



**PannErgy**  
**Public Company Limited by Shares**

**Corporate Governance Report**  
**In compliance with the Corporate Governance Recommendations of**  
**the Budapest Stock Exchange Ltd.**

**PannErgy Plc's Board of Directors**

In its operations, PannErgy Plc strives for observing the relevant legal regulations, requirements of the Hungarian Financial Supervisory Authority and the provisions of the regulations of the Budapest Stock Exchange (BÉT). The Company's structure and the conditions of operations are included in the Articles of Corporation approved by the General Meeting.

PannErgy Plc hereby discloses the following information in relation to issues of corporate governance:

## **Board of Directors**

Instead of a directorate and supervisory board, the Company operates a Board of Directors for the implementation of standardized management, as well as the performance of the tasks of the directorate and supervisory board required by law. Within the scope of the tasks assigned to the directorate, the Board of Directors determines the strategic guidelines of the Company, supervises the operation of the management.

The Board of Directors consists of five natural persons as members, and they are elected by the General Meeting for a perpetual term. The chairman of the Board of Directors is elected by and from among the members of the Board of Directors. The member of the Board of Directors in charge of the tasks of the chief executive officer is elected by and from among the members of the Board of Directors.

The decisions of the Board of Directors are made by simple majority vote, and this body is deemed to form a quorum, if the majority of its members from time to time are present. In the case of any tie vote, the vote of the chairman of the Board of Directors decides.

The Board of Directors establishes its own rules of procedures, detailing the tasks belonging to its own scope of competence, as well as its own order of operations.

The Board of Directors is obliged to report to the General Meeting on the Company's management, asset position and business policy at the least annually.

The Board of Directors controls the Company via the management; it requires the management to report on the performance of business tasks, and the execution of the resolutions, decisions of the Board of Directors. The employer's rights over the employees of the Company are exercised by the chief executive officer.

The aim of the Share Option Program in effect at the Company has the purpose to reinforce the interests of the members of the Board of Directors and managers of the Company further in the improvement of the Company's profitability and enhancement of the shareholder value.

The members of the Board of Directors are:

Balázs Bokorovics, chairman – not independent

Dénes Gyimóthy, member – not independent

Attila Juhász, member - independent

István Töröcskei, member - independent

Gábor Briglovics, member – independent

Management:

Dénes Gyimóthy, acting chief executive officer , chief financial officer

The Board of Directors held 5 meetings in 2008 with an average attendance rate of 68%.

## **Audit Committee**

The General Meeting of the Company has elected a three-member Audit Committee from the independent members of the Board of Directors to execute its tasks, make well-grounded decisions.

The scope of competence of the Audit Committee covers the formulation of opinion on the reports prepared in conformance with the Accounting Act, evaluation of the operation of the financial reporting system, making of proposals in the person of the auditor and its remuneration, preparation of the contract to be made with the auditor, as well as the performance of tasks concerning cooperation with the auditor.

The rules of operations and decision-making are determined by the Audit Committee itself.

The following persons are the members of the Audit Committee:

Attila Juhász, chairman

István Töröcskei, member

Gábor Briglovics, member

The Audit Committee held 1 meeting in 2008 with an attendance rate of 100%.

## **Other committees**

There is no nominations committee and remuneration committee operating at the Company. These functions are fulfilled by members of the Board of Directors.

## **Auditor**

The auditor of the Company is elected by the General Meeting for a term of 1 year.

Auditor of the Company: Deloitte Accounting and Consulting Ltd.

The Audit Committee makes a written proposal on the person to act as the auditor, and this proposal is put forward by the presiding chairman of the General Meeting electing the auditor. If the person proposed by the Audit Committee is not elected to act as the auditor by the General Meeting, the Audit Committee is required to place another proposal concerning the person for the position of the auditor.

The tasks of the auditor include the auditing of the business books of the Company, preparation of reports in connection with the review of the reports of the Company prepared in conformance with the Accounting Act to the General Meeting, as well as the proposals of the Board of Directors concerning the allocation of profit after taxes and the establishment of dividends, as well as the exercise of other rights and powers set forth in the relevant legal regulations and performance of tasks.

