



Synergon Information Systems plc

**(Synergon Informatikai Rendszereket Tervező és
Kivitelező Részvénytársaság)**

Principles of Corporate Governance

2004.

June 23, 2004

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Introduction to the Responsible Corporate Management Principles of Synergon Information Systems plc

In its decision dated March 26, 2004, the Board of Directors of Synergon Information Systems plc. made a statement saying that they have read and fundamentally agreed with the guidelines set out in Responsible Corporate Management Recommendations, issued by the Hungarian Stock Exchange at the beginning of 2004, and will use their best endeavours to observe them during the Company's operations.

This document has been drawn up on the basis of the abovementioned statement.

Synergon Information Systems plc will publish the final text of its Responsible Corporate Management Principles – including the principles regarding the General Meeting –, as well as all related documents and statements, on its company website.

By defining Responsible Corporate Management Principles, Synergon Information Systems plc aims at creating a system of rules, which will ensure clear and transparent operation of this public stock exchange company from the point of the Company's owners, investors and all other market operators.

Synergon Information Systems plc provides regular information on its management practices, comparing them to those included in the Responsible Corporate Management Recommendations.

Decision of the Board of Directors

Members of the Board of Directors at Synergon Information Systems plc, acting on the authorization granted by the Rules of Procedure, passed the following Board Decision, outside the Board meeting, by signing this document:

Decision no. 10/2004.(03.26) of the Board of Directors

„STATEMENT on Corporate Governance Recommendations published by Budapest Stock Exchange plc

The Board of Directors at Synergon Information Systems plc (“the Company”) has made the following statement in the name of the Company, by way of its decision no. **10/2004.(03.26)** and has given the following information:

The Company’s Board of Directors has read the Corporate Governance Recommendations, issued by Budapest Stock Exchange plc, dated December 8, 2003, and has fundamentally agreed with them. The Company’s Board of Directors will use its best endeavors to observe the Corporate Governance Recommendations issued by Budapest Stock Exchange plc in the Company’s operation and management.

Done at Budapest, March 26, 2004.

Dated as above

.....
Ferenc Czakó
Member of the Board

.....
Árpád Barta
Member of the Board

.....
László Oláh
Member of the Board

.....
Sándor Szalay, dr.
Member of the Board

.....
Zsolt Szalóczy
Member of the Board

.....
János Illéssy, dr.
Member of the Board

I. Competences of the Board of Directors and Supervisory Board

1. *The role and tasks of the Board of Directors*

1.1. The main function of the Board of Directors is to control corporate management. The Board of Directors shall define the Company's strategic guidelines and supervise the work of the management. In all cases, it shall keep in mind the Company's interest, the rights of shareholders and stakeholders, and, where possible, the interest of stakeholders. It shall do due diligence and care in performing its tasks.

1.2 The competence of the Board of Directors shall be defined by legislation in force, Synergon Information Systems plc's constitution and the Board of Directors' rules of procedure.

The rules of procedure shall set out the composition of the Board of Directors, tasks related to the preparation for meetings, conducting meetings, drawing up decisions, and other issues related to the operation of the Board of Directors.

The main tasks of Synergon Information Systems plc' Board of Directors are the following:

- a) defining Synergon's corporate and group objectives, continuous monitoring of their fulfillment,
- b) defining Synergon's corporate and group strategic guidelines, participation in forming a strategy,
- c) defining Synergon's business and financial plans on corporate and group level, determining major capital expenditures, ownership changes and capital withdrawals, and the monitoring of their execution,
- d) controlling activities of the Synergon Group, maintaining the balance between member companies,
- e) ensuring the clarity of Synergon's corporate and group level financial and accounting reports,
- f) continuous monitoring of the efficiency of corporate management practices, in cooperation with the internal audit team to be established,
- g) making recommendations for the remuneration of BoD and SB members
- h) keeping in touch with the Supervisory Board
- i) defining remuneration principles for the management of Synergon Information Systems plc, monitoring their activities, and taking suitable measures if necessary,
- j) defining a management succession policy,
- k) defining risk management principles which provide for the identification of risk factors, the suitability of internal control mechanisms, regulatory and supervisory systems for the management of these risk factors; as well as legal compliance,
- l) managing conflicts of interests,
- m) drawing up Synergon's Code of Ethics
- n) defining guidelines to ensure the transparency of corporate operations and the publishing of important corporate information, monitoring their execution,

- o) providing for the suitable level and frequency of communication with shareholders.

