



**REPORT**

**RELATING TO THE CORPORATE GOVERNANCE ON THE BASIS OF THE  
CORPORATE GOVERNANCE RECOMMENDATIONS PUBLISHED BY THE  
BUDAPEST STOCK EXCHANGE**

On the basis Corporate Governance Recommendations published by the Budapest Stock Exchange (the "**Recommendations**"), the Supervisory Board of Zwack Unicum Nyrt. (the "**Company**") by its resolution dated May 25, 2021 approved the following report made by the Board of Directors in the name of the Company.

On the basis of Subsection (1) of Section 5 and Section 9 of the decree no. 502/2020 (XI.16.) of the Government of Hungary on the reinsertion of deviating regulations related to the operation of partnerships and capital-concentrating organisations during the state of emergency (the "**Decree**") (the "**Act**"), the Board of Directors acting in the competence of the AGM by its resolution No. 7/2021. 06. 30, passed on June 30, 2021 approved the following report.

## **DISCLOSURE ON CORPORATE GOVERNANCE**

### **1. A brief presentation of the operation of the Executive Board / Board of Directors, and the distribution of responsibilities and tasks between the Executive Board / Board of Directors and the management.**

#### **1.1 A brief presentation of the operation of the Executive Board / Board of Directors**

The members of the Board of Directors shall be elected by the Shareholders Meeting in accordance with the proposal of the shareholders for a period of maximum four years. The Chairman and the Vice-Chairman of the Board of Directors are elected by and from among the members of the Board of Directors for a period of four (4) years. If the Chairman of the Board of Directors would be unable to execute his function, the responsibility to act as the Chairman of the Board of Directors shall be automatically transferred to the Vice-Chairman of the Board of Directors.

The Chairman of the Board of Directors is obliged to call the meetings of the Board of Directors and to organize and direct the continuous activities of the work organization of the Company.

The Board of Directors shall hold ordinary meetings at least once every quarter. The meeting of the Board of Directors is convoked by the Chairman of the Board of Directors and in case of unavailability, by the Vice-Chairman of the Board of Directors. The Chairman of the Board of Directors is also obliged to convoke the meeting of the Board of Directors if so required by two (2) members jointly with a statement regarding the reason and purpose of said request.

With the exception of a closed meeting, the members of the Supervisory Board and also the persons invited by the Board of Directors may take part in the meeting of the Board of Directors as consultants. The Board of Directors may also have closed (in camera) sessions, or discuss selected items on the agenda at closed sessions. A closed meeting shall be held at the request of any Director.

The Board of Directors has a quorum if six-seventh (6/7) of the board members are present. The propositions and resolutions of the Board of Directors shall be brought with a simple majority of the votes of the board members present, except if otherwise provided by the Rules of Operation of the Board of Directors. Minutes have to be kept regarding the meeting of the

Board of Directors, which shall contain a list of those present, the deliberations regarding the issues of the agenda, the results of the votes and the decisions.

The Board of Directors may pass resolutions without any or all Board members being physically present at the Meeting of the Board of Directors, by way of using electronic communications devices.

The tasks and competences of the Board of Directors are defined by the applicable legal regulations, the Statutes of the Company (available at [www.zwack.hu](http://www.zwack.hu)) and its Rules of Operation, accepted by itself.

## 1.2 The distribution of responsibilities and tasks between the Executive Board / Board of Directors and the management

The Board of Directors shall appoint a General Manager from among the directors or the employees, for such period of time and under such terms as it deems fit. The Board of Directors may revoke such appointment at any time.

The General Manager, within his scope of employment, shall be responsible for the administration of the Work Organization of the Company, and shall exercise the employer's rights in respect of the employees of the Company. The General Manager shall be entitled to delegate his power to exercise the employer's rights in respect of employees of a given department to the employee in charge of that department, except for the employer's rights in respect of employees in executive positions.

The General Manager shall have the powers to decide in matters relating to the day-to-day operations of the Company. The competence of the General Manager shall be determined by the Rules of Operation of the Company approved by the Board of Directors.

## **2. An introduction of the Executive Board / Board of Directors, Supervisory Board and management members, a presentation of the committee structure**

### 2.1 The Board of Directors

The Board of Directors of the Company actually consists of seven (7) members. The Chairman of the Board of Directors is Mr. Sándor Zwack, the Deputy Chairman is Mr. Wolfgang Spiller. The list of the members of the Board of Directors, their presentation and the data related to their independency status are available at the homepage of the Company (<https://zwackunicum.hu/en/befektetoknek/testulet-es-menedzsment/>).

