive schemes, shareholders received detailed information (at least according to those contained in 2.7.4).**

No, there were no such schemes (see above 2.7.4).

#### **R 2.7.7**

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

No. Members of the Board of Directors and the Supervisory Board undertake their work against fixed remuneration whose amount is approved by the Company's Annual General Meeting from year to year under a separate item on the agenda. The Notes to financial statements in the Annual Report submitted to the General Meeting includes the aggregate remuneration of the members of the Board of Directors, the Supervisory Board and the management. AGM resolutions regarding the remuneration of members of the Board of Directors and Supervisory Board have been published on the Company's website. Furthermore, according to Sec. 312/A. of Companies Act<sup>2</sup>, the Company has published per member and described by virtue of the remuneration, all in cash and other (non cash) allowances given to the Members of the Board of Directors and of the Supervisory Board with reference to their such position in the previous business year.

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

No, there is no separate Remuneration Statement (see above).

#### **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.**

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<sup>2</sup> With reference to the circumstance according to which the Company's annual general meeting in 2014 business year was convened and held in accordance with the provisions of Act IV of 2006 on business associations (Companies Act), the Company has published all in cash and other (non cash) allowances given to the members of the Board of Directors and of the Supervisory Board with reference to their position in the 2014 business year according to Sec. 312/A. of Companies Act.

Yes

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

No, the Supervisory Board discusses the risk management in every year.

**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 2.8.4.**

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 has an internal audit department supervised by the Managing Director, which reports regularly to the Board of Directors, and also undertakes special tasks assigned by the Audit Board and the Supervisory Board.

**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. See above under 2.8.6.

**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 above under 2.8.6.

**As an organisation, the Internal Audit function is independent from the executive management.**

No. See above under 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 above under 2.8.6.

**R 2.8.9**

**The Managing Body prepared its report for shareholders on the operation of internal controls.**

No. See above under 2.8.6.

**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. See above under 2.8.6.

**R 2.8.11**

**The Managing Body identified the most important deficiencies or flaws in the system of internal controls, and reviewed and re-evaluated the relevant activities.**

Yes. See above under 2.8.6.

**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.**

No. There was no such case.

**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 that had a significant bearing on the operations of the company.**

No. There was no such assignment.

**The Managing Body pre-determined in a resolution what circumstances constitute “significant bearing”.**

No. The Board of Directors must be notified in each case where the external auditor or external advisor is given another assignment. See above under 2.9.2.

#### **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. Composition (list of members and short biographies) of the Audit Board is disclosed on the Company's website. Duties, targets and composition of the Audit Board are set forth in the Company's Statutes and its Annex and in the Annual review and in the Report on Corporate Governance.

#### **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).**

Yes. Composition (list of members and short biographies) of the Corporate Governance and Nomination Subcommittee is disclosed on the Company's website. Duties and targets of the Subcommittee are set forth in the Annual review and in the Report on Corporate Governance of 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).**

Yes. Composition (list of members and short biographies) of the Remuneration Subcommittee is disclosed on the Company's website. Duties and targets of the Subcommittee are set forth in the Annual review and the Report Corporate Governance of 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

#### **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.**

No, there was no new candidate for the position of auditor

**R 3.3.1**

**There is a Nomination Committee operating at the company.**

Yes. The Nomination Subcommittee currently operates in the context of the Corporate Governance and Nomination Subcommittee.

**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.**

No. Appointment of members of the Executive Management is the competence of the Managing Director.

**The Nomination Committee evaluated the activity of board and executive management members.**

Yes. The Corporate Governance and Nomination Subcommittee evaluated the activity of the members of the Board of Directors. Evaluation of the performance of members of the Executive Management is the competence of the Managing Director.

**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.**

Yes

**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, in respect of remuneration of members of the Boards. As regards remuneration of the Executive Management, see 2.7.3 and 3.4.3.