In 2008, the auditor was not involved in any activity that was not connected with auditing.

## **The Company's policy in relation to the publication of announcements**

In its policy for the publication of announcements, the Company acts in compliance with the effective legal regulations and the relevant rules of the stock exchange. It publishes its announcement via its own website and the website of the Budapest Stock Exchange, as well as the website recommended by the HFSA. The publication of the announcements at the Company's website fulfills all the other disclosure obligations in cases when the relevant legal regulations and other requirements make the same possible.

## **The Company's policy in relation to insider trading**

The Company acts in compliance with the effective legal regulations and the relevant rules of the stock exchange in connection with insider trading. The Company has proper regulations for policies concerning insider trading, and keeps records of insider persons.

## **Exercising shareholder rights, attendance at the General Meeting**

The registered capital of the Company consists of 21,054,655 dematerialized, registered equity shares with an individual face value of HUF 20 (twenty), and each of them granting identical membership rights; these shares make up a single share series.

At General Meetings, one equity share entitles its holder to cast one vote.

Under the commission of the Company's Board of Directors, the body authorized to keep the shareholders' ledger in conformance with the applicable laws keeps the Shareholders' Ledger on the shareholders and the authorized representatives of the shareholders.

Such persons may exercise shareholding rights in connection with the Company whose names are included in the shareholders' ledger. The authorized representative shall exercise shareholding rights following their becoming recorded in the Shareholders' Ledger as the authorized representatives of the respective shareholders.

The rules of procedures for the identification of shareholders initiated in connection with the closing of the shareholders' ledger prior to any General Meeting are included in the effective regulations of the Central Clearing House and Depository (Budapest) (KELER).

The supreme body of the Company is the General Meeting consisting of all the shareholders.

The Annual Ordinary General Meeting shall be held once a year on the date set forth in the relevant legal regulations. The agenda of the Annual Ordinary General Meeting always includes the following items:

- report of the Board of Directors on the activities performed by the Company in the previous year;
- report of the Board of Directors in conformance with the Accounting Act and its proposal concerning the allocation of profit after taxes and the establishment of dividends;
- report of the Board of Directors and the auditor on the report prepared in conformance with the Accounting Act, and its opinion on the proposal of the

Board of Directors concerning the allocation of profit after taxes and the establishment of dividends;

- discussion of the annual report prepared in conformance with the Accounting Act, establishment of the balance sheet, and the making of decisions in connection with the allocation of the profit after taxes and the establishment of dividends;
- establishment of the emoluments to be paid to the members of the Board of Directors and the auditor;
- approval of the corporate governance report to be submitted to the Budapest Stock Exchange;
- making of decisions on the evaluation of the work performed by the members of the Board of Directors in the previous business year, as well as the discharge be granted to them.

The Board of Directors may summon an Extraordinary General Meeting if it is deemed to be necessary with respect to the operation of the Company.

The Board of Directors summons an Extraordinary General Meeting if the former General Meeting has resolved so, or in case the auditor or the shareholders representing at least 5% of the votes – in this latter case with the proper specification of the related causes and aims – have requested it from the Board of Directors in writing.

The invitation to the General Meeting is published by the Board of Directors thirty (30) days prior to the date of the planned General Meeting in the manner prescribed in the Articles of Corporation of the Company in association with the publication of the announcements of the Company.

All such invitations to the General Meetings and related announcements specify the name and business seat of the Company, the venue, time and date of the General Meeting, the agenda of the General Meeting, as well as the conditions stipulated in the Articles of Corporation of the Company in relation to the way of exercising voting rights, and furthermore the time and date of the repeated General Meeting if the original General Meeting does not form a quorum.

The General Meeting may decide on issues not included in the published agenda only if all the shareholders are present, and give their unanimous consent thereto.

Shareholders representing at least one percent (1%) of the votes may – with the proper specification of the related causes and aims – request the Board of Directors in writing to include any issue in the agenda of the General Meeting.