### 2.2 The Supervisory Board

The Supervisory Board of the Company actually consists of six (6) members. The Chair of the Supervisory Board is Dr. Hubertine Underberg-Ruder, its Deputy Chair is Mag. Karin Trimmel. The list of the members of the Supervisory Board, their presentation and the data related to their

independency status are available at the homepage of the Company (<https://zwackunicum.hu/en/befektetoknek/testulet-es-menedzsment/>).

### 2.3 The Management

The list of the members of the management and their presentation are available at the homepage of the Company ([www.zwack.hu](http://www.zwack.hu)).

## 3. **Specifying the number of meetings which the Executive Board / Board of Directors, Supervisory Board and committees held in the given period, complete with attendance rates**

### 3.1 The Board of Directors

The Board of Directors, during the past 2020-2021 business year, had seven (9) meetings, with an average attendance of 98%.

### 3.2 The Supervisory Board

The Supervisory Board, during the past 2020-2021 business year, had three (3) meetings, with an average attendance of 100%.

### 3.3 The Audit Board

The Audit Board, during the past 2020-2021 business year, had three (3) meetings, with an average attendance of 100%.

## 4. **Remuneration Policy (a presentation of the work done by the Executive Board / Board of Directors, the Supervisory Board and the management as well as the considerations for assessing their individual members)**

The Board of Directors - based on the rules of the Decree - acting in the competence of the General Meeting on June 25, 2020, in compliance with the obligations pursuant to the Act LXVII of 2019 on the encouragement of long-term shareholder engagement and the modification of certain legal acts for harmonization of the law (the "**ShRD Act**"), AGM – in its advisory competence - approved the remuneration policy concerning the directors of the Company ("**Remuneration Policy**").

The personal scope of the Remuneration Policy shall extend to the following persons:

- (i) members of the Company's Board of Directors;
- (ii) members of the Company's Supervisory Board;
- (iii) the CEO of the Company; and
- (iv) the Deputy CEO.

The Remuneration Policy is applicable for a period of 4 years from the date of its approval.

The Remuneration Policy, in line with the rules of ShRD Act contains:

- (a) the principles and objectives of the Remuneration Policy, its implementation;
- (b) the rules on the personal and temporal scope of the Remuneration Policy;
- (c) the rules on the fixed remuneration of the members of the Board of Directors and of the Supervisory Board; (d) the rules on the remuneration of the Company's chief executive officer, the deputy chief executive officer and of the members of the Board of Directors and the Supervisory Board having an employment or other relationship with the Company, including:
  - The fixed and (performance dependent) variable elements of the remuneration, and their relative proportions;
  - deferral period, recovery;
  - other conditions of the labor contracts.
- (e) the rules on Deviation from the Remuneration Policy; and
- (f) the rules on decision-making process regarding the Remuneration Policy.

The Remuneration Policy is available at the website of the Company (<https://zwackunicum.hu/en/befektetoknek/>).

The Board of Directors of the Company constantly evaluates the work of the members of the management not falling under the scope of the Remuneration Policy and also prepares a yearly evaluation.

**5. A report on the operation of each committee, elaborating on the professional background of committee members, the number of and the attendance rate at the meetings held as well as the major topics discussed at the meetings and a presentation of the committee operation**

**5.1 The Supervisory Board**

The presentation of the members of the Supervisory Board is included in Section 2.2 above, the number of the meetings held and the attendance rate are included in Section 3.2 above and the duration of the appointment of the members of the Supervisory Board is presented in the Remuneration Declaration published at the homepage of the Company (<https://zwackunicum.hu/en/befektetoknek/>).

In the business year 2020-2021, the Supervisory Board discussed the following major topics:

- (i) Examination of all the reports, overviews and documents related to the operation of the Company and its various bodies, departments and mechanisms as set forth in the Statutes of the Company and other corporate documents, including the preparation of the respective reports;
- (ii) Remuneration issues;
- (iii) Issues related to the Annual and Extraordinary General Meetings of the Company;

(iv) Effect of the virus situation on the operation of the Company.

Pursuant to the Statutes, the Company shall establish a Supervisory Board consisting of at least six (6) members and at the most twelve (12) members. The management of the Company entered into an agreement with the workers' council pursuant to which the employees waived their right to participate in the operation of the Supervisory Board. The members of the Supervisory Board shall be elected by the Shareholders Meeting for a period of maximum four (4) years.

