



Synergion Informatikai Rendszereket  
Tervező és Kivitelező  
Nyilvános Részvénytársaság  
(Synergion Informatika Nyrt.)  
and its subsidiaries

# Corporate Governance Report

**08.04.2008**

**Synergion Informatika Nyrt.**  
Chief Executive Officer

**SAO-Synergion Kft.**  
Managing Director

**FIBEX Kft.**  
Managing Director

**Synergion Retail  
Systems Kft.**  
Managing Director

It was on 26 March 2004 when Synergon Informatika Nyrt's Board of Directors first made a declaration that they had become aware of and agreed with the guidelines set forth in the Corporate Governance Recommendations issued by the Budapest Stock Exchange at the beginning of 2004;

The provisions that have been prescribed in Act IV of 2006 on business associations (hereinafter referred to as Gt.) as complementary regulations, and then in October 2007 published by the Budapest Stock Exchange have been reviewed by the Company, and similarly to its approach so far it strives for complying with them in the course of its operations. In the light of the extended scope of these regulations, a detailed report will be prepared in connection with the business year of 2008.

Synergon Informatika Nyrt. has expanded the scope of the principles of Corporate Governance (hereinafter referred to as CG) to the Hungary-based, 100% subsidiaries of Synergon Informatika Nyrt., as well. Therefore, hereunder Synergon Informatika Nyrt. should also be interpreted to include these subsidiaries.

Synergon Informatika Nyrt. discloses the regulations associated with Corporate Governances at its own websites.

With the elaboration of the Principles of Corporate Governance, Synergon Informatika Nyrt. has aimed at framing such a set of regulations in the management of the public limited company that ensure clear, understandable and transparent operations for the Company's shareholders, investors and all the other market actors.

In association with corporate governance, Synergon Informatika Nyrt. has disclosed the following summary report and declaration:

## **Brief description of the operation of the Board of Directors**

Consisting of four members, the Board of Directors is responsible for the group-level management of Synergon Group, as well as the Company. The members are elected by the General Meeting for a maximum period until the ordinary General Meeting to be held in the third calendar year following their election. After the expiry of the terms of their offices, the members of the Board of Directors may be re-elected.

The Board of Directors operates in conformance with their own rules of procedures.

The Board of Directors elects the President from its own members, with simple majority vote.

The Board of Directors holds at least four ordinary meeting in each calendar year. In between the meetings of the Board of Directors, no more than one hundred and twenty days may elapse. Any meeting of the Board of Directors is summoned by the President of the Board of Directors, and any extraordinary meeting may be initiated by the President or two members of the Board of Directors with the proper specification of the related causes and aims. Minutes are taken on the meetings, and the minutes are to specify the venue, time and date of the meetings, the names of the attendees, the essence of the contributions, resolutions, as well as the identification of those Directors by the name who have voted for and against the respective resolutions if it is so requested.

Any meeting Board of Directors has a quorum if it has been summoned regularly, and the majority of the members of the Board of Directors attend the meeting either in person, or via the telephone. Any

member of the Board of Directors may attend the meeting of the Board of Directors via the telephone. The Board of Directors adopts its resolutions with simple majority vote; in tie votes, the proposed resolution – in the lack of any majority position – is to be deemed as turned down.

Apart from their ordinary meetings, the Board of Directors may also pass resolutions by means of the written votes of the members of the Board of Directors. In this case, the total headcount of the Board of Directors is to be considered when ascertaining whether the Board of Directors forms a quorum or not. In the event of any written voting, the President sends out the draft resolution concerned – either via fax, or registered mails – to all the members of the Board of Directors who have five days following the delivery of the draft resolution to cast their written votes to the President even via fax, by way executing the given resolution. The resolution is deemed to be accepted if within the term being open for voting, the majority of all the members of the Board of Directors cast “yea” votes. On the date of the receipt of the required number of votes for the acceptance or rejection of the resolution, the given resolution becomes effective or rejected, respectively. The resolutions are recorded, and the voting is documented by the President.

