



Synergon Information Systems Plc.  
and its subsidiaries

# Principles of Corporate Governance

**14.01.2011**

Synergon Information Systems Plc.  
Chief Executive Officer



Synergon  
System Integrator Ltd.  
Managing Director



Synergon Retail Systems  
Ltd.  
Managing Director



FIBEX Ltd.  
Managing Director



**Tartalom**

.....	1
1. Introduction to the Principles of Corporate Governance of Synergon Information Technology Plc. and its Hungarian subsidiaries .....	3
2. General principles .....	4
3. The scope of authority of the Board of Directors .....	4
3.1. Roles and Responsibilities of the Board of Directors.....	4
3.2. Board of Directors Meetings, Agenda .....	5
3.3. Member of the Board of Directors.....	6
3.4. Independence of the Board of Directors.....	7
3.5. Conflict of Interest of the members of the Board of Directors, insider trading .....	8
3.6. Evaluation and remuneration for the members of Board of Directors and the Executive Management.....	9
3.7. The System of Internal Controls.....	10
3.8. Audit Committee .....	11
3.9. Planned Succession in Management.....	12
3.10. External Advisor, Auditor.....	12
3.11. Corporate Internal Co-ordination.....	12
4. Transparency and Disclosure.....	13
5. The Shareholders’ Rights and Treatment of Shareholders .....	16
6. Role of Stakeholders in Corporate Governance .....	16

## **1. Introduction to the Principles of Corporate Governance of Synergon Information Technology Plc. and its Hungarian subsidiaries**

- In its decision of 26 March 2004, the Board of Directors of Synergon Information Systems Plc. declared that they understood and basically agreed with the directives set forth in the Corporate Governance Recommendations issued by the Budapest Stock Exchange (BSE) at the beginning of 2004; and that the Company strived to observe these in the course of operations. The document hereunder was prepared on the basis of the above declaration.
- The present version was prepared on the basis of the recommendation included in Act IV of 2006 on business associations (hereinafter referred to as Gt.) as a complementary regulation that was updated and re-released by the Budapest Stock Exchange, considering the BSE release of 16 March 2009.
- The previous version had already expanded the scope of the principles of Corporate Governance (hereinafter referred to as CG) to the Hungary-based, 100% subsidiaries of Synergon Information Systems Plc. as well. Therefore, hereunder Synergon Information Systems Plc. should also be interpreted to include these subsidiaries.
- Synergon Information Systems Plc. shall disclose the texts of the Principles of Corporate Governance—including the General Meeting Procedural Principles—and all related documents and declarations on its websites.
- With the preparation of the Principles of Corporate Governance, Synergon Information Systems Plc. has aimed at framing such a set of regulations for the governance of this public limited company that ensure comprehensible and transparent operations for the Company's owners, investors and all the other market participants.
- Synergon Information Systems Plc. shall disclose regular information about its governance practice, comparing it with the content of the Corporate Governance Recommendations issued by the Budapest Stock Exchange.

## 2. General principles

- The Board of Directors of Synergon Information Systems Plc. shall ensure—by publication on the website of the Company—that shareholders receive access to information in time to enable them to exercise their rights.
- In its equity structure, the Company shall apply the 'one share - one vote' principle.
- The Company shall manage investor relations in accordance with organizational units and positions, in order to comply with the provisions regarding transparency and disclosure, as well as the company's disclosure guidelines.

