



**CIG PANNÓNIA**  
BIZTOSÍTÓ

# **CONSOLIDATED REMUNERATION POLICY**

prepared by the Board of Directors of CIG Pannónia  
Életbiztosító Nyrt. (CIG Pannónia Life Insurance  
Plc), based on the proposals of the Remuneration  
and Nomination Committee, supported by the  
concurring opinion of the Supervisory Board

Approved by the General Meeting of the Company  
on 17 April, 2020

Effective date: ....., 2020

# **The Remuneration Policy of CIG Pannónia Életbiztosító Nyrt.**

## **1) Preamble**

The purpose of this document is to determine the remuneration policy required by Section 16(1) of Act LXVII of 2019 on the encouragement of long-term shareholder engagement and the amendment of certain Acts for the purpose of legal harmonisation (hereinafter: the Shareholder Engagement Act) for CIG Pannónia Életbiztosító Nyrt. (registered office: H-1033 Budapest, Flórián tér 1.; company registration number: 01-10-045857; hereinafter: Company), also taking into account the laws mentioned in section 2 below.

The purpose of this Remuneration Policy is, in particular, to contribute to the business strategy, long-term interests and sustainability of the Company, and to provide a clear and transparent explanation of how the Company intends to achieve these.

The present Remuneration Policy contributes to the Company's strategy by reinforcing organisational thinking and activities through the creation of an appropriate system of interests for the persons covered by it, as well as by encouraging work that enhances the Company's performance and contributes to the achievement of its goals.

## **2) Regulatory environment**

The Company took into consideration the following regulatory environment when developing the Remuneration Policy:

Pursuant to Section 3:268(2) of Act V of 2013 on the Civil Code, in the case of public companies limited by shares, their general meetings have exclusive competence to hold an advisory vote on the remuneration policy. The remuneration policy must be included in the agenda of the general meeting in the event of any significant amendment, but at least once every four years. The Company will review its Remuneration Policy annually.

Listed companies are subject to the Recommendations of the European Commission, the provisions of which have been adopted by the BSE as part of the recommendations on responsible corporate governance (2004/913/EC; 2005/162/EC). The obligation of insurance companies to prepare a remuneration policy is imposed by Commission Delegated Regulation (EU) 2015/35 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

The obligation of preparing a remuneration policy and its mandatory content are determined by Sections 16 and 17 of the Shareholder Engagement Act.

Considering the above, based on the recommendation of the Remuneration and Nomination Committee and supported by the concurring opinion of the Supervisory Board, the Board of Directors has adopted the following Consolidated Remuneration Policy, which replaces the remuneration principles previously applied by the Company.

## **I. The principles of the Remuneration Policy**

### 1) The Company's general remuneration principles

- the main purpose of applying the Remuneration Policy is to ensure that the Company can develop an incentive system for executive officers and employees that prioritises the achievement of long-term goals over short-term interests;
- the Remuneration Policy must reflect the Company's ability and willingness to take risks;
- within the limits of the law, the Company may apply the different requirements in accordance with its characteristics defined by its size, the nature of its activity and its legal form;
- the tools of performance-based remuneration must be selected in a manner to ensure that they motivate executives and employees to contribute to the long-term successful operation of the Company, and that they enable subsequent corrections based on the relevant risks, also ensuring that the performance-based remuneration system does not encourage the executives concerned to take excessive risks; and
- the members of the Company's Board of Directors may not decide on their own remuneration but such decisions must be assigned to the Supervisory Board, the owner/shareholder or the General Meeting.

### 2) The Company's special remuneration principles

- The Company shall develop its Remuneration Policy in a way to ensure that it appropriately supports the dynamic development of the Company, paying particular attention to the special features of the insurance business, the long-term business strategy of the Company and the effective regulatory environment. The Company was established and has its headquarters in Hungary, and it is a listed company; therefore, above all, it must act having regard to the requirements of ethical business conduct and the highest level of transparency.

