



**EGYÜTT. VELED**

SUBMISSION  
TO THE GENERAL MEETING OF MAGYAR TELEKOM PLC.

# **APPROVAL OF THE AMENDED RULES OF PROCEDURE OF THE SUPERVISORY BOARD**

BUDAPEST, APRIL 11, 2014

Act V of 2013 on the Civil Code will enter into effect on March 15, 2014 (the "new Civil Code"). The rules of the business association are included in Book Three of the new Civil Code (The Legal Person) and Act IV of 2006 on Business Associations (the "Companies Act") will be repealed simultaneously with entering the new Civil Code into effect.

Act CXXVII on the transitory and authorization provisions connected to the entering into effect of the new Civil Code requires that Magyar Telekom Telecommunications Public Limited Company (the "Company") when then the new Civil Code enters into effect shall, simultaneously with the decision on amending the Articles of Association, decide on the operation of the Company in accordance with the new Civil Code. After this the Articles of Association of the Company may not contain provisions which are contrary to the provisions of the new Civil Code.

Based on the above, the Articles of Association of the Company shall be amended. According to Section 231 (2) of the Companies Act and Section 6.2. (a) of the Articles of Association the decision on the amendment of the Articles of Association falls into the exclusive scope of authority of the General Meeting of the Company.

Based on the above, more sections of the Rules of Procedure of the Supervisory Board (the "SB") shall be subject of comprehensive amendments, including image update. According to Section 34 (4) of the Companies Act and Articles Section 8.4.1. the SB sets its own Rules of Procedure, which are approved by the General Meeting.

The changed text of the Rules of Procedure is attached as Annex to the submission. The amendments to the Rules of Procedure are highlighted in the text with track changes as follows:

- the red coloured strikethrough text indicates the deleted text,
  - blue coloured underlined text indicates the new text,
  - green coloured double strikethrough text indicates the deleted relocated text,
  - green coloured double underlined text indicates the insertion of relocated text.
1. Section 1 (General Rules) of the Rules of Procedure is recommended to be amended based on the following aspects:
    - 1.1. The text will be amended in line with the provisions of the new Civil Code (Sections 3:26-27) and the amendment of the Articles of Association (Section 7.1.).
    - 1.2. Translation amendments in the English version (executive officer).
    - 1.3. Technical amendments (numbering, formatting, image update).
  2. Section 2 (Organization of the SB) of the Rules of Procedure is recommended to be amended based on the following aspects:
    - 2.1. The text will be amended in line with the provisions of the new Civil Code (Sections 3:25-26, 3:121-122, 3:124-126, 3:286-287) and the amendment of the Articles of Association (Sections 7.2.1.-4.)
    - 2.2. The title of this Section is recommended to be amended in line with its content to "Membership/Organization of the SB".
    - 2.3. Section 2.4. is amended with further, specific provisions related to employee representatives.
    - 2.4. The provisions with related content are practical to be aggregated, therefore, the provision on partaking in person shall be relocated from the Section "Operation of the SB" into the new 2.8. Section and shall be amended with one further provision related to operation independent of the management.
    - 2.5. Translation amendments in the English version (executive officer, domestic partner, employee representative) and bringing it in line with the Hungarian version (Section 2.3.h.).
    - 2.6. Technical amendments (harmonization of numbers' writing, numbering, formatting, image update).
  3. Section 3 (Operation of the SB) of the Rules of Procedure is recommended to be amended based on the following aspects:
    - 3.1. The text will be amended in line with the provisions of the new Civil Code (Sections 3:27, 3:121-122, 3:131) and the amendment of the Articles of Association (Sections 7.3., 7.5., 8.3.(e)).
    - 3.2. For better transparency and because the provisions with related content are practical to be aggregated, the Operation of the SB shall be grouped according to subtitles ("General Principles", "Meetings", "Secretariat", "Notice on convening the meeting", "Quorum and passing resolutions", "Passing resolutions without holding a meeting", "Invitees of the meeting", "Closed meeting"). The relocation of certain provisions shall be done accordingly.
    - 3.3. For more flexible operation, it is recommended that (i) the time between sending the notice on convening the meeting and the date of the meeting be reduced, (ii) in case of passing resolutions without holding a meeting the outdated provision be deleted and the use of electronic mail be included.
    - 3.4. Bringing the English version in line with the Hungarian version (Sections 3.2., new 3.7.)