The Supervisory Board shall hold a meeting at least once every six months, at least three times a year, but at any time upon the request of the Shareholders Meeting. The meeting of the Supervisory Board shall be convoked by its Chair, who shall also chair the meeting. The Chair of the Supervisory Board shall be obliged to also call the meeting of the Supervisory Board, if so requested in writing by a member of the Supervisory Board who provides the reason and objective of the meeting. If the Chair fails to comply with such request, the member shall have the right to convene the meeting himself.

At the meetings of the Supervisory Board the Auditor may also take part with a right of consultation.

The Supervisory Board shall have a quorum if two thirds, but at least three, of the members of the Supervisory Board are present. The decisions of the Supervisory Board are brought with a simple majority of the members of the Supervisory Board present. Minutes have to be kept regarding the meeting of the Supervisory Board, which shall contain the list of those present, the results of the votes and the decisions.

According to its own procedural rules, the Supervisory Board may pass resolutions by way of using electronic communications devices.

## 5.2 The Audit Board

The Company established an Audit Board consisting of three (3) members, elected by the Shareholder's Meeting from the independent members of the Supervisory Board. The Chair of the Audit Board is Mag. Karin Trimmel. The list of the members of the Audit Board and the data related to the duration of their appointment are available at the homepage of the Company (<https://zwackunicum.hu/en/befektetoknek/>). The data related to the duration of their appointment are available in the Remuneration Declaration.

The number of the meeting held by the Audit Board and the attendance ratio are included in Section 3.3 above.

In the business year 2020-2021, the Audit Board discussed the following major topics:

- (i) Examination of all the reports, overviews and documents related to the operation of the Company and its various bodies, departments and mechanisms as set forth in the Statutes of the Company and other corporate documents, including the preparation of the respective reports;
- (ii) Issues related to the audit of the Company;

- (iii) Issues related to the financial reporting system, the internal audit and risk management systems of the Company.

The tasks and competences of the Audit Board are defined by the applicable legal regulations, the Statutes of the Company (available at <https://zwackunicum.hu/en/befektetoknek/alapszabaly/>) and the rules of operation of the Audit Board, approved by the Supervisory Board.

In the business year 2020-2021, the Board of Directors did not pass any decision against the propositions of the Audit Board.

### 5.3 Other Boards

Taking into consideration the shareholding structure of the Company<sup>1</sup> and that the Company's Board of Directors - acting on behalf of the general meeting pursuant to the Decree - approved the Remuneration Policy of the Company, there is no nomination committee at the Company. The tasks of the nomination committee are performed by the Board of Directors. In remuneration questions, the bodies and persons defined in the Remuneration Policy shall decide.

## **6. A description of the system of internal controls, an evaluation of the activities performed in the given period. A report on the efficiency and effectiveness of the risk management procedures**

As of the 2008/2009 business year, the Company established a position of internal controller. However, the size of the Company does not justify the operation of a separate internal control department, thus the position is held by an internal controller who is already an employee of the Company and who directly reports to the General Manager.

The internal audit plan is approved by the Audit Committee and the internal controller makes a report about the results of the internal control to the Audit Committee. The Audit Committee – together with the Board of Directors and the Supervisory Board – reviews the result of the different administrative supervisions held at the Company and analyzes - together with the management - the risk map of the Company.

In the 2020-2021 business year internal audit plan has been approved by the Audit Committee and the internal controller made a report about the results of the internal control to the Audit Committee. With respect to the 2020-2021 business year, the Audit Committee established in its report that the risk management principles and mechanisms of the Company effectively secured the management and control of the risks related to the operation of the Company as well as the achievement of its performance and profit targets.

---

<sup>1</sup> The qualified majority voting shares (76%+1) of the Company are held by two major shareholders.

**7. Information on whether the auditor performed any activities not related to auditing**

The Auditor of the Company did not perform any activities not related to auditing.