## 3. The scope of authority of the Board of Directors

### 3.1. Roles and Responsibilities of the Board of Directors

- The most significant responsibility of the Board of Directors is to oversee corporate governance. The Board of Directors shall define the strategic guidelines of the company and supervise the executive management. By keeping in view at all times the best interests of the company, the rights of shareholders and other parties concerned, and, preferably, the interests of other parties concerned, the Board of Directors shall act with due diligence and care. The executive management shall be responsible for the overall management of the company, and it shall ensure the implementation of the strategy adopted by the General Meeting.
- The scope of authority of the Board of Directors is defined by the Law in Force, the statute of Synergon Information Systems Plc. and the rules of procedure of the Board of Directors.
- The rules of procedure shall contain the structure of the Board of Directors, tasks relating to the preparation and conduct of meetings and the formulation of resolutions, as well as other issues regarding the operation of the Board of Directors.
- The main responsibilities of the Board of Directors of Synergon Information Systems Plc. shall cover the following areas:
  - Defining the corporate and group-level strategic guidelines of Synergon and participation in the development of the relevant strategy, supervision

- of business and financial plans, the execution of major capital expenditure, acquisitions and divestitures;
- Setting the corporate and group-level objectives of Synergon and the continuous monitoring of the achievement of these objectives;
  - Ensuring the integrity of the corporate and group-level financial and accounting reports of Synergon;
  - Defining principles of remuneration for executives, monitoring executive performance, initiating corrective measures if necessary;
  - Managing cases of conflict of interest, approving the Code of Corporate Ethics;
  - Defining risk management guidelines to ensure that risk factors are identified, and that internal control mechanisms, as well as appropriate regulatory and monitoring systems, are in place to handle them, as well as compliance with legal requirements;
  - Defining the mechanism regarding the nomination of the members of the Board of Directors;
  - Recommendations for the remuneration of members;
  - Determining the basic principles and rules of succession;
  - Defining guidelines for transparency of corporate operations and for disclosure of information on the company, as well as monitoring compliance with those guidelines;
  - Continuous overseeing of the efficiency and effectiveness of corporate governance;
  - Ensuring adequate and timely communication with shareholders

### **3.2. Board of Directors Meetings, Agenda**

- In order to perform their duties, the Board of Directors shall meet regularly at designated times outlined in the work schedule—at least 4 times in each calendar year. In addition, in the case of any extraordinary event or matter, they shall ensure that these are discussed in good time and that the appropriate decisions are made. In their rules of procedure the Board shall allow for unscheduled and/or emergency meetings, including decision-making by electronic means.
- For the sake of timely and effective decision-making, the Board shall make the agenda and the proposals available to members in due time. The

Chairman of the Board shall ensure that meetings are conducted according to the by-laws and that minutes are recorded.

- The Chairman of the Board shall ensure that Members of the Board receive access to all the documentation of the Board of Directors, in harmony with the rules on handling defined in Point 3.4.
- It is the responsibility of the Chairman of the Board to ensure that the documents are available in additional languages if necessary. It is also the responsibility of the Chairman to provide the Members of the Board with the necessary details and pieces of background information.
- The Chairman of the Board shall handle the documentation of the Board of Directors as follows:
  - Certified minutes of meetings shall be chronologically filed and deposited with the Chairman of the Board;
  - Other printed documents relating to the work of the boards shall be archived and stored in the same way;
  - The Chairman shall collect and store all electronic documents in the directories created for the purpose and protected by an authorization system in the internal IT network of Synergion. The largest possible number of documents should be stored electronically.
- The documentations shall be accessible for any Member of the given Board two working days following the decision-making/ the meeting / or its draw-up.
- The rules of procedure of the Board of Directors shall regulate the regular or occasional participation at the meetings of persons other than members of the Board of Directors.

### **3.3. Member of the Board of Directors**

- The Board of Directors and the Nominating Committee of Synergion shall recommend persons for different offices to the General Meeting, after conducting a procedure with due care for determining the persons suitable for membership in the boards. Candidates shall be selected primarily on the basis of their suitability and qualifications, and not solely on the basis of business or personal contacts. The Board of Directors shall appoint its members considering that members should perform their duties efficiently in cooperation. For this purpose the nomination and appointment of the

members of the Board of Directors shall take place in a transparent process, which ensures that information regarding the person and professional competence of the nominees is available in good time. Upon the announcement of the nominees, shareholders shall be informed about the professional competence of nominees, and what relevant knowledge makes the nominees competent to become a member of the Board of Directors. The presentation shall include which other important professional duties the nominees have (functions in other companies), and whether they can be viewed by the company as independent.

