



Synergon Information Systems Plc.
and its subsidiaries

Corporate Governance Report

06.04.2011

Synergon Information Systems Plc.
Chief Executive Officer



Synergon
System Integrator Ltd.
Managing Director



Synergon Retail
Systems Ltd
Managing Director



FIBEX Ltd.
Managing Director



In its decision of 26 March 2004, the Board of Directors of Synergon Information Systems Plc. declared for the first time 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.

The Company has understood the recommendations drawn-up in the complementary regulations of Act IV of 2006 on business associations (hereinafter referred to as Gt.) and published in the BSE recommendation in October 2007, and it has strived at complying with them in the course of its operations, just like earlier. A detailed report will be prepared about the actual business year in accordance with the expanded regulations.

Synergon Information Systems Plc. has 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. discloses the regulations associated with Corporate Governance on its own websites.

With the elaboration of the Principles of Corporate Governance, Synergon Information Systems Plc. has aimed at framing such a set of regulations in the management of the public limited company that ensure comprehensible and transparent operations for the Company's owners, investors and all the other market actors.

Synergon Information Systems Plc. discloses the following summary report and declaration regarding corporate governance:

Brief description of the operation of the Board of Directors

Since 26 April 2010, a seven-piece Board of Directors has been responsible for the group-level management of Synergon, as well as the management of the Company. The members are elected by the General Meeting for a maximum period until the regular 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 the rules of procedures it has adopted. The Board of Directors elects a Chairman from its own members by a simple majority vote.

The Board of Directors holds at least four regular meetings in each calendar year. The interval between the meetings of the Board of Directors must not exceed one hundred and twenty days. The meeting of the Board of Directors is convened by the Chairman of the Board of Directors, and extraordinary meetings may be convened by the Chairman or any two members of the Board of Directors with the definition of the cause and objective. Provisions must be made for the recording of minutes, which must include the time, place and agenda of the meeting, the list of people present, the essence of the comments, the resolutions, as well as

the identification of those Directors by name who 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 properly, 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 by 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 the regular meetings, the Board of Directors may also adopt resolutions by means of the written votes of the members of the Board of Directors. In this case, the quorum of the Board of Directors depends on the total headcount of the Board. In the event of any written voting, the Chairman sends out the given draft resolution in writing –via fax, or registered mail – to all the members of the Board of Directors who have five days following the delivery of the draft resolution to send their written votes to the Chairman even via fax, by way of executing the given resolution. The resolution is accepted if the majority of all the members of the Board of Directors cast “yea” votes within the time available for voting. 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 Chairman is responsible for counting the votes and documenting the resolution.

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

The Board of Directors is also responsible for the management and monitoring tasks of the Company (single-tier system), in harmony with the provisions of Article (4) of § 21 of Act IV of 2006. Consequently, the Board of Directors performs the functions of the different committees.

THE DIVISION OF RESPONSIBILITIES AND DUTIES BETWEEN THE BOARD OF DIRECTORS AND THE MANAGEMENT

The Board of Directors appoints the Chief Executive Officer of Synergon Information Systems Plc. on the basis of the proposal by the Chairman of the Board of Directors. As concerns the employer’s rights over the Chief Executive Officer, the rights regarding to the appointment and the termination of the employment relationship, as well as to determining the remuneration shall be exercised by the Board of Directors, while other employer’s rights (reporting obligations, control, and instructions) are exercised by the Chairman of the Board of Directors. The scope of competence and duties of the Chief Executive Officer alongside with the tasks associated with the position are determined by the Board of Directors.

The Chief Executive Officer attends to the management of the operative activity of the Company, as well as to the implementation of the resolutions adopted by the Board of Directors and the General Meeting. The Chief Executive Officer manages these matters with individual responsibility within the framework constituted of the provisions of Law, the Statute,

the rules of procedure of the Board of Directors, as well as the resolutions of the General Meeting and Board of Directors.