- 3.5. Technical amendments (harmonization of numbers' writing, numbering, formatting, image update).
4. Section 4 (Minutes) of the Rules of Procedure is recommended to be amended based on the following aspects:
  - 4.1. For simplification of the procedure, it is recommended that the retaining time of the voice recording on the meeting be reduced.
  - 4.2. Technical amendments (harmonization of numbers' writing, numbering, formatting, image update).
5. Sections 5 and 6 (Tasks relating to the General Meeting and Tasks related to the management of the Company) of the Rules of Procedure are recommended to be amended based on the following aspects:
  - 5.1. For better transparency and because the provisions with related content are practical to be aggregated, the title of this Section shall be amended as "Scope of authorities and tasks of the SB", and the tasks of the SB related to the General Meeting and the management and its other tasks shall be grouped and further detailed according to subtitles.
  - 5.2. Based on Section 5.1. above, Section 6. (Tasks related to the management) shall be deleted.
  - 5.3. The text will be amended in line with the provisions of the new Civil Code (Sections 3:27, 3:111, 3:120, 3:272, 3:126, 3:284) and the amendment of the Articles of Association (Sections 6.4. and 7.4.).
  - 5.4. In line with the modified content, the tasks of the SB related to financial reporting system and statutory Auditor, risk management and internal control system, internal audit, compliance as well as the provisions related to the Audit Committee shall be relocated to a separate Section and detailed there.
  - 5.5. Due to the deletion of Section 6, the numbering of the subsequent sections will be amended accordingly.
  - 5.6. Technical amendments (numbering, formatting, image update).
6. Section 7 (Liability of the members of the SB) of the Rules of Procedure is recommended to be amended based on the following aspects:
  - 6.1. The text will be amended in line with the provisions of the new Civil Code (Section 3:28) and the amendment of the Articles of Association (Section 7.7.).
  - 6.2. The provisions not relevant in this section (business secret) shall be deleted, and relocated.
  - 6.3. Technical amendments (numbering, formatting, image update).
7. Section 8 (Conflict of interest) of the Rules of Procedure is recommended to be amended based on the following aspects:
  - 7.1. The text will be amended in line with the amendment of the Articles of Association (Section 12.).
  - 7.2. Technical amendments (numbering, formatting, image update).
8. Section 9 (Indemnification of SB members) of the Rules of Procedure is recommended to be amended based on the following aspects:
  - 8.1. The text will be amended in line with the amendment of the Articles of Association (Section 13.1-3.)
  - 8.2. Technical amendments (numbering, formatting, image update).
9. Section 10 (Miscellaneous) of the Rules of Procedure is recommended to be amended based on the following aspects:
  - 9.1. The text will be amended in line with the provisions of the new Civil Code (Sections 3:47, 3:120, 3:126).
  - 9.2. For better transparency the title of this Section shall be amended in line with its content as "Other provisions".
  - 9.3. The provisions not relevant in this section shall be relocated to a new Section 10. ("Guidelines and continuous education for the SB members").
  - 9.4. The provision with related content (set up of ad hoc or permanent committees, engagement of experts by the SB, keeping business secrets) shall be detailed in this Section.
  - 9.5. Translation amendments in the English version (executive officer).
  - 9.6. Technical amendments (harmonization of numbers' writing, numbering, formatting, image update).
10. Section 11 (Annual evaluation of the SB) and the Final clause of the Rules of Procedure are recommended to be amended based on the following aspects:
  - 10.1. Technical amendments (formatting, image update).



**Resolution proposal:**

The General Meeting approves the amended and restated Rules of Procedure of the Supervisory Board with the modifications set out in the submission.



**EGYÜTT. VELED**

**AMENDED AND RESTATED RULES OF  
PROCEDURE OF THE SUPERVISORY BOARD OF  
MAGYAR TELEKOM TELECOMMUNICATIONS  
PUBLIC LIMITED COMPANY**

## 1. GENERAL RULES

1.1 The Supervisory Board (the "SB") of Magyar Telekom Telecommunications Public Limited Company (the "Company") carries out its activities pursuant to Act V of 2013 on the Civil Code (the "Civil Code"), the Articles of Association of the Company (the "Articles") and these Rules of Procedure.

~~1.1.1.2.~~ The Supervisory Board (hereinafter: "SB") in order to protect the interests of the Company supervises the management of the Magyar Telekom Nyrt. (hereinafter: "Company"). (Civil Code Section 3:26 (1), Articles Section 7.1.)