**8. An overview of the Company's publication policy and its insider trading policy**

The Company Documents are in compliance with the provisions of the Civil Code, Act CXX of 2001 on the capital market (the "**Capital Market Act**"), Regulation 596/2014/EU on market abuse, the Budapest Stock Exchange and the Central Depository and Clearing House respectively, and the Company is disclosing information pursuant to the above acts and regulations. Consequently, the Company publishes quarterly interim management report, quick reports, annual reports following the closing of the financial year and provides extraordinary reporting if the Company becomes aware of any information on any past or ongoing change that could directly or indirectly affect the value of or the yield on the securities, or could be significant for the market players in making their investment decisions. Furthermore, the Shareholders Bureau of the Company keeps continuous contact with the investors. The Company publishes its notifications on its own homepage ([www.zwackunicum.hu](http://www.zwackunicum.hu)), on the homepage of the Budapest Stock Exchange ([www.bet.hu](http://www.bet.hu)) and on the homepage [www.kozzetetelek.hu](http://www.kozzetetelek.hu).

The Company - in the Instruction no. 11/2016 - established its policy on insider tradings, pursuant to the applicable rules of Regulation no. 596/2014/EU on market abuse. The Company holds a register about the insiders, as prescribed by the Act. Pursuant to the Instruction and the Capital Market Act, certain persons specified in the Instruction (thus the members of the Board of Directors and of the Supervisory Board, directors of the Company and persons closely associated with them) shall notify the Hungarian National Bank and the Company without delay of every transaction conducted on their own account relating to the shares or debt instruments (e.g. bonds) of the Company or to derivatives or other financial instruments linked thereto. Furthermore, a person discharging managerial responsibilities shall not conduct any transactions on its own account or for the account of a third party, directly or indirectly, relating to the shares or debt instruments of the Company or to derivatives or other financial instruments linked to them during a closed period as specified in the market abuse regulation, which is a thirty (30) calendar day period before the announcement of an interim financial report or a year-end report (annual report).

**9. An overview of the method of exercising shareholder rights**

Every registered common share having a nominal value of 1,000 HUF (one thousand Hungarian Forint) shall entitle its holder to one vote at the General Meeting. Shareholders may exercise their rights at the General Meeting either in person or through an authorized representative pursuant to a voting card or an equivalent official certification confirming the right to vote) to be issued by the Board of Directors. The proxy empowering its holder to representation shall be incorporated into a public legal document or a fully evidencing private deed, and shall be



submitted prior to obtaining the certification entitling the certificate holder to the receipt of the voting card.

Certification of ownership is not required for the exercise of shareholders' rights; the entitlement is verified by way of the identification procedure prescribed in the act on securities and in rules of procedures of the central depository (KELER Zrt.). The registration of the shareholder into the Share Register is the obligation of investment service firms. The registration of the ownership can be initiated through the respective investment service firm within the deadline set forth therefore. Shareholders' rights at the General Meeting may be exercised by the person whose name is contained in the Share Register at 6 PM (Budapest time) on the second business day before the first day of the Shareholders' Meeting.

The detailed rules on exercising shareholder's rights are set forth by the Statutes of the Company available at the homepage of the Company (<https://zwackunicum.hu/en/befektetoknek/alapszabaly/>).

#### **10. A brief presentation of the rules for the conduct of the General Meeting**

The Company shall hold the annual ordinary Shareholders Meeting by July 31 of each year. The Board of Directors shall be entitled and obliged to call the Shareholders Meeting. The Board of Directors shall be entitled at any time to call an extraordinary Shareholders Meeting.

The Board of Directors shall publish the invitation to the Shareholders' Meeting at least 30 days before the Shareholders' Meeting. Such publication is to be made at the [www.kozzetetelek.hu](http://www.kozzetetelek.hu) homepage as well as at the homepage of the Company and the homepage of the Budapest Stock Exchange.

The agenda of the Shareholders' Meeting is established by the Board of Directors, but the latter is obliged to place on the agenda any proposal for supplementing the agenda (complying with the rules on the details of the agenda) and any draft resolution related to an agenda item that is on agenda or to be added to the agenda, which are requested by the Shareholders representing at least one per cent (1%) of the votes, by the Supervisory Board and by the Auditor within 8 days after the publication of the invitation.

The Shareholders Meeting has a quorum if the Shareholders (or their representatives) who are present represent more than half of all the voting shares. In lack of a quorum, the reconvened General Meeting shall have a quorum irrespective of the actual number of shareholders present.

The detailed rules on the conducting of the General Meeting are set forth by the Statutes of the Company available at the homepage of the Company (<https://zwackunicum.hu/en/befektetoknek/alapszabaly/>).

According to the rules of the Decree, no general meetings can be held in a way which would require the physical presence of the shareholders during the state of emergency related to the coronavirus pandemic.