The Chief Executive Officer may transfer the duties in his scope of competence to the members of the Management or the employees of the Company together with the job description, on a general or a case-by-case basis, but the limitations of his rights and powers arising from the membership in the Board of Directors do not have any legal effect against any third person. The Chief Executive Officer is entitled to authorize any employee of the Company to sign.

The Chief Executive Officer exercises the right of choice in all matters outside the scope of competence of the General Meeting or the Board of Directors. The Chief Executive Officer shall conclude an employment contract with the Company, which is executed by the Chairman of the Board of Directors.

The Chief Executive Officer exercises the employer's rights over the employees who are in employment relationship with the Company. In case of the subsidiaries the managing directors exercise the employer's rights over the employees.

In order to fulfill his duties, the Chief Executive Officer concludes contracts, and represents the Company against any third person as well as authorities and courts of justice.

Synergon System Integrator Ltd., Synergon Retail Systems Ltd., and Fibex Ltd. are 100% subsidiaries of Synergon Information Systems Ltd. with legal personality. The operative management of the subsidiaries is the responsibility of executive managers, who also practice employers' rights over the employees of the subsidiaries. The executives shall provide continuous information about their activities to the Board of Directors of Synergon Information Systems Ltd., and they shall implement the provisions of the resolution of the founders issued by Synergon Information Systems Ltd.

MEMBERS OF THE BOARD OF DIRECTORS AND THE MANAGEMENT

Members of the Board of Directors as of 6 April 2011:

Dr. Zoltán Jeszenszky, Chairman

Klára Deák, Member

Balázs Bokorovics, Member

Csaba Major, Member

Róbert Litauszki, CEO

Márk Lazarovits, Member, Managing Director of Synergon System Integrator Ltd.

Szabolcs Vida, Member, Managing Director of Synergon System Integrator Ltd.

The members have been elected by the General Meeting for a maximum period until the regular General Meeting to be held in the third calendar year following their election (but maximum until 30 April 2012). The CVs of the members of the Board of Directors are accessible at the Company's website.

Since 30 April 2009 , the Company has been operated as a single-tier joint-stock company as described in Article (4) of § 21 of Act Iv. of 2006, thus no Supervisory Board is appointed, and the Board of Directors performs the management and monitoring tasks in one.

Members of the Management as of 06 April 2011:

Róbert Litauszki, Chief Executive Officer
Zsuzsanna, Imre, Finance Director
Szabolcs Vida, Member, Managing Director of Synergon System Integrator Ltd.,
member of the Board of Directors
Romulus Steinbinder, Managing Director of Synergon Retail Systems Ltd.
Zsuzsanna Polányi, Managing Director of Fibex Ltd.

THE MEETINGS OF THE BOARD OF DIRECTORS AND THE COMMITTEES IN THE PERIOD CONCERNED

In the period concerned (from 01 January 2010 to 31 December 2010), the Board of Directors had four meetings with the following attendance:

- On 11 January 2010 (5 members attended)
- On 12 April 2010 (4 members attended)
- On 10 May 2010 (6 members attended)
- On 10 November 2010 (6 members attended)

The Board of Directors brought resolutions via fax on the following dates:

- 10 February 2010
- 17 February 2010
- 22 February 2010
- 13 April 2010
- 26 April 2010
- 10 May 2010
- 1 June 2010
- 15 June 2010
- 17 June 2010
- 26 July 2010
- 7 September 2010
- 20 September 2010
- 24 September 2010
- 11 October 2010
- 18 October 2010
- 30 October 2010

AN OVERVIEW OF THE WORK OF THE BOARD OF DIRECTORS AND THE MANAGEMENT, AS WELL AS THE CRITERIA OF THE EVALUATION OF INDIVIDUAL MEMBERS

The Board of Directors evaluates the work of the Management continuously, furthermore it prepares a comprehensive evaluation once a year. The remuneration of the members of the Management relies on a well-established system. In addition to their basic salary, the members of the Management are entitled to a bonus if the Company's progress is in line with the objectives in the year of review and on the long run. Such bonuses are associated with trends in the sales revenues, the volume of business profit and the accomplishment of the most important individual tasks within the given business year. On 18 December 2006, the Company's General Meeting approved a share option program that was subsequently amended by the resolution of the General Meeting held on 10 April 2007; while the General Meeting of 17 December 2007 adopted the Managerial Share Option Program II as well. This was amended by the extraordinary General Meetings of 27 June 2008 and 24 July 2009. The details of the managerial share option programs are accessible on the Company's website. The Board of Directors believes that owing to the current system of benefits the members of the Management are—on the long run—interested in the growth of share prices.