Within the framework of this activity the SB supervises the control, management and business activities of the Company as well as compliance of the Company's operation with the laws and the Articles of Association. ~~The SB carries out its activities pursuant to Act IV of 2006 on Business Associations (hereinafter: "Companies Act" or "CA"), the Articles of Association of Magyar Telekom Nyrt. in force (hereinafter: "Articles") and these Rules of Procedure.~~

~~1.2.1.3.~~ Within its scope of authority provided by the statutes the SB may request information from the Company's senior officials executive officers and employees; and may examine the documents, accounting records and books and documents of the Company, inspect the Company's payment account, cash desk, securities portfolio, inventories and contracts, or may have them inspected by an expert if necessary, with the involvement of an advisor. (CA Section 35 (2) Civil Code Section 3:27 (2), Articles: Section ~~8.1.7.1.~~)

The information must be provided as requested by the SB within the relevant deadline.

## 2. MEMBERSHIP/ORGANIZATION OF THE SB

2.1. The SB consists of 3-15 members. (~~CA Section 34 (1)~~ Civil Code Sections 3:26 (1), 121 (1), Articles ~~8.2.1~~ Section 7.2.1.)

The members are elected by the General Meeting. The assignment of the members of the SB, unless otherwise provided by the General Meeting, lasts for a term of three years until May, 31 of the third year subsequent to their election, however, if the General Meeting in the third year is held prior to May 31, then their assignment lasts until the date of the General Meeting. (Civil Code Sections 3:26 (4), 121 (2), Articles Section ~~8.2.1~~ 7.2.1.)

~~If a new member of the SB is elected by the General Meeting, either as a result of an increase in the membership of the SB, or due to the removal or resignation of a member of the SB, the term of newly elected members shall be identical to the original term of office of the remainder of the SB. (Articles 8.2.5.)~~

2.2. The majority of the members of the acting SB must be independent. The SB member is independent if he has no other legal relationship with the Company than his SB membership and any transaction conducted within the Company's usual activities, aiming to satisfy the SB member's needs. (~~CA Section 310~~ Civil Code Sections 3:286 (2), 287 (1), Articles Section 7.2.2.)

2.3. The SB member shall not be regarded as an independent member, if (~~CA Section 309 (3)~~ Civil Code Section 3:287 (2), Articles Section 7.2.3.)

- a.) he is an employee or an ex-employee of the Company, in the latter case the conflict of interest exists for five years from the termination of the employment;
- b.) provides advisory services or other activities as a retained advisor for the Company or its senior managers executive officers in return of remuneration;
- c.) he is a shareholder of the Company who either directly or indirectly owns at least 30% of the votes or is a close relative /common-law spouse or domestic partner to such person [~~Civil Code, Section 685. b.)~~];
- d.) he is a close relative or domestic partner to a – non independent – senior manager of the Company;
- e.) he is entitled to receive remuneration in case of the profitable operation of the Company or receives any other remuneration besides his fee as a SB member from the Company or an affiliated business association to the Company;

- f.) he is in a legal relationship with a non-independent member of the Company/SB in another business association on the basis of which the non-independent member has controlling or supervisory rights;
- g.) he is the independent/statutory ~~a~~Auditor of the Company or a member or an employee/~~partner~~ of the statutory ~~a~~Auditor company within three years from the termination of this legal relationship;
- h.) he is an executive officer or senior ~~manager~~employee in a business association where the independent Board of Directors member is the ~~senior manager~~executive officer of the Company.

2.4. One third of the SB is made up of employee representatives. (Civil Code Section 3:124 (1)) Employee representatives shall have the same rights and obligations as all other members of the SB. (Civil Code Section 3:126 (1))

The Central Workers' Council (~~hereinafter: the~~ "CWC") - ~~after hearing~~considering the opinion of the trade unions operating at the Company - nominates ~~for election~~ the employee representatives. (~~CA Section 39 (1)~~Civil Code Sections 3:125 (1), (2); Articles 8.2.4. Section 7.2.4.)

At the nomination of the employee representatives of the SB, the CWC specifies the order of nominees with taking the prevailing number of SB members into account.

2.5. SB membership terminates with (Civil Code Sections 3:25 (1), 26 (5)):

- a.) expiration of the assignment period;
- b.) if the mandate is rendered subject to some condition for termination, when the condition is met;
- c.) recall;
- d.) resignation;
- e.) death;
- f.) if SB member's legal capacity is limited in the scope required for discharging his functions;
- g.) upon the occurrence of any reason for disqualification or any reason giving cause to conflict of interest (the involved SB member shall inform in writing the Chairman of the SB without delay but no later than within 15 days of the occurrence of the event);
- h.) termination of employment of the employee ~~delegate~~representative (the employee ~~delegate~~representative can only be recalled by the General Meeting upon the proposal of the CWC) ~~except if the CWC does not meet its legal obligations to propose the recall of the delegate or the nomination of a new delegate in spite of the existence of a cause that triggers the recall of such delegate according to the provisions of the Act. (CA Section 39 (6) Civil Code Sections 3:125 (1) and (3));~~
- ~~the occurrence of any disqualifying event set forth in the CA (the involved SB member shall inform in writing the Chairman of the SB within 15 days of the occurrence of the event);~~
- ~~in other case specified by a separate Act.~~