- The Statute in force of the Synergon Information Systems Plc. shall determine the number of the members of the Board of Directors in harmony with the Law in Force in such a manner that the Board is able to perform its corporate governance and control function in the most efficient way possible.
- Members of the Board of Directors shall devote adequate time and effort to the performance of their duties. The rules of procedure of the Board of Directors shall determine the adequate time for the performance of duties. When accepting further functions or nominations, it is the Board members' duty to decide whether they are able to perform their duties in relation to their current board membership.
- It is the candidates' responsibility to accept membership and be aware of the obligations and duties of membership.
- The Company shall offer a tailored induction to newly elected, non-executive board members with personalized information, which enables them to become familiar with the structure and operation of the company, as well as with their duties as board members.

### **3.4. Independence of the Board of Directors**

- The Board of Directors shall elect a sufficient number of independent members.
  - To ensure independence, the members shall have no significant relationship with the Synergon Information Systems Plc., its executive management that might result in conflict of interest.
  - It is the role and responsibility of the Board of Directors that it should pass its decisions objectively, taking into consideration the interests of all

shareholders, attempting to keep decision-making independent of the influences of the executive management and particular shareholders.

- The independent Members of the Board of Directors shall be entitled to separate discussions—in order to form their opinion objectively—if necessary. The decision-making processes of the Managing Body shall ensure that all the members of the Managing Body have the opportunity to express their views on the relevant issue.
- The separation of the roles and responsibilities of the Chairman of the Board of Directors and the Chief Executive Officer shall be regulated by the decisions of the Board of Directors.
- In order to ensure its objective and independent control function, the members of the Audit Committee of Synergon Information Systems Plc. shall be elected from the independent members of the Board of Directors by the General Meeting. At least one member of the Audit Committee shall be independent and have accounting and/or auditing qualification. Members of the Board of Directors who are in employment relationship with the Company shall not be elected to the Audit Committee.
- The independent members of the Board of Directors shall confirm their conformity to independence criteria in writing annually—when nominated for re-election.

### **3.5. Conflict of Interest of the members of the Board of Directors, insider trading**

- Members of the Managing Body shall inform the Board of Directors if he (or any other person in a close relationship to him) has a significant, personal interest in a transaction of the company (or of any of the company's subsidiaries).
- Transactions and commissions between members of the Board and executive management (or persons in a close relationship to them) and the company (or the company's subsidiaries) shall be conducted according to the general rules of practice of the company, but, with stricter transparency rules in place. In the case of a transaction outside the normal course of the company's business, the transaction and its terms shall be approved by the Board of Directors.

- Board members shall inform the company if they receive an offer of Board membership or an offer of an executive management position in a company which is not part of the company group. The company shall inform market participants of the above in harmony with its standard communication practice.
- In order to prevent insider trading, the Board of Directors shall set up guidelines on information flow within the company, the handling of insider information, and insiders trading in securities and ensure that these guidelines are complied with. It is the responsibility of the Board of Directors to ensure that the records concerning persons with access to insider information are kept in accordance with the provisions of the law.

### **3.6. Evaluation and remuneration for the members of Board of Directors and the Executive Management**

- Synergon Information Systems Plc. shall arrange the remuneration scheme of the Board of Directors and the executive management in a way that it serves the long-term strategic interests of the company, and thereby those of the shareholders. The remuneration scheme shall not encourage the members of the Board of Directors and the executive management to aim for short-term share price maximisation.
- The rules of remuneration for the members of the Board of Directors shall be approved by the general meeting, in a separate item on the agenda.
- The guidelines and rules concerning the performance and remuneration of the Board of Directors and the executive management shall be established by the Board of Directors of Synergon Information Systems Plc., and approved by the General Meeting. The rules of procedure of the Board of Directors shall contain the frames of guidelines and rules concerning performance and remuneration. When determining the remuneration of members of the Board of Directors and the executive management, the Board of Directors shall consider the responsibilities of the given members, the level of their responsibility, the extent to which the company has reached its goals and the company's economic, financial situation.
- It is the responsibility of the Board of Directors to monitor the performance and define the remuneration (including incentive payments, share options, and other allowances) of the executive management. In order to avoid conflict of interest, the system of option and share allotments, and the

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framework for other benefits applied by the company if they do not represent normal practice, shall be approved by the general meeting a separate agenda item.