Thus, on June 30, 2021, according to the Decree, the Board of Directors decided on all issues listed on the published agenda.

According to the Act, the shareholders can request the convocation of the general meeting for the subsequent approval of the general meeting resolutions passed by the Board of Directors during the state of emergency within a 30-day deadline starting from the date of publishing the resolutions, with the exception of resolutions concerning the approval of the annual report and the allocation of the after-tax profits (dividends) where such deadline is 30 days from the date of publishing the resolutions

## **11. Remuneration Statement**

The Remuneration Statement prepared by the Company is available at the homepage of the Company (<https://zwackunicum.hu/en/befektetoknek>).

The remuneration reports to be prepared pursuant to the Remuneration Policy will be first accepted at the 2022 annual general meeting of the Company.

## **12. Diversity**

Taking into consideration that since its establishment, Company has applied a practice with respect to the election of its management and administration employees that also respects the criteria of diversity, treats everyone equally when choosing its employees and does not apply discriminatory criteria, the Company does not consider it necessary to be more explicit and to elaborate a separate diversity policy.

## RECOMMENDATIONS

**1.1.1.** Does the Company have an organisational unit dealing with investor relationship management, or a designated person to perform these tasks?

**Yes**

Explanation: The Company has an organizational unit dealing with investor relationship.

**1.1.2.** Are the Company's Articles of Association available on the Company's website?

**Yes**

**1.1.4.** If the Company's Articles of Association allow shareholders to exercise their rights in their absence, did the Company publish the methods and conditions of doing so, including all necessary documents?

**Yes**

**1.2.1.** Did the Company publish on its website a summary document containing the rules applicable to the conduct of its General Meetings and to the exercise of voting rights by shareholders?

**Yes**

**1.2.2.** Did the Company publish the exact date when the range of those eligible to participate in a given company event is set (record date), and also the last day when the shares granting eligibility for participating in a given company event are traded?

**Yes**

**1.2.3.** Did the Company hold its General Meetings in a manner providing for maximum shareholder participation?

**Yes**

**1.2.6.** The Company did not restrict the shareholders' right to designate a different representative for each of their securities accounts to represent them at any General Meeting. (Answer Yes, if not)

**No**

Explanation: As according to Section 3:255. § (2) of the Civil Code, if a shareholder is represented by different representatives and these representatives vote in a different way, all the votes passed by them shall be considered as null and void, in order to facilitate the counting

of the votes and order to avoid null and void votes, the Company accepts only one representative per shareholder.

**1.2.7.** For proposals for the agenda items, were the Board of Directors' draft resolution and also the Supervisory Board's opinion disclosed to the shareholders?

**Yes**

**1.3.3.** The Company did not restrict the right of its shareholders attending a General Meeting to request information, add comments and submit proposals, or set any preconditions for these with the exception of some measures taken to conduct the General Meeting in a correct manner and as intended. (Answer Yes, if not)

**Yes**

Explanation: The Company did not restrict the right of its shareholders attending a General Meeting to request information, add comments and submit proposals.

**1.3.4.** By answering the questions raised at the General Meeting, did the Company ensure compliance with the information provision and disclosure principles set out in legal and stock exchange requirements?

**Yes**

**1.3.5.** Did the Company publish on its website the answers to the questions that the representatives of the Company's boards or its auditor present at the General Meeting could not satisfactorily answer at the meeting within 3 working days following the General Meeting, or an official statement explaining why it refrained from giving answers?

**Yes**

Explanation: During the past few years, there was no question asked at the General Meeting of the Company to which the representatives of the different bodies of the Company or the Auditor was not able to properly answer.

**1.3.7.** Did the Chairman of the General Meeting order a recess or suggest that the General Meeting be postponed when a proposal or proposal relating to a particular issue on the agenda was submitted which the shareholders hadn't had a chance to become familiar with before the General Meeting?

**Yes**

Explanation: During the past few years, there was no such proposals.

**1.3.8.1.** The Chairman of the General Meeting did not use a combined voting procedure for a decision related to electing and recalling executive officers and Supervisory Board members.  
(Answer Yes, if not)

**Yes**

Explanation: The Chairman of the General Meeting did not use a combined voting procedure in the above cases.

**1.3.8.2.** For executive officers or Supervisory Board members, whose nominations were supported by shareholders, did the Company disclose the identity of the supporting shareholder(s)?