**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. See 2.7.3.

**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. There was no share option.

**R 3.4.4**

**The Remuneration Committee made proposals regarding remuneration guidelines.**

No. See 2.7.3

**R 3.4.4.1**

**The Remuneration Committee made proposals the remuneration of individual persons.**

No. See 2.7.3.

**R 3.4.4.2**

**The Remuneration Committee reviewed the terms and conditions of contracts concluded with the members of the executive management.**

No. See 2.7.3.

**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. Combination of the two committees was not raised.

**R 3.5.2**

**The Managing Body carried out the duties of the Nomination Committee and disclosed its reasons for doing so.**

No. The duties were undertaken by the Corporate Governance and Nomination Subcommittee.

**R 3.5.2.1**

**The Managing Body carried out the duties of the Remuneration Committee and disclosed its reasons for doing so.**

No. The duties were undertaken by the Remuneration Subcommittee.

**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. In terms of disclosure the Company follows the guidelines and procedures provided for in the relevant legal regulations and the rules of disclosure of the Budapest Stock Exchange.

**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.**

Yes, see 4.1.1.

**The company develops its website taking into consideration disclosure guidelines and the provision of information to investors.**

Yes, see 4.1.1.

**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, there were no other assignments.

**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, in the Annual Report and in the Report on Corporate Governance.

**R 4.1.10.1**

**The company provided information on the criteria considered when evaluating the work of the Managing Body, the executive management and the individual members thereof.**

No. The regarding information contained in the Corporate Governance Report of the Company. See 2.7.7.

**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.**

No. The Notes to financial statements in the Annual Report submitted to the General Meeting includes the aggregate remuneration of the members of the Board of Directors and the Supervisory Board. The attachment of the Company's Report on Corporate Governance describes the guidelines and practices regarding the remuneration of members of the Board of Directors, the Supervisory Board and the Executive Management. (See also R 2.7.7 point.)

**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, they are disclosed as a part of the Annual Report and the annual review.

**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 insider trading in the company's securities on its website.**

No. The Company has developed a set of rules comprising the prohibition of insider trading in accordance with the relevant statutory provisions.

**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, in the Notes to the Financial Statement in the Annual Report.

**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, there was no such relationship.

**Level of compliance with the Suggestions**

**S 1.1.3 The company has an investor relations department.**

Yes

**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).**

Yes

**S 1.2.2 The company's articles of association are available on the company's website.**

Yes

**S 1.2.3 The company disclosed on its website information according to 1.2.3 (on the record date of corporate events).**

Yes

**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.**

Yes. The Company published the invitation to the General Meeting as well as proposals, draft resolutions and the resolutions adopted by the General Meeting through its website, and on the website of BSE.

The Company complied with its duties in respect of depositing the minutes of the General Meeting in accordance with the relevant provisions of the Civil Code.

**S 1.2.5 The general meeting of the company was held in a way that ensured the greatest possible shareholder participation.**

Yes

**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.**

No, there were no additions.

**S 1.2.7 The voting procedure applied by the company ensured unambiguous, clear and fast decision-making by shareholders.**

Yes

**S 1.2.11 At the shareholders' request, the company also provided information on the general meeting electronically.**

Yes

**S 1.3.1 The person 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.**

Yes

**S 1.3.2 The Managing Body and the Supervisory Board were represented at the general meeting.**

Yes

**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.**

No, the Statutes do not expressly contain this possibility; however, the Company's practice has allowed for it over the years.

**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.**

Yes

**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.**

No, there were no such questions.

**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.**

Yes

**S 1.3.7 The company published a press release and held a press conference on the decisions passed at the general meeting.**

No. The Company has not published press release nor held press conference. The annual general meeting was open for the representatives of the press based upon previous registration.

**S 1.3.11 The company's general meeting decided on the different amendments of the articles of association in separate resolutions.**

No. The Company decided on the amendments necessary in connection with positioning itself under the force of the Civil Code in framework of one general meeting resolution.