- Engagement must promote the long-term creation of values, efforts aimed at profitable and efficient operation, as well as corporate management based on a high-level risk management in compliance with the provisions of Solvency II.
- The Company considers it an essential requirement that the work performed by the members of the Board of Directors must be evaluated annually, i.e. each member of the governance and supervisory bodies must be evaluated by the chairmen of the bodies concerned. The competence of the members of such bodies and the effectiveness of the work performed by them must also be examined during such evaluation. The personal evaluation of the Chief Executive Officer (CEO) shall be performed by the chairman of the Company's Board of Directors.
- The Board of Directors of the Company regularly monitors the competitiveness of engagement in view of the market conditions, with the aim of placing more emphasis on performance-based remuneration than the market average, since such a remuneration structure may result in a serious competitive advantage for the Company, also significantly improving productivity and motivation. The income that can be earned is closely related to the achievement of corporate goals and the accomplishment of the Company's tasks to a high professional standard, within the relevant deadline. Based on this, the Remuneration Committee of the Company considers it justified to introduce performance-based pay – in addition to the base salary – for all employees who can significantly influence the above, providing that the system of performance-based remuneration should not encourage the executives concerned to take excessive risks.
- Furthermore, this Remuneration Policy pays special attention to the rights and interests of insurance policyholders and provides that neither benefits in cash nor those in kind may result in any incentives that would lead to a situation where the persons concerned would prioritise their own interests or the interests of the Company to the detriment of the insurance policyholders.
- Under this Remuneration Policy, all benefits specified in the law, whether provided in cash or in kind, in the form of valuable rights or in any other way, directly or indirectly, based on an employment relationship or another legal relationship, must be taken into account.
- The Company will refrain from applying techniques suitable for circumventing the requirements determined in the Remuneration Policy (payment through other undertakings or other persons, use of a contract for services in addition to an employment contract etc.).

– According to Recommendation 17/2019 (IX. 20) of the Central Bank of Hungary, the present Remuneration Policy is also governed by the following principles:

- a) decisions on remuneration may not endanger the Company's ability to maintain an adequate capital basis;
  - b) decisions on remuneration may not motivate any person to report profit and loss in deviation (in any direction) from the real profit and loss arising from compliance with the law; and
  - c) remuneration agreements with service providers may not encourage the Company to take excessive risks based on its risk management strategy.
- 3) Other circumstances taken into consideration during the preparation of the Remuneration Policy

The Company took into account the salaries and terms of employment of its employees during the preparation of this Remuneration Policy. The Company provides an appropriate base salary to every employee, which must be determined in accordance with the qualifications, professional skills, experience, responsibilities and performance of the employee, the value of his role and the remuneration practices of the sector. The Company regularly orders a survey on salaries on the market from an independent service provider, through which it tries to obtain an accurate picture of the market's salary data; it develops its salary system based on this, and it has also taken into account these data during the preparation of the present Remuneration Policy. Furthermore, the Company also specifies the conditions of filling each job within its internal organisational (HR) system, subject to the relevant legal requirements (including the legislation on the insurance sector). The Company classifies its employees based on the HAY grade system, thereby establishing market comparability and ensuring internal fairness.

## **II. The personal scope of the Remuneration Policy**

The Remuneration Policy of the Company is applicable to the following:

- 1) The members of the governance and supervisory bodies;
  - the members of the Board of Directors; and
  - the members of the Supervisory Board.
- 2) The members of the management and employees exerting an influence, that is:
  - persons performing management tasks (members of the Board of Directors performing operational management, managing directors);

- executives performing operational management, in particular the leaders of business lines;
- independent persons exercising control functions: the head of compliance, the head of risk control, the head of human resources and the head of internal auditing;
- every employee who may have a significant influence on the performance of the institution, either individually, during his activity, or through an organisational unit, committee or working group; and
- persons who fall within the same remuneration category as the persons mentioned in the previous paragraphs.

### 3) The subsidiaries of the Company

The remuneration policies of the Company's subsidiaries must be developed in such a manner that their contents should meet the industry-specific regulations applicable to the undertakings concerned, and the present Remuneration Policy should be *mutatis mutandis* applied to the executives and employees of the undertakings belonging to the Group.