2.6. An SB member may resign at any time, with the proviso that SB members shall send their resignation to the Company's Board of Directors but if the operation of the Company so necessitates, the resignation will only take effect upon the election of a new SB member, or failing this on the ~~sixtieth~~60th day from its announcement at the latest ~~except if the General Meeting has already / could have arranged for the selection of the new SB member prior to the expiry of this deadline. Until the resignation's entry into force the SB member shall participate in making and realizing those decisions that can not be postponed. (CA Section 36 (3) 31 (1)(2) Civil Code Sections 3:25 (4), 26 (5))~~

2.7. If the number of the members of the SB falls below the minimum number (6 members) required by the Articles the SB must notify the Board of Directors that it must convoke the General Meeting to restore the proper operation of the SB. (Civil Code Section 3:122 (4))

2.8. The members of the SB shall partake in the work of the SB in person. SB members shall be independent of the management of the Company, and shall not be bound by any instructions in performing their duties. (Civil Code Section 3:26 (3))

### 3. OPERATION OF THE SB

#### 3.1. General Principles

The SB acts as a body ~~and works according to its annual work plan.~~ (Civil Code Section 3:121 (1), Articles Section 7.3.) ~~The SB may assign certain supervisory tasks to any of its members, or may divide supervisory tasks among its members.~~ (Civil Code Section 3:121 (1))

The SB ~~holds its meetings as necessary but at least four (4) times per year.~~ At its first meeting ~~the SB~~ elects a Chairman (if necessary, a Deputy Chairman) ~~or Deputy Chairmen~~ from among its members). (Civil Code Section 3:122 (1), Articles Section 7.3.)

The SB shall establish its own Rules of Procedure that is subject to the approval of the General Meeting. ~~(CA Section 34(2)(4))~~ Civil Code Section 3:122 (3); Articles 8.4.1, Section 7.3.)

~~It may assign certain supervisory tasks to any of its members, or may divide supervisory tasks among its members on a permanent basis.~~ (CA Section 35(1))

#### 3.2. Meetings

The SB holds its meetings as necessary but at least 4 times per year and works according to its annual work plan.

The Chairman of the SB convenes and chairs the SB meetings.

Any SB member, specifying the reason and the purpose, may at any time request in writing to call an SB meeting, if the Chairman fails to take the necessary steps within ~~eight (8)~~ days upon receipt of such written request and fails to convene such meeting to be held within ~~thirty (30)~~ days. ~~(Articles 8.4.2.)~~

The Chairman shall nominate the Minute Keeper and the SB member who authenticates the Minutes, puts issues on the vote and announces the result of the voting. ~~(Articles 8.4.4.)~~

If he is prevented, the Chairman shall be substituted by the Deputy Chairman, in case of lacking a Deputy Chairman, the Chairman requests a member to preside over the meeting.

The meetings are held in Hungarian and English.

Comments made in Hungarian shall be simultaneously translated into English, whereas, comments made in English shall be simultaneously translated into Hungarian.

If any of the members is prevented and there is an appropriate reason, upon the decision of the Chairman (Deputy Chairman, Presiding Chairman) the meeting may be held by means of a conference call, or the member may attend by means of a conference call, if the communication equipment makes it possible for all members to hear each other simultaneously.

Such participation at the meeting is to be considered as presence.

#### 3.3. Secretariat

The SB's secretarial tasks shall be performed by its own secretariat (the "Secretariat"). The Secretariat supports the Chairman in convening and organizing the meeting. The administrative - technical conditions required for the operation of the SB (keeping of minutes, interpretation, meeting room, recorder, overhead projector, etc.) will be provided by the Secretariat and their costs will be borne by the Company.



3.3.3.4. Notice on convening the meeting

Notice of the meeting shall be sent to the SB members ~~at least seven (7)~~<sup>5</sup> days before the date of the meeting by ~~courier (express mail) or~~ electronic mail ~~(with the use of an e-mail attachment encryption program)~~ or ~~courier (express mail) telefax~~ to the address ~~or fax number~~ specified by the SB members ~~concerned~~.