- In the case of share-based remuneration schemes, the structure shall be approved by the general meeting, as well as the amount of actual remuneration in the case of members of the Board of Directors. In the case of the members of the executive management, the level of actual remuneration is not the responsibility of the general meeting.
- Before voting, shareholders shall be provided by the Board of Directors with detailed information on the share-based remuneration schemes (and any amendments to them), how the company provides the necessary shares and what cost this entails.
- The Board of Directors shall evaluate the performance of the Board annually.
- On the remuneration principles and the actual remuneration of the members of the Board of Directors and the executive management, the company shall prepare a presentation as a note to the report.

### **3.7. The System of Internal Controls**

- Synergon Information Systems Plc. executes and coordinates the financial, employment and legal duties for its subsidiaries, while the subsidiaries—especially Synergon System Integrator Ltd.—perform revenue generating activities. As a result of this, there is no separate internal auditor appointed for Synergon Information Systems Plc. The internal auditor shall be appointed expressly for the audition of Synergon System Integrator Ltd, with an obligation to report to the executive of Synergon System Integrator Ltd. The executives of Synergon System Integrator Ltd. are members of the Board of Directors of Synergon Information Systems Plc., thus they can inform the Board of Directors and the Audit Committee as well promptly and directly.
- At Synergon Information Systems Plc and its subsidiaries., internal by-laws regarding commitments, incorporated in the work process and issued by the CEO of the Company and the executives of subsidiaries, shall ensure that responsible persons—who are capable of assessing the professional, financial and other risks of contracts and other commitments—participate in the process of signature and that risk assessment takes place with their participation.

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- In the course of commitments, should a risk arise that exceeds the type or degree of the risk associated with normal business practice, the executive management of the Company shall promptly inform the Board of Directors and the Audit Committee.
  - As a result of the operation of the Board of Directors, shareholders receive regular information on the efficiency of the company's operations, the reliability of its financial reports, and whether the company complies with current legal regulations.

### **3.8. Audit Committee**

- The Audit Committee of the Company shall have at least three members, which members are elected by the General Meeting from the independent members of the Board of Directors.
- The tasks of the Audit Committee encompass the supervision of the financial reports, the accounting and controlling system, the independent auditors' reports, and the compliance with law and ethics.
- In addition to tasks specified by law, the Audit Committee shall also monitor the efficiency of risk management and the operation of the internal control system.
- After being appointed, the members of the Audit Committee shall be fully informed about the company's accounting, financial and operational characteristics. In the case of the Audit Committee, it is of the utmost importance that members have the expertise necessary to perform their duties, and that they have the relevant financial and accounting background and experience.
- The Audit Committee shall offer the Board of Directors a preliminary opinion on the person of the auditor. Before nominating a new auditor, the Audit Committee should request a written statement from the candidate in which the auditor discloses any connection between himself (or a close relative) and a member of the Board of Directors of the company (and the company's subsidiary), or a member of the executive management.
- In order to be able to perform its duties, the Audit Committee shall receive accurate and detailed information about the work schedule of the independent auditor, and should receive the auditor's report on problems discovered during the audit.

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### **3.9. Planned Succession in Management**

- The Board of Directors shall be responsible for succession planning, the aim of which is to provide seamless succession and continuity in the Company's activities in case of retirement, resignation or other loss of a member of the Board of Directors or of the management. As part of the corporate strategy, it is necessary to designate persons suitable to substitute or replace present managers and members of the Board of Directors. As part of succession planning employees showing outstanding performance shall be selected and their career within the company shall be determined.