**Yes**

**1.3.9.** Prior to discussing agenda items concerning the amendment of the Articles of Association, did the General Meeting pass a separate resolution to determine whether to decide on each amendment of the Articles of Association by individual votes, joint votes, or votes combined in a specific way?

**Yes**

Explanation: Taking into consideration the topics listed on the agenda of the annual general meeting related to the 2020-2021 business year, the Statutes of the Company have only been modified and amended related to the change of certain titleholders. Thus, due to the number and administrative nature of the changes, there was no separate vote to determine whether each amendment of the Statutes should be individually voted. Naturally, if the number, the nature or the significance of the changes justifies it, the general meeting decides in a separate resolution each amendment of Statutes shall be decided by individual votes, joint votes, or votes combined in a specific way.

**1.3.10.** Did the Company publish the minutes of the General Meeting containing the resolutions, the description of the draft resolutions and any important questions and answers related to the draft resolutions within 30 days following the General Meeting?

**Yes**

## **1.5 Remuneration - ineffective**

**1.6.1.1.** Do the Company's publication guidelines cover the procedures for electronic, online disclosure?

**Yes**

**1.6.1.2.** Does the Company design it by considering the aspects of disclosure and the information of investors?

**Yes**

**1.6.2.1.** Does the Company have an internal publication policy in place which covers the processing the information listed in Section 1.6.2 of the Recommendations document?

**No**

Explanation: In case of publications, the Company follows current Hungarian legislation.

**1.6.2.2.** Do the internal regulations of the Company cover the methods for the assessment of events judged to be important for publication?

**No**

Explanation: In case of publications, the Company follows current Hungarian legislation and considers the event classified as important those qualified as such by the respective legislation.

**1.6.2.3.** Did the Board of Directors/Governing Board assess the efficiency of the publication processes?

**No**

Explanation: In case of publications, the Company follows current Hungarian legislation.

**1.6.2.4.** Did the Company publish the findings of the efficiency assessment of the publication process?

**No**

Explanation: As in case of publications, the Company follows current Hungarian legislation, no such assessment has been prepared.

**1.6.3.** Did the Company publish its annual company event calendar?

**Yes**

**1.6.4.** Did the Company publish its strategy, business ethics and policies regarding other stakeholders?

**Yes**

**1.6.5.** Did the Company publish the career information of Board of Directors / Governing Board, Supervisory Board and management members in its annual report or on the company website?

**Yes**

**1.6.6.** Did the Company publish all relevant information about the internal organisation and the operation of the Board of Directors / Governing Board and the Supervisory Board, about the work of the management, the assessments of these and the changes in the current year?

**Yes**

**1.6.7.1. - ineffective**

**1.6.7.2. - ineffective**

**1.6.8.** Did the Company publish its risk management guidelines and information about its system of internal controls, the main risks and the principles for their management?

**Yes**

**1.6.9.1.** Did the Company publish its guidelines relating to the trading of its shares by insiders?

**Yes**

**1.6.9.2.** Did the Company disclose the share of the Board of Directors / Governing Board, Supervisory Board and management members in the securities issued by the Company in the annual report or in some other way?

**Yes**

**1.6.10.** Did the Company publish the relationship of Board of Directors / Governing Board, Supervisory Board and management members may have with third parties which could affect the operation of the Company?

**Yes**

Explanation: During the past few years, there was no relationship with third parties which could have affected the operation of the Company.

**2.1.1.** Does the Company's Articles of Association contain clear provisions regarding the responsibilities and competences of the General Meeting and the Board of Directors / Governing Board?

**Yes**

**2.2.1.** Does the Board of Directors / Governing Board have a rules of procedure in place defining the organisational structure, the actions for arranging for and conducting the meetings, and the tasks regarding the adopted resolutions, as well as other issues related to the operation of the Board of Directors / Governing Board?

**Yes**

**2.2.2.** Does the Company publish the procedure used for nominating Board of Directors / Governing Board members?

**No**

Explanation: Due to the shareholding structure of the Company<sup>2</sup>, the nomination of the members of the Board of Directors is regulated by the shareholder's agreement of the two major shareholders. The content of the shareholder's agreement is a business secret.

**2.3.1.** Does the Supervisory Board provide a detailed description of its operation and duties, as well as the administrative procedures and processes followed by it, in its rules of procedure and work plan?

