



# **CIG Pannónia Life Insurance Plc**

## **Rules of Procedure of the Supervisory Board**

## **I. Role and status of the Supervisory Board**

According to the Act V of 2013 on the Civil Code (hereinafter referred to as „the Civil Code”), the Act LXXXVIII of 2014 on the Business of Insurance (hereinafter referred to as „Insurance Act”) and the Articles of Association of CIG Pannónia Life Insurance Plc (hereinafter referred to as the „Company”) the operation of the Company is controlled by the Supervisory Board.

The primary objective of the Supervisory Board – in executing the functions of Supervisory Board prescribed by the Civil Code and the Insurance Act – is to ensure that the Company has a control system for an overall and effective operation. Sphere of activities include the management of the internal control system and the development of recommendations and propositions based on the findings of the internal audit.

During the establishment of rules of procedure and performing its activities, the Supervisory Board takes the National Bank of Hungary's recommendation No. 5/2016 (VI.06.) of the internal lines of defense set-up and operation, management and control functions of financial organizations (hereinafter referred to as "supervisory recommendation") into account.

The Supervisory Board shall meet at least five times a year and it shall have additional meetings whenever it is required by the business interests of the Company. The Supervisory Board shall discuss the report of the Board of Directors on management, the financial status and the policy of the Company on its meetings at least every three months.

## **II. Membership / Organisational structure**

The Supervisory Board consists of three to ten members elected by the General Meeting.

The Chairman and the Deputy Chairman of the Supervisory Board is elected by its members from among themselves. The secretarial duties are carried out by the chief legal advisor, or the person appointed by the chief lawyer in the event of him/her being prevented from attending to his/her duties.

The Supervisory Board acts as a body. Any of its members can be assigned by the Supervisory Board in executing its control functions, and the control tasks can be shared among its members.

The Supervisory Board has a quorum when two-thirds of its members, but at least three members are present, and its decisions are taken by a simple majority. In case of a tie vote, the Chairman shall have the casting vote. A member shall be considered as presented if he/she attends the meeting via an electronic communication device.

## **III. Operation**

The Supervisory Board approves the next year's annual work and meeting plan prior the balance sheet date (31 December), taking the financial closing schedule prepared based on the proposals of the Supervisory Board and approved by the Board of Directors into consideration.

In the annual work plan the Supervisory Board determines the focuses of the tasks summarized in Section IV for the following year. Based on the annual work plan and taking the annual reporting deadlines into consideration the Supervisory Board prepares an annual meeting plan, which is attached to the annual work plan. Besides the tasks set out in the annual work plan additional demands that may arise during the course of the year may also be taken into account.

The Supervisory Board meetings shall be convened on the dates determined in the annual work plan. If further meeting needed, the Chairman or in the event the Chairman is being prevented from attending to his/her duties the Deputy Chairman convenes the meeting. Invitation to the meeting shall be sent by the secretary of the Supervisory Board electronically via a password protected e-mail message, five calendar days prior to the date of the meeting. The notification shall include the agenda, the proposals and the location and the date of the meeting.

Any members of the Supervisory Board may request from the Chairman to convene the meeting of the Supervisory Board in writing, by specifying the purpose and the reason. Within 8 (eight) days, the Chairman – with the assistance of the secretary - must set the date of such a meeting to a date within maximum thirty days. In the event the Chairman does not comply with such a request, the member shall be authorized to convene the meeting.

The meetings of the Supervisory Board shall be chaired by the Chairman or - in the event of him/her being prevented from attending to his/her duties – the Deputy Chairman. Minutes shall be drawn up of the meeting of the Supervisory Board. It shall be sent out to all the members within 15 days irrespective of whether the member attended the meeting or not.

Minutes are kept by the secretary of the Supervisory Board. It shall contain the:

- a) date and venue of the meeting
- b) the name of the members represented on the meeting
- c) the submissions presented
- d) the decisions taken

Member of the Supervisory Board may ask the literal wording of his/her opinion in the minutes.

The numbering of the decisions of the Supervisory Board shall be continuous within the given calendar year.

The meeting minutes shall be prepared by the secretary within 8 days after the meeting and shall be sent to the members for an opinion. The members can make comments on the minutes and request their representations to be clarified. The keeper of the minutes amends the minutes in accordance with the comments. The minutes are approved on the following meeting. The final minutes shall be also sent to the leaders of the departments concerned. In the event of a closed meeting the committee decides on forwarding the minutes.

Voting can be also carried out in writing, upon the order of the Chairman, executed by the secretary. Written voting shall only take place in case none of the members raise an objection.

In the event of a written voting the votes shall be sent to the secretary of the Supervisory Board in 3 days, except for the case when the notification on the written voting provides otherwise. The voting is performed by the signature of the Board member, that is forwarded to the Company by mail, or in a scanned version via telefax or e-mail. Negative votes, abstaining from the voting of a submission or no voting shall not be regarded as an opposition against the voting procedure.

Besides the members of the Supervisory Board only those persons are entitled to attend on the meeting as a guest that are invited by the Chairman after a prior consultation with the members. Members of the Supervisory Board shall consult before the meetings about the necessary invitations to the given item on the agenda. The Chairman of the Board of Directors, the CEO, the deputy CEO and the secretary is a regular participant of the meetings. Any member of the Supervisory Board is entitled to initiate the convocation of a closed meeting. The Chairman qualifies a meeting as a closed meeting in case of an unanimous vote.