The rules of procedures of the Board of Directors specify the duties belonging to the scope of competence of the Board of Directors in details.

## **DESCRIPTION OF THE DIVISION OF RESPONSIBILITIES AND DUTIES BETWEEN THE BOARD OF DIRECTORS AND THE MANAGEMENT**

Upon the related proposal of the President of the Board of Directors, the Board of Directors appoints the Chief Executive Officer of Synergon Informatika Nyrt. As concerning the exercise of the employer’s rights over the Chief Executive Officer, the rights pertaining to the appointment and the termination of the labour relation, as well as the establishment of the remuneration shall be exercised by the Board of Directors, while other employer’s rights (reporting obligations, control, instructions) are exercised by the President of the Board of Directors. The scope of competence and duties of the Chief Executive Officer alongside with the respective tasks associated with the position are established by the Board of Directors.

The Chief Executive Officer attends the operative management of the Company, as well as the execution of the resolutions passed by the Board of Directors and the General Meeting. The Chief Executive Officer administers these matters within the framework constituted by the relevant legal regulations, the Charter, the rules of procedures of the Board of Directors, as well as the resolutions of the General Meeting and Board of Directors.

The Chief Executive Officer may delegate the duties belonging to his own scope of competence to the members of the Management or the employees of the Company in general, within the framework of the respective job descriptions, or on a case-by-case basis, but the limitations of his rights and powers arising from his membership in the Board of Directors do not have any legal effect against third persons. The Chief Executive Officer is entitled to vest rights to put corporate signature for the Company to the Company’s employees.

The Chief Executive Officer has the right to make decisions in all the matters that do not belong to the scope of competence of the General Meeting or the Board of Directors. The Chief Executive Officer enters a labour contract with the Company, and it is signed by the President of the Board of Directors.

The Chief Executive Officer exercises the employer's rights over the employees of the Company engaged in proper labour relations.

Towards the fulfillment of his duties, the Chief Executive Officer concludes contracts, as well as represents the Company against third persons, authorities and courts of justices.

## **THE MEMBERS OF THE BOARD OF DIRECTORS, THE SUPERVISORY BOARD AND THE MANAGEMENT**

Members of the Board of Directors as of 08 April 2008:

Dr. Zoltán Jeszenszky, President

Balázs Bokorovics, Member

Csaba Major, Member

Márk Lazarovits, Member, Chief Executive Officer

The members of the Board of Directors have been appointed in their offices until 30 April 2009. The CVs of the members of the Board of Directors are accessible at the Company's website.

Members of the Supervisory Board as of 08 April 2008:

Németh Gábor, President

Klára Deák, Member

János Péter Hein, Member

László Szalma, Member, Employee

Mária Kemecesey, Member, Employee

Except for János Péter Hein, the members of the Supervisory Board have been appointed in their offices until 30 April 2009. The CVs of the members of the Supervisory Board are accessible at the Company's website.

Members of the Management as of 08 April 2008:

Márk Lazarovits, Chief Executive Officer

Zsuzsanna, Imre, Finance Director

Dr. Gábor Fóti, Operations Director

Attila Srágli, Sales Director

László Deim, Sales Support Director

Dr. István Zelei, Head of the Business Solutions Divisions

Szabolcs Vida, Head of the Infra Divisions

## **NUMBER OF THE MEETINGS OF THE BOARD OF DIRECTORS, THE SUPERVISORY BOARD AND THE MANAGEMENT HELD IN THE PERIOD UNDER REVIEW**

In the period under review (from 01 January 2007 to 31 December 2007), the Board of Directors had ten meetings with the following attendance rates:

On 24 January 2007	all the 8 members of the Board of Directors were present,
On 27 February 2007	all the 7 members of the Board of Directors were present,
On 06 March 2007	4 of the 7 members of the Board of Directors were present,
On 10 April 2007	5 of the 6 members of the Board of Directors were present,
On 27 April 2007	all the 6 members of the Board of Directors were present,
On 31 May 2007	all the 6 members of the Board of Directors were present,
On 14 June 2007	5 of the 6 members of the Board of Directors were present,
On 29 August 2007	5 of the 6 members of the Board of Directors were present,
On 02 October 2007	5 of the 6 members of the Board of Directors were present,
On 30 October 2007	5 of the 6 members of the Board of Directors were present

In the period under review (from 01 January 2007 to 31 December 2007), the Supervisory Board had eight meetings with the following attendance rates:

On 21 February 2007	4 of the 5 members of the Supervisory Board were present,
On 06 March 2007	all the 5 members of the Supervisory Board were present,
On 05 April 2007	4 of the 5 members of the Supervisory Board were present,
On 23 May 2007	all the 5 members of the Supervisory Board were present,
On 11 July 2007	all the 5 members of the Supervisory Board were present,
On 05 September 2007	4 of the 5 members of the Supervisory Board were present,
On 07 November 2007	4 of the 5 members of the Supervisory Board were present,
On 12 December 2007	all the 5 members of the Supervisory Board were present.

## **AN OVERVIEW ON THE WORK OF THE BOARD OF DIRECTORS, THE SUPERVISORY BOARD AND THE MANAGEMENT, AS WELL AS THE CRITERIA CONSIDERED IN THE EVALUATION OF THE INDIVIDUAL MEMBERS**

The Board of Directors continuously evaluate the work of the Management, and in addition, annually they also conduct a comprehensive evaluation. The remuneration of the members of the Management relies on a well-established system. Apart from their basic salaries, the members of the Management are also entitled to receive bonuses if the Company's development in any year under review and on the long run is in line with the related objectives. Such bonuses are associated with trends in the sales revenues, the volume of business profit and the accomplishment of the most important tasks within the given business year. On 18 December 2006, the Company's General Meeting approved a share option program that was subsequently modified by the resolution of the General Meeting held on 10 April 2007; at the General Meeting held on 17 December 2007 accepted Managerial Share Option Program II. The details of the managerial share option programs are accessible at the Company's website. The Board of Directors reckons that the applied benefit system makes the members of the Management interested in the improvement of the share rates.

## **REPORT ON THE OPERATIONS OF THE INDIVIDUAL BOARDS**

### **Supervisory Board**

The members of the Supervisory Board are elected by the General Meeting. The employee representative(s) to the Supervisory Board are nominated by the works council, and the General Meeting is obliged to elect them to act as the members of the Supervisory Board at the next meeting. At least one-third of the members of the Supervisory Board should be the representatives of the employees.

The Supervisory Board is to be convened as required, but at least on a quarterly basis. It is obligatory to convene the Supervisory Board within 30 days prior to the annual ordinary General Meeting of the Company on any date to allow the effectuation of the disclosure set forth in Section (1) of Article 304 of Gt. within the deadline specified in the same legal provision.

The resolutions of the Supervisory Board are made with simple majority vote, in open voting. In any tie vote, the vote of the President decides.

Minutes are taken at each meeting of the Supervisor to record the names of the attendees, the venue, time and date of the meeting, as well as the agenda and resolutions passed. The minutes are to describe all the facts and the opinions that the members offer, propose. All the minority or dissenting, objections opinions are to be included in the minutes invariably, or the same should be appended to the minutes in writing. The result of any voting is to be recorded, as well, alongside with the opinions of the non-contents.

### **Audit Board**

The Company operated an Audit Board with three members who are elected by the General Meeting from the members of the Supervisory Board. The Audit Board's scope of competence covers the supervision of financial reports, the accounting and controlling system, reports by independent auditors, legal and ethical compliance. Apart from its duties specified in the relevant legal regulations, the Audit Board supervises the efficiency of risk management, operation of the internal control system and the activities of the internal audit function.