2. *The role and tasks of the Supervisory Board*

- 2.1. The Supervisory Board, acting on behalf of the General Meeting, supervises the activities of the Board of Directors and ensures that the BoD performs its tasks with due thoroughness.
- 2.2. The Supervisory Board shall draw up its rules of procedure and its work schedule, which set out the SB's operation and functions in detail, as well as procedural rules and processes according to which the Supervisory Board shall function. The rules of procedure determine the Supervisory Board's competence, as well as the information provision process from the management and the Board of Directors.

3. *Board of Directors and Supervisory Board meetings and agenda items*

- 3.1. In order to perform their tasks accurately, the Board of Directors and the Supervisory Board shall meet regularly, as defined in their work schedules (but at least 6 times every year). They shall also provide for an opportunity to immediately discuss extraordinary events or unexpected issues and to make the appropriate decisions.
- 3.2. In order to facilitate accurate and efficient decision-making, the agenda and the proposals, prepared according to the rules of procedure, shall be made available for the members in due time. The Chairman shall make sure the meetings take place according to the rules, and minutes are taken.
- 3.3. The Chairman shall provide all members of the Board of Directors and Supervisory Board access to all documents related to the Board of Directors / Supervisory Board, in accordance with the rules defined under point 3.4.

It is the Chairman's responsibility to provide for the translation of documents, if necessary. It is also the Chairman's responsibility to provide outside managers with the necessary details and background information.

- 3.4. The Chairman shall handle documents and decisions of the Board of Directors and Supervisory Board in the following way.
 - a) Confirmed minutes of meetings shall be filed chronologically and deposited with the Chairman.
 - b) Other printed documents related to the work of the bodies shall be archived and kept in the same way.
 - c) All electronic documents shall be kept in the restricted access directories created for this purpose in Synergon's internal IT system. Efforts shall be made towards storing documents in electronic form.

Documents shall be made available to all members of the relevant body two working days after a decision has been made / a meeting has taken place / the document has been drawn up.

- 3.5. Regular or one-time participation of persons other than members of the Board of Directors or Supervisory Board at the board meetings shall be regulated by the rules of procedure drawn up by the bodies in question.

4. *Membership in the Board of Directors and Supervisory Board*

- 4.1st The Board of Directors, Supervisory Board and Appointing Committee of Synergon Information Systems plc shall recommend a person for each office to the General Meeting, after having carefully selected the persons suitable for membership in the bodies.

- 4.2. Candidates shall be selected primarily on the basis of their suitability and qualifications, and not solely on the basis of business or personal contacts. It is advisable to set up the Board of Directors and the Supervisory Board in a way that members can work together and perform their tasks effectively.
- 4.3. Synergon Information Systems plc's Constitution in force defines the number of members of the Board of Directors and Supervisory Board. This number was determined, taking into account applicable legislation, in a way that the bodies may perform their corporate management and supervisory functions effectively.
- 4.4. Members of the Board of Directors and Supervisory Board shall devote an appropriate amount of time and effort to perform the tasks associated with their offices. The rules of procedure shall set out the amount of time necessary to perform the tasks.
- 4.5. It is the candidates' responsibility to decide whether to accept the appointment, and to learn about the obligations and tasks related to the office.