## **III. Specification of the fixed and variable components of remuneration, including all forms of available premiums and other benefits, indicating their relative proportions**

### 1) Introduction

Under this Remuneration Policy, all benefits specified in the law, whether provided in cash or in kind, in the form of valuable rights or in any other way, directly or indirectly, based on an employment relationship, must be taken into account.

The Company will refrain from applying techniques suitable for circumventing the requirements determined in the Remuneration Policy (payment through other undertakings or other persons, use of a contract for services in addition to an employment contract etc.).

### 2) Forms of remuneration used by the Company

The Company applies the following forms of remuneration:

- fixed remuneration (base salary, fees);
- financial remuneration based on performance (variable pay, bonus);
- premiums that can be granted by the Company within its discretionary powers;
- fringe benefits available to all employees;
- provision of company cars;

- deferred remuneration in the form of allocation of shares or options; and
- amounts paid out based on an agreement relating to job loss, according to which the employee may not accept any job offers from organisations engaged in activities of the same nature as the institution’s activities for a certain period of time (non-competition obligation).

3) The duration of contracts concluded with directors for the performance of work or a function, or on the related remuneration, the applicable notice period, the main characteristics of supplementary pension schemes or early retirement schemes, the conditions of terminating the contract and the amounts payable in the event of termination

The Company uses the following main contract terms in contracts concluded with directors:

- duration of contract: indefinite;
- applicable notice period: 3 months;
- main characteristics of supplementary pension schemes or early retirement schemes: there are no such schemes;
- severance pay: according to the Labour Code; and
- other conditions: one-year non-compete clause according to the provisions of this section.

The Company does not support the conclusion of agreements with the members of the management in deviation from the conditions determined by labour laws, or the provision of any benefits in kind other than the equipment reasonably necessary for the successful performance of their jobs (excluding the Company’s planned programmes organised for employees). Furthermore, the Company considers it appropriate that managers should avail themselves of the reimbursement of costs only in connection with their work, to the extent specified in the annual plans. With this in mind, the Company does not apply any pension benefits, any severance pay in deviation from labour regulations or any other benefits provided in the event of the termination of employment regarding its members or management, excluding any amounts paid based on an agreement relating to job loss, according to which employees may not accept any job offers from organisations engaged in activities of the same nature as the institution’s activities for a certain period of time.

In the context of the above, the Company supports the conclusion of an agreement relating to job loss, in accordance with the provisions of Section 228 of the Labour Code, with the persons performing management duties and nominated by the Remuneration and Nomination Committee, according to which the employee concerned may not accept any job offers from organisations engaged in activities of the same nature as the Company’s activities for a certain period of time. Such agreements can be concluded to ensure the interests of the Company, with employees

who hold important positions in the management or operation of the Company or its subsidiary, and where the Company or the subsidiary is interested in preventing the employee from accepting job offers from organisations engaged in activities of the same nature as the Company's activities, for a certain period of time. To ensure these conditions, the employee to be selected and the conditions of the agreement will be proposed by the Remuneration and Nomination Committee; the signing of the agreement shall fall within the powers of the Board of Directors, based on the approval of the Supervisory Board.

In consideration of the non-compete clause, the Company shall provide compensation to directors for the period covered by it. This amount will be different based on whether the contract is terminated by the employer or the employee. In the event of termination for convenience by the employee, the amount of the compensation must be determined taking into account the base salary and the variable salary (excluding any bonuses). In the event of termination for convenience by the employer, the amount of the compensation must be determined taking into account the total income (including but not limited to any bonuses). If the Company terminates the employee's legal relationship with immediate effect, the Company may rescind the non-compete clause, at the latest when communicating the termination with immediate effect.

#### **IV. Fixed remuneration (base salary, fees)**

##### **1 Employees (base salary)**

The Company pays a base salary to its employees, the amount of which is laid down in the relevant employment contracts.