REPORT ON THE OPERATION OF COMMITTEES

Audit Committee

The Company operates a three-piece Audit Committee, elected by the General Meeting.

As of 30 April 2009, the members of the Audit Committee are:

- Balázs Bokorovics, Member
- Csaba Major, Chairman
- Klára Deák, Member

The members of the Audit Committee have been appointed to their offices until the regular General Meeting to be held in the third year after their election, (but maximum until 30 April 2012).

The tasks of the Audit Committee encompass the supervision of financial reports, the accounting and controlling system, the independent auditors' reports, and legal and ethical compliance. •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.

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.

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. 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.

In the period under review (from 01 January 2010 to 31 December 2010), the Audit Committee had four meetings with the following attendance:

On 31 January 2010	all members of the Audit Committee were present,
On 18 March 2010	all members of the Audit Committee were present,
On 31 July 2010	all members of the Audit Committee were present,
On 31 October 2010	all members of the Audit Committee were present.

The Company does not have a nomination committee or remuneration committee. These functions are performed by the members of the Board of Directors without constituting a formal body.

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.), the Company set up its internal control system in 2007. In the frame of which, the Company has:

- control by the management and incorporated in the work process;
- an Audit Committee.

Following the Flash Report in each quarter, the Chief Executive Officer reported to the Board of Directors about the results of the given quarter, while the Chairman of the Board of Directors also presented his report.

Risk evaluation was based on professional experience.

The operation of the governance systems underwent internal control as well as so-called second party audits performed by partners (e.g. Paks Nuclear Power Plant Plc.) 15-16. 10 2010.

The governance systems also underwent so-called third-party audits performed by external auditors of international accreditation, and the certificates thus earned are displayed on the website of the company. Independently, several auditing companies conducted inspections:

- SGS Hungária Ltd. (UKAS international accreditation),
 - ISO 9001:2009 Quality Management System (Synergon Information Systems Plc. 22-23 04 2010., Synergon System Integrator Ltd. 22-23 04 2010.,)
 - ISO 20000:2007 IT Service Management System (Synergon System Integrator Ltd. 02 11 2010.)
- First Hungarian Auditor Co./ NQA Hungary (UKAS international accreditation)
 - ISO 9001:2009 Quality Management System (Synergon Retail Systems Ltd. 01 06 2010)
 - ISO 14001:2005 Environmental Management Systems (Synergon Information Systems Plc 21 01 2010, Synergon System Integrator Ltd. 22 01 2010)
 - MSZ 28001:2008 /OHSAS 18001 Occupational Health and Safety Management System (Synergon Information Systems Plc., Synergon System Integrator Ltd., Synergon Retail Systems Ltd. 18 06 2010)
 - ISO 27001:2005 Information Security Management System (Synergon Information Systems Plc., 17 09 2010, Synergon System Integrator Ltd. 18.09.2010)
- Hungarian Ministry of Defence Development and Logistics Agency, Office of Technology, Directorate of Audit and Codification, Audit Group (NATO accreditation)
 - NATO AQAP 2110:2009 és AQAP 160:2001 Military Quality Management System (Synergon System Integrator Ltd. 30 11 2010)

The auditor appointed by the Company (UNIKONTO Számvitelkutatói Ltd., assigned auditor: Dr Csaba Adorján) did not perform any activity unrelated to auditing in 2010.

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

- Principles of Corporate Governance
- Corporate Governance report
- Corporate Governance detailed declaration
- Statutes
- Code of Ethics
- Procedures of the General Meeting
- Guidelines pertaining to insider training
- Guidelines and principles of publicity\information release
- Guidelines of risk management (under modification)