### **3.10. External Advisor, Auditor**

- In reasonable cases the Board of Directors and the committees of the boards may employ external consulting services (in addition to the employment of an independent auditor). This shall be regulated by the Rules of Procedure.

In case the economic entity responsible for auditing the Company is assigned to audit an event that has significant bearing on the company's operations,, the Board of Directors shall inform the Audit Committee. Events that have significant bearing on the company's operations are the cases when the fee for the services, the type of the service or any other circumstance may result in significant additional expenses for the owners or may cause a conflict of interest, or affect normal business practices significantly in any other way.

### **3.11. Corporate Internal Co-ordination**

- For the sake of communication between its Boards, shareholders and other stakeholders, as well as continuous exchange of information and opinions, Synergion Information Systems Plc. shall coordinate the following activities within the Company:
  - press conferences and the handling of press materials;
  - public relations;
  - investor relations;
  - legal matters;
  - legal and regulatory compliance;
  - administration of the meetings of the Board of Directors;
  - administration of the meetings of the Audit Committee;

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- administration of the meetings of the managing boards of subsidiaries;
  - administration of the company's rules of procedure and resolutions.
  - The communication activity of Synergon Informatika Nyrt. shall be in harmony with the Company's corporate governance principles.

#### **4. Transparency and Disclosure**

- The Board of Directors shall adopt guidelines and procedures which ensure that all relevant information on the operations of the company and circumstances influencing its share price are disclosed accurately, in time and in full, and that it is available to market participants at the same time. It is the responsibility of the Board of Directors to provide adequate information to shareholders and other stakeholders about the company's key issues, strategic goals, and about how the company manages risks and handles issues of conflict of interest.
- The Company's executive management shall ensure that the Company's disclosure practices follow the guidelines adopted by the Board of Directors.
- The internal by-laws adopted on the basis of the disclosure guidelines shall ensure that information intended for disclosure is published within the time limit required by provision of law.
- When providing information, the company should ensure that all shareholders and market participants are treated equally. The company should not give preference to any group of market participants over others (it is especially important to keep this in mind during press discussions, analysts meetings and conferences).
- The company's disclosure guidelines (basic principles and procedures relating to disclosures) should ensure that information intended for disclosure is published as soon as possible, and for that reason, the company's disclosure principles should cover the procedures for electronic, on-line disclosure. The company should attempt to ensure that disclosed information is available to all shareholders at reasonable cost and at the same time. The company should develop its website by taking into consideration disclosure principles and the notification of investors.
- The Board of Directors shall assess the efficiency of disclosure procedures annually.

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- Prior to a given business year, the company shall publish on its website a corporate events calendar, which informs market participants of the timing of the publication of the company's most important announcements (financial reports) and the expected dates of the anticipated major events (planned dates of general meetings, investors' meetings, road shows).
  - The public shall be informed of the company's corporate strategy, its main business activities, business ethics, and its guidelines regarding other stakeholders. The company's strategic goals shall appear in the annual report, as well as on the company's website.
  - In the annual report, the Board of Directors shall disclose the character and size of any other assignments given by the company or its subsidiaries to the auditing firm in charge of auditing the financial statements.
  - In its annual report and on its website, Synergon Information Systems Plc. shall disclose information on the professional career of the members of the Board of Directors and the executive management.
  - After considering all the factors influencing the company's operations, in a manner acceptable to the company, Synergon Information Systems Plc. shall provide information to the public in a "Remuneration Statement" in its annual report and on its website on the remuneration guidelines applied by the company, in which it informs its owners about the remuneration provided for members of the Board of Directors and the executive management.
  - The Board of Directors shall disclose the risk management guidelines ensuring that all significant risks of internal and external operational, financial and legal compliance and other risks are evaluated and managed adequately by a sound internal mechanism. The disclosure shall include the review of the system of internal controls, adopted risk management policy and main areas of risk management.
  - In order to provide adequate information to market participants the company shall submit to the general meeting for approval and, simultaneously with the publication of the annual report, disclose on its website its Corporate Governance Report. The Board of Directors shall declare to what extent it actually adopts corporate governance set out in the present document. The Managing Body should specify those principles from which the company deviated in the relevant year and should provide reasons why the relevant recommendations were not applied.