##### **2 Members of certain bodies who are not in an employment relationship (fees)**

To compensate the members of executive bodies, the Company uses fixed remuneration based on the number of the meetings of such bodies, specifying an annual upper limit (a maximum number of meetings that can be accounted for). The Company provides a higher amount of compensation to the chairpersons of the different bodies and committees than to their members. It considers it acceptable to pay additional fees based on participation in several different committees. The Company shall ensure that the amounts of such fees are approved by the General Meeting. The employees of the Company and its subsidiaries may not receive any additional remuneration for their work performed in the executive bodies of companies whose majority owner is the Company.

**V. Financial remuneration based on performance**

For fixed remuneration and performance-based remuneration the Company applies the following proportions:

Category falling within the personal scope of the Remuneration Policy	proposed remuneration ratio for performance-based remuneration (as a % of the base remuneration)
non-operational members of the Board of Directors	0
members of the Supervisory Board	0
members of the Audit Committee	0
members of the Remuneration and Nomination Committee	0
members of the management and employees exerting an influence on profit and loss	15-100

The Company shall specify the persons receiving performance-based remuneration and the proportion of performance-based pay in a transparent and consistent manner, during which it must take into account the different added values in different positions and different areas of expertise. Performance-based pay is determined on the one hand based on the achievement of corporate goals, and on the other hand on the achievement of the goals set for the person concerned, which must be determined at regular intervals.

The financial and non-financial performance criteria applicable to directors can be found in the table below:

Position	Conditions for performance-based pay
CEO	- achievement of the Company’s planned pre-tax profit
Deputy CEO	- achievement of the Company’s planned pre-tax profit 70%, compliance with the planned operating costs 30%

In addition to the above, the Company’s Board of Directors shall determine bonuses for the management for achieving or exceeding the targets, based on their contribution to the profit and loss of the undertaking.

The Company considers it of the utmost importance that the amounts of performance-linked components (bonuses) should be high enough and clearly determined in order to encourage the persons concerned to implement the Company’s business and financial plans.

It is recommended to assign additional tasks also to the CEO, i.e. in addition to the achievement of the planned profitability, in support of the successful operation of the Company in the long run. The Board of Directors should annually determine the annual bonuses within the amount allocated for this purpose, in view of the specific financial data. The remuneration of the CEO must be determined as part of the annual planning process, concurrently with the CEO's submission relating to the interests of the Company.

The Company also supports the payment of premiums once or twice a year to its entire workforce, depending on the Company's profits; the amount of such premiums must be earmarked in the annual plan. Furthermore, the Company supports the determination of performance-based pay taking into account individual performance (variable pay, bonus), to be implemented as part of the annual employee evaluation, in such a manner that the specific extent of eligibility shall be finalised within the limits approved by the CEO. The individualised amount shall be proposed by the line manager of the person concerned, and it shall be approved by the CEO. If the CEO wishes to spend an amount on premiums or performance-based pay that is higher than the amount planned for the year, he should obtain the approval of the Board of Directors.

The Company supports the use of fringe benefits that are subject to favourable tax treatment, as well as the training and development of employees. As for the latter, the Company only considers it justified to fund programmes provided in the interest of the Company.

Within its discretionary powers, the Company may decide to grant premiums to the employees in addition to the above, provided that the Company's targets have been reached. The Company's CEO shall be entitled to determine the amount of such discretionary premiums.

When establishing the remuneration of employees performing control functions, the Company will try to ensure that the remuneration enables the employment of suitably qualified employees with appropriate professional experience and that the proportion of the relevant base salary is dominant in the remuneration of employees performing control functions.

It will create the structure of the remuneration of employees performing control functions in such a manner that it does not jeopardise their independence and does not create any conflicts with their monitoring role and their advisory role towards the Board of Directors.

## **VI. The amount of bonuses**

The Company will determine the total amount of the bonuses for achieving or exceeding the targets in a way that it does not exceed 10% of the Company's profit before tax, including public dues.

When determining the different targets, the Board of Directors suggests the use of lower thresholds which entail the loss of eligibility for performance-based pay.