#### **IV. Competence, tasks**

The rights and obligations of the Supervisory Board are the following:

- (a) examines all submissions to be submitted to the General Meeting and present its opinion about the submissions on the General Meeting;
- (b) is entitled to inspect the documents, accounting records and books of the Company;
- (c) shall have access to the documents, accounting records and books of the Company, and shall be entitled to request information from the Company's executive officers and employees, and to inspect the Company's payment account, cash desk, securities portfolio, inventories and contracts, or to have them inspected by an expert.
- (d) if the Supervisory Board wishes to engage the services of experts in the course of its supervisory activities, management shall fulfill the Supervisory Board's such request;
- (e) if, in the judgment of the Supervisory Board, the activity of the management is contrary to the law, to the Articles of Association or to the resolutions of the business association's supreme body, or otherwise infringes upon the interests of the Company, the Supervisory Board shall have the right to convene the meeting of the business association's supreme body to discuss that issue and to take the necessary decisions;
- (f) approves the report of the Board of Directors on management, the financial status and the policy of the Company;
- (g) the auditor may attend the meetings of the Supervisory Board in an advisory capacity, or must attend such meetings when so requested by the Supervisory Board;
- (h) the Supervisory Board shall put the items recommended by the auditor on the agenda;
- (i) based on the Paragraph 2 of Section 84 of the Insurance Act it discusses the report of the person performing the compliance function concerning the Company's

compliance with the relevant statutory provisions and internal policies at least annually;

- (j) if the Company or the management engages the official auditor of the Company with further professional services the Supervisory Board shall inspect its mandate when the fee, the type of the work, or other circumstances related to the mandate may be a material expenditure for the shareholders, or can have a material impact on the business in any way;
- (k) makes a decision on the proposals of the Audit Committee;
- (l) discusses the report of the Audit Committee;
- (m) makes a decision on the engagement of the services of an external expert based on the information of the Audit Committee.

Prior consent of the Supervisory Board is needed for the approval of the following company decisions and submissions:

- (a) the General Meeting of the Company shall only make a decision on the annual report in accordance with the Hungarian Accounting Act holding the written report of the Supervisory Board.
- (b) based on the authorization of the General Meeting the decision of the Board of Directors on the increase of the share capital, and the approval of the Board of Directors of the interim financial statement related to the increase of the share capital from assets other than the share capital;
- (c) the decision of the Board of Directors on the payment of the dividend, the approval of the Board of Directors of the interim financial statement in relation with the interim dividend payment;
- (d) submission of the decision of the Board of Directors on the dividend payment to the General Meeting;
- (e) approval of the financial plans of the Company by the Board of Directors;
- (f) decisions on the establishment and the termination of the employment of the head of the internal audit, the leading internal auditors, and the single internal auditor, and the establishment of their remuneration;
- (g) approval of the corporate governance report.

With regards its internal audit function and in accordance with the provisions of the Insurance Act and the recommendation of the supervisory authority the Supervisory Board shall:

- (a) approve the annual inspection plan of the internal audit;
- (b) ensure the Company to have a control system for an overall and effective operation;
- (c) analyse the reports prepared by the person performing the internal control function at least once in every calendar quarter, and oversee the implementation of the necessary measures;
- (d) supervise the activities of the person performing the internal control function;
- (e) determine and annually supervise the number of persons involved in performing the internal control function, if the company did not outsource the internal control function;

- (f) draw up recommendations, proposals and measures based on the findings of the inspections carried out by the person performing the internal control function, and oversee the implementation of those recommendations, proposals and measures;
- (g) appoint, if necessary, of outside experts to assist in the work of the person performing the internal control function;
- (h) make a proposal on the number of persons involved on performing the internal audit function.

The Supervisory Board may also request information or report on the operation of every item of the internal audit function (internal audit function built in the processes, management control, management information system).

The Supervisory Board may appoint an outside expert maximum equal to the total annual value of HUF 10 million. In case the Supervisory Board intends to engage an outside expert of an annual value more than HUF 10 million, it shall request the approval of the General Meeting.

## **V. Cooperation with the Audit Committee**

An Audit Committee of at least 3 members elected from the independent members of the Supervisory Board shall support the Supervisory Board, specially in controlling the financial reporting systems, appointing the auditor of the Company and in the cooperation with the auditor. The Audit Committee shall report to the Supervisory Board.

The Supervisory Board takes the opinion of the Audit Committee into consideration in the cases falling into the competence of the Audit Committee.

## **VI. Liability**

Members of the supervisory board shall be held liable for damages caused to the legal person resulting from their omission of supervisory responsibilities in accordance with the provisions on liability for damages for loss caused by non-performance of an obligation.

## **Final provisions**

The Chairman of the Supervisory Board shall send copies of the minutes, motions and reports to the Authority within ten working days following the supervisory board meeting which concern any items on the agenda discussed by the supervisory board, the subject matter of which is a series violation of the internal rules and regulations of the insurance company or a serious case of misconduct within management

The members of the Supervisory Board shall keep the proceedings of the meetings secrets and shall not disclose them to a third party.

The Chairman of the Supervisory Board is entitled to speak for the Supervisory Board. The Chairman shall represent the Supervisory Board and sign on its behalf. In the event of

him/her being prevented from attending to his/her duties the Deputy Chairman is entitled for declarations and signing.

The current Rules of Procedure shall enter into force with the decision number [\*] of the General Meeting.

Budapest, 27 April 2016

The current Rules of Procedure is certified by dr. Csevár Antal chief legal advisor, based on the decision number [\*] of the General Meeting.

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