5. Independence of Board of Directors and Supervisory Board members

- 5.1. It is the task and responsibility of the Board of Directors to make objective decisions that account for the shareholders' interests, and to make efforts towards independence from the influence of the management or individual shareholders.
- 5.2. In order to ensure impartiality of the Board of Directors, Synergon Information Systems plc shall appoint independent members to the Board of Directors without any substantial contact with the Company's management. The assessment of the candidates' independence shall be regardless of their contacts with shareholders, but shall cover existing employment, business contacts, family and personal contacts and all other areas that may lead to a conflict of interest. Members of the Board shall make a statement concerning these areas, and the Chairman of the body shall file this statement along with the other documents.
- 5.3. Independent members of the Board of Directors shall have the right to meet separately, in order to form an objective opinion, if necessary. The form and rules to do this shall be determined by the Board of Directors rules of procedure.
- 5.4. Tasks of the Chairman and the Chief Executive Officer shall be separated, and competences shall be shared according to the internal regulations of Synergon Information Systems plc and decisions of the Board of Directors.
- 5.5. In order to facilitate the objective and impartial performance of the supervisory function, the General Meeting shall appoint independent members to Synergon Information Systems plc's Supervisory Board.
 - a) The assessment of independence shall ensure that there are no substantial contacts between the member and Synergon Information Systems plc, its Board of Directors and management, which may lead to a conflict of interest.
 - b) Members of the Supervisory Board, excluding delegated employees, may not be employed by Synergon Information Systems plc.
- 5.6. The Supervisory Board's rules of procedure shall include provisions concerning the independence of members.

6. Assessment and remuneration of the Board of Directors, Supervisory Board and management

- 6.1. Synergon Information Systems plc shall create such a remuneration system for the Board of Directors, Supervisory Board and management, which serves the long-term strategic interests of Synergon Information Systems plc and its shareholders. The remuneration system shall not

encourage members of the Board of Directors, Supervisory Board and management to maximize share prices on a short-term basis.

- 6.2. Rules and guidelines governing the assessment and remuneration of the Board of Directors' and management's work performance shall be drawn up by Synergon Information Systems plc's Board of Directors, and before they are presented to the General Meeting, the Supervisory Board shall express its opinion on them. The Board of Directors' rules of procedure shall include a framework for assessment and remuneration rules and guidelines, as well as a system for their review.
- 6.3. The General Meeting, having regard to the opinion of the Supervisory Board, shall approve principles governing the remuneration of members of the Board of Directors.
- 6.4. It is the Board of Directors' competence to supervise the management's work performance and determine its remuneration (including performance benefits, share options and other benefits). The Remuneration Committee shall undertake preparatory tasks. In order to avoid a conflict of interest, the General Meeting shall approve the framework for options, share benefits and other unusual benefits granted by the Company.
- 6.5. Remuneration (fee) to be paid to members of the Supervisory Board shall be fixed amount approved by the General Meeting.

7. Internal controls

- 7.1. The Board of Directors shall supervise the management in creating a stable system of internal controls which ensure the achievement of the performance and profitability goals set by Synergon Information Systems plc. As a result of the operation of this internal regulatory and control system, shareholders will receive regular information of the efficiency of Synergon Information Systems plc's operations, on the reliability of financial reports, and on legal compliance.

7.2. Board committees

Independent committees composed of the members of the Board of Directors and Supervisory Board shall undertake activities which aim at improving the efficiency of corporate management. The committees shall not make decisions, rather perform supervisory functions and make recommendations and proposals to facilitate efficient decision-making. It is advisable to set up a committee with at least three members, mainly independent, who have the skills, expertise and experience to perform the task at hand. The committees shall function according to approved rules of procedure covering:

- a) the purpose of the committee,
- b) composition and organization of the committee,
- c) competences and tasks,
- d) meetings and reporting.

The committees shall draw up regular reports to the Board of Directors and the Supervisory Board.

7.3. Audit committee

- a) As an integral part of the system of internal controls, Synergon Information Systems plc shall create an independent internal audit team. This team shall prepare regular, objective and impartial reports to the Board of Directors, Supervisory Board and management concerning the proper functioning of risk management, internal control mechanisms and corporate management functions.

- b) The internal audit team shall receive its mandate from the Board of Directors Supervisory Board, and shall be entitled to investigate the activities of the Company, with unrestricted access to the necessary information and the work of employees.
- c) The internal audit team shall be supervised directly by the Supervisory Board, and from the organizational point shall be separated from the Company management performing operative management tasks.
- d) On the basis of expected financial, operational, regulatory and other risks at the Company, the audit committee shall draw up an audit plan, and the Supervisory Board shall approve this plan.
- e) It is also the audit committee's task to control financial reports, the accounting and controlling system, reports prepared by independent auditors, and legal and ethical compliance. The committee shall give a prior opinion on the Auditor to the Board of Directors and the Supervisory Board.
- f) The audit committee shall supervise the contact with the Auditor, review non-auditing services provided by the auditor organization to the Company and express an opinion on them, and ensure and check the independence of the Auditor.