The CEO will prepare a proposal for the actual annual amounts and conditions of bonuses, as well as the people eligible for them, concurrently with the submission of the annual plan; the Board of Directors should accept such proposal together with the annual plan every year.

## **VII. The method and system of performance evaluation**

The total amount of performance-based pay is based on the combined evaluation of individual performance and the performance of the business unit concerned, as well as of the profit and loss of the undertaking or the group to which the undertaking belongs. When setting the Company's goals, pre-tax profit shall be determined, and when setting individual goals, it is the specific targets of the person concerned that shall be determined. The cost and profit impacts of any unplanned, extraordinary projects occurring during the year will not be taken into account. The achievement of the goals must be checked and evaluated quarterly. Both financial and non-financial criteria must be taken into account when evaluating individual performance. Performance-based remuneration can be paid after this evaluation has been done. The evaluation is carried out by the CEO by checking the quarterly stock exchange reports, the annual report and the achievement of individual goals. The CEO performs such checks with the involvement of an internal auditor. The CEO shall submit a quarterly report to the Board of Directors about the achievement of the Company's targets.

The appropriate proportion of quantitative and qualitative requirements must be determined during the performance evaluation based on the activity and responsibilities of the employee being evaluated. The principles applicable to the proportion of quantitative and qualitative requirements will be documented and determined for each employee by the Company's organisational unit performing HR tasks. In the case of quantitative requirements, a longer period must be taken into account, during which the actual effect of the employee's activity on the institution's operation can already be established.

The implementation of the Remuneration Policy should also be discussed by the Remuneration and Nomination Committee and the Supervisory Board on a yearly basis.

## **VIII. Procedures and restrictions applicable to payments**

The scheduling of the payment of performance-based remuneration must be established taking into account the achievement of targets and the special characteristics of the area concerned. It is advisable to determine periods shorter than a year and to announce the rules of eligibility and payment keeping financial risks at the lowest possible level.

The performance indicators taken as a basis for calculating performance-based remuneration must be based on long-term and real results.

Performance-based pay calculated on an annual basis may only be paid if it does not endanger the solvency capital requirement defined in Solvency II.

The Company applies deferment in the case of the components of performance-based pay paid as bonuses for achieving or exceeding the targets, and in this case the performance period will be at least three years. The Company should reduce the amount of the deferred part in particular where:

- there is clear evidence of improper conduct or fault on the part of the executive or employee;
- the financial performance of the institution, the organisational unit or the business line concerned has significantly declined;
- serious errors, misuse or deficiencies have been uncovered in the area concerned;
- there has been a significant change in the capitalisation of the institution;
- the General Meeting fails to give a discharge to the Board of Directors;
- a supervisory or other authority has established the personal liability of and sanctioned the person concerned.

The Company supports the announcement of a share option programme for its CEO, deputy CEOs, management and other members holding particularly important positions in terms of the achievement of profit targets, as well as for the CEOs of its subsidiaries, in order to ensure that senior executives are as interested as possible in increasing the value of the Company in the long run and in the favourable development of share prices. The Board of Directors should establish the share option programme for a definite period, in order to strengthen loyalty and commitment, and if necessary, it should have the detailed conditions of the programme approved by the General Meeting.

The Company will grant shares or apply share option solutions only in a deferred way, the relevant performance period being at least three years. The Company should reduce the amount of the deferred part in particular where:

- there is clear evidence of improper conduct or fault on the part of the executive or employee;

- the financial performance of the institution, the organisational unit or the business line concerned has significantly declined;
- serious errors, misuse or deficiencies have been uncovered in the area concerned;
- there has been a significant change in the capitalisation of the institution;
- the General Meeting fails to give a discharge to the Board of Directors;
- a supervisory or other authority has established the personal liability of and sanctioned the person concerned.