**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.**

Yes, the Company has published the resolutions and draft resolutions. Regarding the minutes of the AGM the Company fulfilled its obligation to deposit the minutes in accordance with the regulations of the Civil Code /See S 1.2.4/.

**S 1.4.1 The dividend was paid within 10 days to those shareholders who had provided all the necessary information and documentation.**

Yes

**S 1.4.2 The company disclosed its policy regarding anti-takeover devices.**

Yes, it is included in the Statutes.

**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.**

Yes

**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

**S 2.3.2 Board members had access to the proposals of a given meeting at least five days prior to the board meeting.**

Yes

**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.**

Yes

**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.**

Yes

**S 2.4.2 The composition of boards and the number of members complies with the principles specified in 2.4.2.**

Yes

**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.**

Yes

**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

**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.**

No, because the functions of Chairman and Managing Director are separated.

**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, this is the case, there are no such members.

**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.**

Yes

**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

**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.**

Yes

**S 2.8.10 When evaluating the system of internal controls, the Managing Body took into consideration the aspects mentioned in 2.8.10.**

Yes

**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.**

Yes, the Company's auditor has examined the Company's risk management systems and the risk management activities of the Executive Management, which was appraised in the auditor's report.

**S 2.9.1 The rules of procedure of the Managing Body cover the procedure to be followed when employing an external advisor.**

No. In this respect the Board of Directors follows its practice.

**S 2.9.1.1 The rules of procedure of the Supervisory Board cover the procedure to be followed when employing an external advisor.**

No. The Supervisory Board do not employ external advisor, however it's Rules of Procedure contains this possibility.

**S 2.9.1.2 The rules of procedure of the Audit Committee cover the procedure to be followed when employing an external advisor.**

No. The Audit Board do not employ external advisor, however it's Rules of Procedure contains this possibility.

**S 2.9.1.3 The rules of procedure of the Nomination Committee cover the procedure to be followed when employing an external advisor.**

No. The Corporate Governance and Nomination Subcommittee do not employ 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.**

No. The Remuneration Subcommittee do not employ external advisor.

**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.**

Yes

**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

**S 3.1.2 The chairman 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.**

Yes

**S 3.1.2.1 The chairman 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

**S 3.1.2.2 The chairman 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

**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.**

Yes

**S 3.1.5 The rules of procedure of committees operating at the company include those aspects detailed in 3.1.5.**

Yes

**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.**

Yes

**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

**S 3.3.4 The majority of the members of the Nomination Committee are independent.**

Yes. The Company applies the criteria of independence set forth in the Civil Code.

**S 3.3.5 The rules of procedure of the Nomination Committee includes those details contained in 3.3.5.**

Yes

**S 3.4.5 The Remuneration Committee prepared the Remuneration Statement.**

No. The Notes to financial statements in the Annual Report submitted to the General Meeting includes the aggregate remuneration of the members of the Board of Directors and the Supervisory Board (see R 2.7.7 and R 4.1.11 points).

**S 3.4.6 The Remuneration Committee exclusively consists of non-executive members of the Managing Body.**

Yes

**S 4.1.4 The disclosure guidelines of the company at least extend to those details contained in 4.1.4.**

Yes, see R 4.1.1.



**The Managing Body informed shareholders in the annual report on the findings of the investigation into the efficiency of disclosure procedures.**

Yes

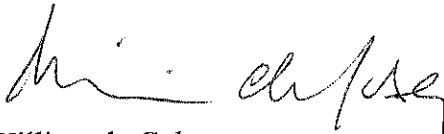
**S 4.1.7 The company's financial reports followed IFRS guidelines.**

Yes

**S 4.1.16 The company also prepares and releases its disclosures in English.**

Yes.

Dated in Budapest, 28 April, 2015



William de Gelsey  
Chairman of the Board of Directors



Christopher William Long  
Member of the Board of Directors