7.4. Appointing Committee

- a) The main task of the Appointing Committee is to make well-founded, objective recommendations to the shareholders, via the Board of Directors, concerning Board of Directors and Supervisory Board membership candidates, as well as to assess the work of present members.
- b) The purpose of the committee is to ensure that members of the Board of Directors and Supervisory Board have the suitable qualifications and professional experience to perform their tasks in accordance with the shareholders' interests.
- c) The committee's rules of procedure shall contain the criteria against which candidates will be assessed. In addition to Hungarian legislation in force, these criteria shall cover membership of other Boards or committees, the degree of independence, and experience.

7.5. Remuneration Committee

- a) The Remuneration Committee shall examine the remuneration system that applies to the management and the Board of Directors, and shall ensure the suitable structure and transparency of the remuneration system. The committee shall make recommendations to the Board of Directors concerning remuneration packages for the management, which in the case of the management shall be discussed and approved by the Board of Directors, and in the case of the Board of Directors and Supervisory Board by the General Meeting. The committee shall also monitor the share option, expense refund and other benefit systems incorporated in the remuneration of the management.
- b) When making recommendations, the committee shall consider, among other factors, the individual and corporate performance, and remuneration practices at other similar companies. The committee shall define remuneration principles and indicators, and shall supervise the enforcement of these principles.

8. *Planned succession in management*

- 8.1. The Board of Directors is responsible for planning succession, the purpose of which is to provide seamless succession and continuity of the Company's activities in the case of retirement, resignation or other loss of a member of the Board of Directors or the management. As part of the corporate strategy, it is necessary to identify persons suitable to substitute or replace present

managers and members of the Board of Directors. As part of the planned succession scheme, employees showing outstanding performance shall be selected and their career within the company shall be determined.

9. External consulting

- 9.1st In justified cases, the Board of Directors, the Supervisory Board and board committees may use external consulting services (in addition to employing and independent auditor).
- 9.2. In case the organization responsible for auditing the Company is assigned with a task that relates to an event which may have a serious impact on the Company's operation, the Board of Directors shall inform the Supervisory Board and the Audit Committee of the event and the assignment.

10. Managing corporate issues

In order to provide for communication between the Company, its bodies, shareholders and stakeholders, as well as to ensure continuous exchange of information and views, Synergon Information Systems plc shall coordinate the following activities within the company:

- a) press conferences and press releases,
- b) public relations,
- c) investor relations,
- d) legal affairs,
- e) legal and regulatory compliance,
- f) Board of Directors meetings,
- g) Supervisory Board meetings,
- h) meetings of managing bodies at subsidiaries,
- i) corporate rules of procedure and decisions.

Any communication activity undertaken by Synergon Information Systems plc. shall be in accordance with the Company's responsible corporate management principles.

II. Transparency and publication

1. The Board of Directors shall identify basic principles ensuring the accurate, full and timely publication of all the important information related to the Company, or having an effect on the exchange rate of the Company's securities. The reason for this is to ensure that, on the basis of reliable and comparable information, investors can understand and evaluate the Company's business activities and position, and can make their choices between different investment opportunities.

The Company's management shall make sure that the Company's publication practices correspond to the basic principles defined by the Board of Directors.

2. Internal regulations created on the basis of publication principles shall provide for the publication of the appropriate information within the time limit set by applicable legislation.
3. Synergon Information Systems plc shall continuously provide shareholders with information on major events and deals.

In the course of the annual review, the Board of Directors shall assess the efficiency of publication processes and shall report its findings to the shareholders (General Meeting) in the annual report.

4. Synergon Information Systems plc shall inform the public about the Company's strategic objectives, main activities, business ethics and its policy concerning other stakeholders.

5. Synergon Information Systems plc shall prepare financial information intended for publication in a way that it shall reflect the Company's true position. The Board of Directors shall use the system of internal controls to ensure the consistency of all published information, as well as the compliance with legislation and other regulations in force.

The Board of Directors shall make a statement concerning its responsibility to prepare financial reports, stating that the annual report contains actual data and true statements, and does not exclude any fact that would be relevant in the assessment of the Company's position.