**IX. Description of the decision-making procedure aimed at the determination, review and implementation of the Remuneration Policy, including measures to avoid or address conflicts of interests**

1) Remuneration and Nomination Committee

- it determines guidelines for the evaluation of the work of the management and for their remuneration;
- to this end, it specifies benchmarks and checks their achievement;
- it monitors the performance of the management;
- it checks the Company's contracts concluded with the members of the management, and makes proposals for the conclusion of agreements based on Section 228 of the Labour Code, according to which employees may not accept any job offers from organisations engaged in activities of the same nature as the institution's activities for a certain period of time;
- it checks whether the Company has complied with its obligation to provide information on remuneration issues;
- it establishes processes relating to remuneration.

2) Board of Directors

- It prepares the Remuneration Policy, and within that:
- it determines to which parts of management it should apply;
- it determines the actual components of benefits;
- it determines the benefits of the management and the budget available for this;
- the proportion of variable and non-variable components;
- it submits the Remuneration Policy to the General Meeting after obtaining the opinion of the Supervisory Board.

3) Supervisory Board

- it comments on the Remuneration Policy;
- it checks compliance with the Policy.

4) General Meeting

- the General Meeting has an exclusive competence to hold an advisory vote on the Remuneration Policy.

## **X. Conflicts of interests**

The Company has a separate policy concerning conflicts of interests, which is published on the Company's website. In the event of a conflict of interests, the Company will follow the provisions of that policy, including in cases of conflicts of interests that arise or may arise during the decision-making procedure aimed at the determination, review and implementation of the Remuneration Policy.

This Remuneration Policy does not provide an exhaustive list of conflicts of interests or the ways of addressing and recording such situations but only lays down the relevant main principles.

### **1) Conflicts of interests in the case of executive officers (based on subsections (1) and (2) of Section 3:115 of the Civil Code)**

Except for shares in public companies limited by shares, the executive officers of the Company, i.e. its CEO and deputy CEO, shall not acquire shares and shall not be executive officers in companies which are engaged in an economic activity as their main activity that is identical to that of the Company.

If the executive officer takes on a new mandate for another executive office, he shall notify, within fifteen days of taking on the new office, all the companies in which he already serves as an executive officer or a supervisory board member.

With the exception of transactions covering common everyday needs, executive officers and their relatives shall not conclude, in their own name and on their own behalf, contracts falling within the scope of the main activity of the Company. However, this prohibition shall not apply to the conclusion of insurance contracts whose terms and consideration are identical to the contract terms and consideration offered to others.

### **2) Conflicts of interests in the case of members of the Supervisory Board (based on Section 3:26 of the Civil Code)**

No person with respect to whom a ground for exclusion of executive officers applies, or who himself or whose relative is an executive officer of the Company, shall be a member of the Supervisory Board.

### **3) Conflicts of interests in the case of employees (based on Section 211 of the Labour Code)**

The executives of the Company may not enter into any additional employment-related relationships.

The Board of Directors of the Company may agree that the head of the employer, and any other person under his direct supervision who is authorised – in part or in whole – to act as his deputy, i.e. the CEO and his deputy, establish an additional employment-related relationship with another employer. No such consent will be required for the establishment of employment with another employer if it takes place with a company or another legal entity within the consolidation or sphere of interests of the Company.

Executive employees (the CEO and his deputy, as well as employees classified as executive employees in their employment contracts)

a) shall not acquire shares – with the exception of the acquisition of shares in a public limited company – in a business association which is engaged in the same or similar activities as the Company (their employer) or that maintains regular economic ties with the Company (their employer);

b) shall not conclude any transactions falling within the scope of the employer's activities in their own name or for their own benefit; and

c) shall report if any of their relatives has become a member of a business association which is engaged in the same or similar activities as the Company or which maintains regular economic ties with the Company, or if their relative has established an employment-related relationship for an executive office with an employer engaged in such activities.

The prohibition included in subparagraph b) shall not apply to transactions concluded with conditions described in the section about the conflicts of interests of executive officers. Activities similar to those of the employer are the ones specified by the Company in its articles of association as its other activities in addition to its main activity.