Shareholders representing at least 1% of the votes may exercise their above-mentioned right within eight (8) days following the publication of the announcement on the summoning of the General Meeting. The Board of Directors is obliged to include the proposed issue in the agenda of the General Meeting, and publish it within eight (8) days in a manner that is applicable to the publication of the announcement of the summoning of the General Meeting.

Within fifteen (15) days prior to the date of the General Meeting, at its website the Company publishes the annual report prepared in conformance with the Accounting Act and the material data of report of the Board of Directors, as well as the summary of the proposals and draft resolution connected with the agenda items of the General Meeting.

The General Meeting forms a quorum if the shareholders representing more than half of the shares are present in person, or by way of their authorized representatives. Such authorizations for representation are to be granted in the form of public deeds or fully conclusive private deeds, and submitted on the date and in the place specified in the letter of invitation to the General Meeting, but during the registration prior to the General Meeting at the latest. If it is requested by the shareholders, the Company sends the proper form of the letter of authorization to the mailing address or e-mail address of the shareholders.

The authorization for representation is valid for one General Meeting or for a definite period, but for a maximum period of twelve (12) months. The validity of the authorization for representation also covers the continuation of any suspended General Meeting and the repeated General Meeting if the original General Meeting has not formed a quorum.

The members of the Board of Directors, the general manager, senior employee of the Company and the auditor of the Company may not represent shareholders.

Should the General Meeting fail to form a quorum within thirty (30) minutes following the time specified in advance, the repeated General Meeting to be held with the same agenda is to be summoned within fifteen (15) days following the date of the original General Meeting. The repeated General Meeting may as well be summoned for the day of the original General Meeting. The General Meeting repeated due to the lack of quorum is deemed to form a quorum as irrespective of the number of the attending persons in the issues included in the original agenda.

Those persons are entitled to exercise their membership rights at the General Meeting who has been recorded in the Shareholders' Ledger of the Company on the basis of the identification of shareholders initiated in connection with the closing of the Shareholders' Ledger prior to the General Meeting.

The effective date of the identification of shareholders is the 5<sup>th</sup> (fifth) stock exchange day before the General Meeting, or any other effective date specified in the relevant regulations of KELER in force from time to time. Any alienation of shares after the effective date of the identification of shareholders, but before the General Meeting does not affect the membership rights to be exercised at the given General Meeting.

On the basis of the data of the Shareholders' Ledger, the Board of Directors of the Company ensures the practical opportunity for the shareholders or their authorized representatives to exercise the right to vote in line with the shares actually held at the venue of the General Meeting provided that their personal identities have been properly evidenced, and the attendance register has been signed.

Any shareholder having failed to pay up its due asset contribution to the Company may not exercise its right to vote.

At the General Meeting, votes are cast primarily by means of a voting machine. If for any reason voting with the use of a voting machine is not feasible, votes may be cast by voting papers, by the manual counting of the votes. In this latter case, the General Meeting elects a vote count verification committee upon the related proposal of the chairman of the General Meeting. The vote count verification committee consists of 3 (three) members. The vote count verification committee compiles a written report on the results of the counting of votes, and they are to be announced by the chairman of the General Meeting, and attached to the minutes of the General Meeting.

The presiding chairman of the General Meeting is the chairman of the Board of Directors. In the case of any incapacitation of the chairman of the Board of Directors, the presiding chairman of the General Meeting is elected by the General Meeting, from the persons attending the General Meeting with a simple majority of votes, upon the related proposal of the Board of Directors.

The chairman of the General Meeting opens the General Meeting, ascertains that the General Meeting forms a quorum, appoints the person to take the minutes of proceedings, presides over discussions, grants and withdraws the right to speak, may order any break, drafts resolutions, orders voting and announces the results thereof, announces the resolutions of the General Meeting, ensures the taking of the minutes of proceedings and the attendance register, and finally closes the General Meeting.

The minutes of General Meeting are taken in compliance with the provisions of the Act on Business Associations.