In the annual report, the Board of Directors shall make a statement concerning the type and scale of other assignments given to the auditing organization responsible for auditing the annual financial report.

6. Synergon Information Systems plc shall publish information concerning the professional career of members of the Board of Directors, Supervisory Board and management, as well as the guidelines against which their performance is assessed and their remuneration is determined.

As part of this information, remuneration information concerning the Board of Directors and Supervisory Board shall also be published.

7. Synergon Information Systems plc shall continuously assess relevant internal and external risks related to the operations, finance, legal compliance and other issues, and provides for a stable internal system to manage such risks. The Board of Directors is responsible for providing information to shareholders at least once in every year (in the annual report) about risk factors affecting the Company's operation and finances. This information shall contain details about the risk management policy and an overview of main risk factors.

Risks shall be assessed on the basis of the Risk Management Principles.

8. The Board of Directors shall regularly make statements concerning the degree to which it enforces the application of these corporate management principles. The Board of Directors shall publish applicable principles of responsible corporate management.

Synergon Information Systems plc defined its fair business conduct standards in its publicly available Code of Ethics.

9. Synergon Information Systems plc shall draw up and publish guidelines concerning insider trading. These guidelines contain an obligation for members of the Board of Directors, the Supervisory Board and the management to report their transactions with shares of Synergon Information Systems plc. The annual report shall include these persons' share of the Company's securities and their involvement in the share-based incentive system.

10. While protecting confidential information, members of the Board and management shall incorporate in the annual report information on their contacts with third parties, where these would have an effect on the operation of the Company.

11. Synergon Information Systems plc shall publish information in Hungarian and English, so that shareholders and other stakeholders speaking Hungarian and other languages can have equal access to it.

12. Synergon Information Systems plc shall make sure that the published information becomes available to all shareholders at low cost and immediately. When providing information, Synergon Information Systems plc shall use its best endeavors to give equal treatment to all shareholders and market operators.

III. Rights of shareholders and related procedures

1. Synergon Information Systems plc's Board of Directors shall ensure that shareholder votes and related procedures correspond to legislation in force, to the Company's constitution, to decisions of the General Meeting and to the Board of Directors' rules of procedure.
2. Synergon Information Systems plc' Board of Directors shall draw up regulations in order to ensure shareholder rights defined in legislation in force, in the Company's constitution, decisions of the General Meeting and the Board of Directors' rules of procedure.
3. Synergon Information Systems plc shall provide shareholders with opportunities to participate in decisions fundamentally affecting the Company's strategic objectives or operations (in the framework of the General Meeting).
4. Synergon Information Systems plc shall act in accordance with the General Meeting Procedural Principles defined by the Board of Directors.

Shareholders shall receive notification of the date, place and agenda of the General Meetings in due time. The Company shall set the place and date of the General Meeting in a way that the participation of shareholders is not obstructed. The Board's proposals and recommendations for decisions, which belong to each agenda item, shall be made available to the shareholders at the Company headquarters and on the website. The minutes of the General Meeting shall be available for the shareholders for reading within 30 days.

5. In order to maintain continuous communication with shareholders and other operators on the capital market, Synergon Information Systems plc shall operate an organizational unit responsible for investor relations, in accordance with the principles of transparency and publication system and procedures.
6. Synergon Information Systems plc shall draw up guidelines concerning anti-takeover devices. The Company shall assure shareholders that these devices do not otherwise prevent a merger or takeover, if such an event would serve the achievement of the Company's strategic objectives.

IV. The role stakeholders play in responsible corporate management

1. Synergon Information Systems plc's Board of Directors shall respect the rights given by legislation to parties affected by the Company's operation at all time, such as employees, creditors, customers, suppliers and local communities. The Company strongly believes that the long-term interest of shareholders can only be served when the interests of other affected parties are also taken into account.
2. Synergon Information Systems plc shall define its accepted and applied ethical standards in a Code of Ethics.
3. The Board of Directors at Synergon Information Systems plc shall use its best endeavors to show social responsibility in the course of its operations. This means that the Board shall consider the interests of employees, creditors, customers, suppliers, the operational and natural environment, and local communities when making decisions, and carefully examine the effect of its decisions on these affected parties.