#### **4) Special conflicts of interests applicable to executives and employees in the insurance sector (based on Sections 74-75 of the Insurance Companies Act)**

The senior executives – as defined in the Insurance Companies Act – of the Company, its other executives and its employees and agents involved in activities related to the insurance business shall notify the Company (their employer):

a) if they or one of their close relatives have a qualifying interest in a party that is about to enter into a contractual relationship with the Company (their employer);

b) if they have any other interest in connection with a contract to be concluded; and

c) if they are members of the board of directors or supervisory board of the party that is about to enter into a contractual relationship with the Company.

In the cases provided for in these paragraphs, the person affected by such conflict of interests may not take part in the preparation or adoption of the relevant decision.

The senior executives of the Company (the members of the Board of Directors and the Supervisory Board, as well as the Chief Executive Officer), its other executives and its employees involved in activities related to the insurance business shall make a written statement before the conclusion of the employment or agency contract to the Company, declaring if they or any of their close relatives have any direct or indirect ownership interest in the Company, in another insurance or reinsurance company, or an economic operator engaged in insurance mediation. If there is such an ownership interest, the statement shall specify its size. The senior executives of the Company, its other executives and its employees and agents involved in activities related to the insurance business shall make a written statement within two working days about any changes relating to the occurrence or existence of the circumstances related to any direct or indirect ownership interest during their employment or term in office. The insurance company shall keep records of these notifications and statements.

The Company's employees must report if during their employment relationship they establish any additional employment relationship or employment-related relationship. If the additional employment relationship or employment-related relationship threatens the employer's legitimate economic interests, the Chief Executive officer of the insurance company may – unless otherwise agreed – prohibit the establishment of the legal relationship.

In particular the following can be considered such legal relationships:

- if the new employment relationship or other legal relationship to be established is contrary to the provisions on the prohibition of unfair market practices;
- if the employer as a subordinate body intends to employ or hire a person employed by the governing or controlling body (this shall not apply to scientific and teaching activities, or any work protected by copyright, including revision and editing activities);
- if as a result of the employment, the employee would become the subordinate or superior of his close relative, or would be required to directly monitor the activity of his close relative by virtue of his position (if justified, exemptions can be granted from the prohibition of joint employment); and

- the establishment of the legal relationship may result in an economic or competitive disadvantage for the Insurers.

Other employment-related legal relationships include legal relationships based on contracts for services and agency contracts, and those based on business and civil associations. The provisions on other employment-related legal relationships shall also apply to self-employment.

To ensure prudent operation, in addition to the foregoing, the Company also considers it a conflict of interests if any employee or any person in another employment-related legal relationship is in a situation where he is being managed or controlled by his relative, and also if transactions initiated by an employee or a person in another employment-related legal relationship are approved by such person's relative, or where the technical assistance of the relative is necessary for the completion of the transaction.

In the case of persons who are not considered close relatives, the CEO of the Company may grant an exemption from the prohibition included in this section.

No conflict of interests can be established if one of the relatives only has a legal relationship with the Company, and the other person only has a legal relationship with a subsidiary of the Company.

#### **5) Conflict of interests based on competence (based on Section 74/A of the Insurance Companies Act)**

The senior executives and other executives of the Company shall notify the Company within two working days if they no longer comply with the requirements of professional competence and business integrity.

#### **6) Conflict of interests based on holding several offices (based on Section 56(2) of the Insurance Companies Act)**

Other executives shall be entitled to fill other executive positions at a maximum of two insurance companies.

### **XI. Remuneration report**

- The Board of Directors must also annually prepare a remuneration report according to this section, and it must put the remuneration report for the previous year on the agenda of the General Meeting every year, for the purpose of holding an advisory vote.
- The remuneration report should be clear and understandable and should be able to provide a comprehensive overview of all remuneration awarded or due in the most recent financial year to individual directors (members of the Board of Directors and the Supervisory Board) based

on the results of that year, in any form in accordance with the Remuneration Policy, including in cases of new directors recruited during the financial year.