**Yes**

---

<sup>2</sup> The significant majority of the voting shares of the Company (76%+1) are held by two major shareholders.



**2.4.1.1.** Did the Board of Directors / Governing Board and the Supervisory Board hold meetings periodically at a predefined interval?

**Yes**

**2.4.1.2.** Did the rules of procedure of the Board of Directors / Governing Board and the Supervisory Board provide rules for the conduct of meetings that cannot be planned in advance, and for decision-making using electronic telecommunications means?

**Yes**

**2.4.2.1.** Did board members have access to the proposals to be presented at the meeting of the respective board at least five days prior to the meeting?

**Yes**

**2.4.2.2.** Did the Company arrange the proper conduct of the meetings, the drawing up of the meeting minutes and management of the resolutions made by the Board of Directors / Governing Board and the Supervisory Board?

**Yes**

**2.4.3.** Do the rules of procedure provide for the regular or ad hoc participation of non-board members at respective board's meetings?

**Yes**

**2.5.1.** Were the members of the Board of Directors / Governing Board and the Supervisory Board nominated and elected in a transparent process, and was the information about the candidates made public in due time before the General Meeting?

**No**

Explanation: The nomination of the candidates has been made as described in point 2.2.2 above. The information about the candidates has been made available in due time before the General Meeting.

**2.5.2.** Does the composition and size of the boards comply with the principles set out in Section 2.5.2 of the Recommendations?

**Yes**

**2.5.3.** Did the Company ensure that the newly elected Board of Directors / Governing Board and Supervisory Board members became familiar with the structure and operation of the Company and their tasks were carried out as members of the respective boards?

**Yes**

**2.6.1.** Did the Governing Board / Supervisory Board request (in the context of preparing the annual corporate governance report) its members considered to be independent to confirm their independence at regular intervals?

**Yes**

**2.6.2.** Does the Company provide information about the tools which ensure that the Board of Directors / Governing Board assesses objectively the management's activities?

**No**

Explanation: The Company published its principles related to the assessment of the activities of the management, but the publication of further information would be unfavorable for the business of the Company.

**2.6.3.** Did the Company publish its guidelines concerning the independence of its Governing Board / Supervisory Board members and the applied independence criteria on its website?

**No**

Explanation: Taking into consideration its shareholding structure, the Company considers the fulfillment of the independence criteria set forth in the laws as satisfying.

**2.6.4.** Does the Supervisory Board of the Company have any members who has held any position in the Board of Directors or in the management of the Company in the previous five years, not including cases when they were involved to ensure employee participation?

**No**

Explanation: Taking into consideration its shareholding structure, the Company considers the fulfillment of the independence criteria set forth in the laws as satisfying.

**2.7.1.** Did members of the Board of Directors / Governing Board inform the Board of Directors / Governing Board and (if applicable) the Supervisory Board (or the Audit Committee if a uniform governance system is in place) if they, or individuals they have business relations with,

or their relatives have interest in any business transactions of the Company (or any subsidiaries thereof) which excludes their independence?

**Yes**

**2.7.2.** Were transactions and assignments between members of boards/ members of the management/individuals closely associated with them and the Company/subsidiaries of the Company carried out in accordance with the Company's general business practice but applying more stringent transparency rules compared to general business practice, and were they approved?

**Yes**

Explanation: Such transactions were concluded according to general rules of practice of the company, with the general transparency rules which are sufficiently strict.

**2.7.3.** Did board members inform the Supervisory Board / Audit Committee (Nominating Committee) if they had received an appointment for board membership or management position of a company not belonging to the Company Group?

**Yes**

**2.7.4.** Did the Board of Directors / Governing Board develop guidelines for the flow of information and the management of insider information within the Company, and monitor compliance with them?

**Yes**

**2.8.1.** Did the Company create an independent internal audit function that reports directly to the Audit Committee / Supervisory Board?

**Yes**

**2.8.2.** Does Internal Audit have unrestricted access to all information necessary for carrying out audits?

**Yes**

**2.8.3.** Did shareholders receive information about the operation of the system of internal controls?

**Yes**

**2.8.4.** Does the Company have a function ensuring compliance (compliance function)?

**No**

Explanation: The size of the Company does not justify the establishment of such a function, but the Company is in compliance with its legal obligations with the assistance of its external advisors.

**2.8.5.1.** Is the Board of Directors / Governing Board or a committee operated by it responsible for the supervision and management of the entire risk management of the Company?