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- Synergion Information Systems Plc. shall disclose on its website its guidelines on insider trading in the company's shares. Ownership of the company's securities and interest in any company share-incentive scheme of the members of the Board of Directors and the executive management shall be disclosed in the annual report and on the company's website.
  - Without revealing trade secrets, any relationship between members of the Board of Directors or the executive management and a third party which might have an influence on the operation of the company shall be disclosed in the annual report and on the company's website.
  - Synergion Information Systems Plc. shall continuously inform shareholders about events and business deals considered significant.
  - Synergion Information Systems Plc. shall prepare financial information intended for disclosure (in harmony with IFRS guidelines as well) in such way that it mirrors the true situation of the company. The Board of Directors shall ensure the integrity of all the information disclosed and their compliance with the Law in Force and other regulations, through the system of internal controls.
  - The Company shall declare its responsibility regarding the preparation of financial statements and that the annual report contains true data and assertions and does not withhold facts that might bear significance on the assessment of the situation of the company.
  - Synergion Information Systems Plc. shall continuously evaluate all significant internal and external operational, financial, legal compliance and other risks and a sound internal mechanism shall adequately manage these. It is the responsibility of the Board of Directors to ensure that shareholders receive information on the risk factors influencing the operations and management of the company at least once a year (through the annual report). The disclosure shall include the review of the adopted risk management policy and the key risks.
  - Risks shall be evaluated on the basis of Risk Management Guidelines.
  - Synergion Information Systems Plc. defined the standards of ethical business conduct in the public Code of Ethics.
  - Synergion Information Systems Plc. shall prepare disclosures in Hungarian and English. The official language used at the seat of the company is Hungarian, and in the case of discrepancies between the company's official language and

the foreign language of communication, the company's official language takes precedence.

## 5. The Shareholders' Rights and Treatment of Shareholders

- The Board of Directors of Synergon Information Systems Plc. shall ensure that the ballots and treatment of shareholders are in compliance with the law in force, the Statutes of the Company, the decisions of the General Meeting and the Rules of Procedure of the Board of Directors.
- The Board of Directors of Synergon Information Systems Plc. shall draw up provisions in order to ensure the rights of shareholders as prescribed by the law in force, the Statutes, the decisions of the General Meeting, and the Rules of Procedure of the Board of Directors.
- Synergon Information Systems Plc. shall ensure the participation of shareholders (within the framework of the General Meeting) in decision-making processes that have basic influence on the Company's strategic objectives and operation.
- Synergon Information Systems Plc. shall proceed 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 proposal and recommendations of the Board of Directors relating to the items of the agenda shall be made available for the shareholders before the General Meeting at the Company's seat and on its website. The minutes of the General Meeting shall be available for the shareholders for view within 30 days.
- Synergon Information Systems Plc. shall operate an organisational unit engaged in investor relations in order to maintain continuous communication with the shareholders and other participants of the capital market, in accordance with the transparency principles and the Disclosure System and Procedures.

## 6. Role of Stakeholders in Corporate Governance

- The Board of Directors of Synergon Information Systems Plc. shall always observe the rights provided by law to parties affected by the operation of the Company, such as employees, creditors, clients, suppliers, and local

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communities. The Company believes that the long-term interests of shareholders can only be served, if the interests of other stakeholders are observed.

- The Board of Directors of Synergon Information Systems Plc. shall strive at socially responsible activity with due diligence. Accordingly, in the course of decision-making processes, it shall consider the interests of the employees, creditors, clients, suppliers, the operational and natural environment and local communities, as well as the effect of its decisions on the above stakeholders.