- The remuneration report shall contain the following information regarding each individual director's remuneration:
  - a) the total remuneration split out by component, the relative proportion of fixed and variable remuneration, an explanation how the total remuneration complies with the adopted remuneration policy, including how it contributes to the long-term performance of the company, and information on how the performance criteria were applied;
  - b) the annual change of remuneration, of the performance of the Company, and of average remuneration on a full-time equivalent basis of employees of the Company other than directors over at least the five most recent financial years, presented together in a manner which permits comparison;
  - c) any remuneration from any undertaking belonging to the same group as defined in Act C of 2000 on Accounting, including the parent company and all of its subsidiaries;
  - d) the number of shares and share options granted or offered, and the main conditions for the exercise of the rights including the exercise price and date and any change thereof;
  - e) information on the use of the possibility to reclaim variable remuneration; and
  - f) information on any deviations from the procedure for the implementation of the Remuneration Policy and on any derogations applied in accordance with Section 17(5) of the Shareholder Engagement Act, including the explanation of the nature of the exceptional circumstances and the indication of the specific elements derogated from.
- The remuneration report must describe how the Company has taken into account the advisory vote of the General Meeting on the remuneration report of the previous financial year.
- The Company's permanent auditor shall check whether the remuneration report contains the information specified in this section. If the Company's permanent auditor finds that the remuneration report does not comply with the provisions included in this section, he will call upon the directors of the Company to take the necessary measures. If the remuneration report is not corrected, the permanent auditor of the

Company may inform the shareholders of the errors and deficiencies found and the measures taken by him, at the next General Meeting.

- The remuneration report should not contain any sensitive data concerning the directors, as defined in the General Data Protection Regulation of the EU and in paragraph 3 of Section 3 of Act CXII of 2011 on the right of informational self-determination and on the freedom of information; furthermore, it should not contain any information which refers to the family situation of individual directors. The remuneration report shall contain the names and positions of the directors. The Company may process the personal data of directors included in the remuneration report and not covered by this section, for the purpose of increasing the Company's transparency, directors' accountability and shareholder oversight over directors' remuneration. The Company may not make personal data publicly available after ten years from the publication of the remuneration report, even if the Company makes a decision on publication beyond the disclosure period specified in this section 11.
- The Company will make the remuneration report publicly available on its website, free of charge, for a period of ten years following the advisory vote of the General Meeting. The Company may also decide to make the remuneration report available for a period of more than ten years if it no longer contains the personal data of directors.
- The directors of the Company shall take all necessary measures within their competence to ensure that the remuneration report complies with the requirements and that it is made public.

## **XII. Closing provisions**

- Where the Remuneration Policy is revised, it shall describe and explain all significant changes that have occurred since the most recent vote on the Remuneration Policy by the General Meeting, and how it takes into account the votes and views of shareholders on the Remuneration Policy and reports.
- The Remuneration Policy may only be derogated from in exceptional cases and on a temporary basis. Exceptional circumstances only include situations where the derogation from the Remuneration Policy is necessary to serve the long-term interests and sustainability of the Company or assure its viability. However, even in such cases, derogation is only possible if the Remuneration Policy includes the procedural conditions under which such derogation can be applied, and if it specifies the parts of the Policy that can be derogated from.
- The Remuneration Policy should be publicly disclosed, without delay, after the advisory vote on the Remuneration Policy by the General

Meeting – or if the Remuneration Policy is rejected, after the repeated vote – on the Company’s website, also indicating the date and result of the vote. The Remuneration Policy must be available free of charge, at least during its validity.

- The Company shall publish its Remuneration Policy on its website.
- Based on the General Meeting’s adoption of these principles, the Company hereby repeals the previously effective remuneration principles.

The Company’s Board of Directors established this Remuneration Policy based on the proposal of the Remuneration and Nomination Committee and the concurring opinion of the Supervisory Board, and the General Meeting approved it on ....., 2020.

Budapest, ..... 2020.

dr. Mária Király  
Chairperson of the Board of Directors

certified to be a true and authentic copy by:  
dr. Antal Csevár  
Senior Lawyer,  
Registered Legal Adviser