**Yes**

Explanation: The Audit Board is responsible for the supervision of the risk management of the Company.

**2.8.5.2.** Did the relevant organisation of the Company and the General Meeting received information about the efficiency of the risk management procedures?

**Yes**

**2.8.6.** With the involvement of the relevant areas, did the Board of Directors / Governing Board develop the basic principles of risk management taking into account the special idiosyncrasies of the industry and the Company?

**Yes**

**2.8.7.** Did the Board of Directors / Governing Board define the principles for the system of internal controls to ensure the management and control of the risks affecting the Company's activities as well as the achievement of its performance and profit objectives?

**Yes**

**2.8.8.** Did internal control systems functions report about the operation of internal control mechanisms and corporate governance functions to the competent board at least once a year?

**Yes**

**2.9.2.** Did the Board of Directors / Governing Board invite the Company's auditor in an advisory capacity to the meetings on financial reports?

**Yes**

## **PROPOSALS**

### *Level of compliance with the Proposals*

The Company must state whether it follows the relevant proposal included in the Corporate Governance Recommendations, or not (Yes / No). The Company can also explain any derogation from it.

**1.1.3.** Does the Company's Articles of Association provide an opportunity for shareholders to exercise their voting rights also when they are not present in person?

**Yes**

**1.2.4.** Did the Company determine the place and time of General Meetings initiated by shareholders by taking the initiating shareholders' proposal into account?

**Yes**

(Explanation: During the operation of the Company, no such initiative was made.)

**1.2.5.** Does the voting procedure used by the Company ensure a clear, unambiguous and fast determination of voting results, and in the case of electronic voting, also the validity and reliability of the results?

**Yes**

**1.3.1.1.** Were the Board of Directors/Governing Board and the Supervisory Board represented at the General Meeting?

**Yes**

**1.3.1.2.** In the event the Board of Directors/Governing Board and the Supervisory Board was absent, was it disclosed by the Chairman of the General Meeting before discussion of the agenda began?

**Yes**

(Explanation: During the operation of the Company, no such event happened.)

**1.3.2.1.** The Articles of Association of the Company did not preclude any individuals from receiving an invitation to the General Meetings of the Company at the initiative of the Chairman of the Board of Directors/Governing Board and being granted the right to express their opinion

and to add comments there if that person's presence and expert opinion is presumed to be necessary or help provide information to the shareholders and help the General Meeting make decisions. (Answer Yes, if not)

**Yes**

(Explanation: The Statutes of the Company does not contain such restriction.)

**1.3.2.2.** The Articles of Association of the Company did not preclude any individual from receiving an invitation to the General Meetings of the Company at the initiative of shareholders requesting to supplement the agenda items of the General Meeting and from being granted the right to express their opinion and to add comments there. (Answer Yes, if not)

**Yes**

(Explanation: However, during the operation of the Company, no such initiative was made.)

**1.3.6.** Does the annual report of the Company prepared as specified in the Accounting Act contain a brief, easy-to-understand and illustrative summary for shareholders, including all material information related to the Company's annual operation?

**Yes**

**1.4.1.** In line with Section 1.4.1, did the Company pay dividend within 10 working days to those of its shareholders who had submitted all the necessary information and documents?

**Yes**

**1.6.11.** Did the Company publish its information in English as well, in line with the provisions of Section 1.6.11?

**Yes**

**1.6.12.** Did the Company inform its investors about its operation, financial situation and assets on a regular basis, but at least quarterly?

**Yes**

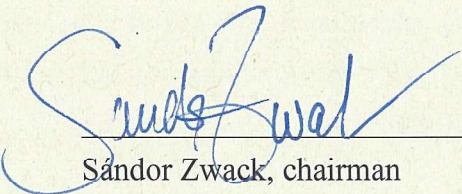
**2.9.1.** Does the Company have in place internal procedures regarding the use of external advisors and outsourced activities?

**No**

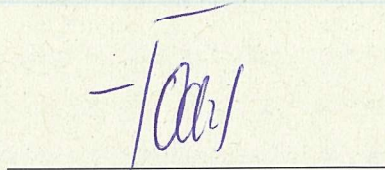
(Explanation: Such transactions are made according to general rules of practice of the Company, with the general transparency rules.)

Budapest, June 30, 2021

On behalf of the Board of Directors of Zwack Unicum Nyrt.



Sándor Zwack, chairman



Frank Odzuck, CEO