The Audit Board is to formulate a preliminary opinion on the person of the auditor for the Board of Directors and SB. Prior to the nomination of any new auditor, the Audit Board requests a written declaration from the candidate wherein the prospective auditor is to reveal any relationship existing between him (or any of his close relatives) and any member of the Board of Directors, Supervisory Board or Management of the Company (the Company's subsidiary).

After their appointment, the members of the Audit Board are provided with full-scaling information on the accounting, financial and operating characteristics of the Company. The members of the Audit Board is to have the expertise required for the attendance of their duties, as well as current financial, accounting background and experience associated with the given subject-matters. Towards the execution of the given tasks, the Audit Board receives accurate and detailed information on the work program of Internal Audit and the independent auditor; in addition, the Audit Board is provided with the report of the auditor on the problems revealed in the course of the audit.

In the period under review (from 01 January 2007 to 31 December 2007), the Audit Board had eight meetings with the following attendance rates:

On 06 March 2007	all the 3 members of the Audit Board were present,
On 23 May 2007	all the 3 members of the Audit Board were present,
On 11 July 2007	all the 3 members of the Audit Board were present,
On 12 December 2007	all the 3 members of the Audit Board were present.

The Company does not operate a nomination committee or remuneration committee. These functions are attended by the members of the Board of Directors without making up any formal body.

## DESCRIPTION OF THE SYSTEM OF INTERNAL CONTROLS

In compliance with the principles of corporate governance and the relevant provisions of Act IV of 2006 on business associations (Gt.), in 2007 Company set up its internal control system. In this context, the Company operates its

- control by the management and control steps built in the internal processes
- Supervisory Board,
- Audit Board (whose members are the non-employee members of the Supervisory Board), and
- independent Internal Audit.

At the meetings of the Supervisory Board, on a quarterly basis, after the presentation of the flash report the Board was provided with the report of the Company's Chief Executive Officer on the results achieved in the given quarter, as well as the report by the President of the Board of Directors in connection with the supervisions of the Supervisory Board.

The members of the Audit Board are experts holding the financial qualifications and experience required by Gt.

In 2007, with respect to the members sitting in both bodies the Boards held their meetings on the same days, at least with two-monthly frequency. The drafted and approved their rules of procedures in February 2007.

In 2007, Internal Audit operated as an independent function also prepared a work plan for the given year, and the work plan was approved by the Supervisory Board. This work plan focused on areas carrying heightened risks for the operations of the Company. Internal Audit put forward its reports verbally and in writing directly to the Supervisory Board at each meeting, thereby fulfilling its internal control function. The first topic for Internal Audit was initiated upon the inquiry of the Board of Directors, and the subsequent commission of the Supervisory Board. Thereafter, no other supervision beyond the work plan was conducted.

The processes of Internal audit have also been regulated, and documented in the Internal audit Manual.

To the meetings of the Supervisory Board, the representative of the auditing firm (Deloitte) partner was regularly invited, who could rely on the outcomes of these supervisions in the course of the year-end audit.

The operation of the management systems were controlled by internal audits and by second party audits (e.g. by the PAKS Nuclear Power Plant), as well.

Moreover, the operation of the management systems were third party audited by internationally accredited certification bodies. These certificates are available on our web page.

In 2007, the auditor commissioned by the Company did not attend any activity that was not related to auditing.

The Company maintains and publishes separate regulations in connection with disclosure obligations and insider trading at its website.

Rules pertaining to the exercise of shareholding rights and the arrangement of the General Meeting can also be accessed at the Company's website.

Regarding the other points of the recommended principles issued by the Budapest Stock Exchange in October 2007, the Company makes its report of 2008.

**The following documents related to corporate governance can be found at the Company's website:**

**Principles of Corporate Governance**

**Declarations on the practices of corporate governance**

- 06.03.2007 – detailed declaration
- 28.04.2006 – detailed declaration
- 23.06.2004 – detailed declaration
- 26.03.2004 – voluntary declaration

**Statues**

**Ethical Code**

**Procedures of the General Meeting**

**Guidelines pertaining to insider training**

**Guidelines of remuneration**

**Guidelines of risk management**