If there is no such address the notice shall be sent to the last known address ~~of fax number~~ of the SB member concerned.

The notice shall contain the agenda, venue and date of the meeting.

Discussion materials must be attached to the notice in Hungarian ~~and~~ English.

3.4.3.5. Quorum and passing resolutions

The SB meeting has a quorum if 2/3 of the elected members ~~but at least 3 members~~ are present. If the SB is comprised of ~~three~~<sup>3</sup> members or if the above mentioned 2/3 of the members is less than ~~three~~<sup>3</sup> persons the presence of ~~three~~<sup>3</sup> persons is necessary to constitute a quorum. ~~(Civil Code Section 3:122 (2), Articles Section 7.5.)~~  
~~If the number of the members of the SB falls below 3 or if there is no one to convene a meeting the Board of Directors shall convoke the General Meeting in order to restore the proper operation of the SB. (CA Section 34 (2) (5); Articles 8.4.3.)~~

~~3.5.~~ If the meeting does not have a quorum it shall be re-convened within 15 days.

~~3.6.~~ ~~SB meetings shall be chaired by the Chairman of the SB. The Chairman shall nominate the Minute Keeper and the member who authenticates the Minutes, puts issues on the vote and announces the result of the voting. (Articles 8.4.4.)~~

~~3.7.~~ ~~In case of his absence – or if he is prevented – the Chairman shall be substituted by the Deputy Chairman, in case of lacking a Deputy Chairman, the Chairman requests a member to preside over the meeting.~~

~~3.8.~~ ~~The meetings are held in Hungarian and English. Comments made in Hungarian shall be simultaneously translated into English, whereas, comments made in English shall be simultaneously translated into Hungarian.~~

~~3.9.~~ The SB passes resolutions by open voting, with simple majority of the votes of the SB members present. ~~(Civil Code Section 3:27 (3))~~  
Each member of the SB shall have one vote. (Articles Section 7.5.)  
 In the event of a tie vote, the proposal supported by the Chairman, or, in case of his absence, the proposal supported by the Deputy Chairman shall be approved. If the Chairman (Deputy Chairman) is not present at the meeting a proposal cannot be considered approved in the event of a tie vote, and the item must be discussed again at the next meeting.

~~3.10.~~ ~~The members of the SB shall act in person; no representation is permitted. (CA Section 34 (3))~~

~~3.11.~~ ~~If any of the members is prevented and there is an appropriate reason, upon the decision of the Chairman (Deputy Chairman, Presiding Chairman) the meeting may be held by means of a conference call, if the communication equipment makes it possible for all members to hear each other simultaneously. Such participation at the meeting is to be considered as presence.~~

3.12.3.6. Passing resolutions without holding a meeting

The SB may pass resolutions on any issue without holding a meeting if SB members received the submission requiring a decision beforehand and the majority of the SB members cast their affirmative votes in writing (by electronic mail or fax). ~~Fax~~<sup>Written</sup> voting can be initiated by the Chairman of the SB or if no Chairman is elected yet by any member of the SB. The general rules apply to the validity of the resolution. The resolution and its approval by the respective SB members shall be handled according to the rules on the minutes. If any SB member requests to convoke an SB meeting, the meeting must be held.

3.7. Invitees of the meeting

3.7.1. Permanent invitees to the SB meetings are:

- a.) the Chairman of the Board of Directors or the member of the Board of Directors appointed by him;
- b.) the Chairman and the Deputy Chairman of the Management Committee (the "MC") or the member of the MC appointed by them;
- c.) head of the Company's Internal Audit organization;
- d.) chief legal counsel of the Company.

3.7.2. Ad hoc invitees to the SB meetings:

- a.) the statutory Auditor of the Company if the SB initiated his hearing at the meeting, or if the statutory Auditor requests to participate the SB meeting with consultation rights (Civil Code Section 3:131 (3), Articles Section 8.3.(e));
- b.) expert, if his invitation (participation) is initiated by SB members to the meeting or certain agenda items of the meeting.

~~3.13,~~ 3.8. Closed meeting

At the proposal of the Chairman (Deputy Chairman, Presiding Chairman), with a simple majority vote of the members present, a closed meeting may be held. Besides the SB members only those invited for a given issue may be present at closed meetings.

~~3.14. To prepare its position on certain issues the SB may set up committees — comprised from its own members — on a permanent or an ad hoc basis. The rules of procedure of the permanent committee (rules of operation) shall be established by such committee and shall become effective upon its approval by the SB. To prepare a position requiring special expertise the SB may commission external experts at the expense of the Company.~~

~~3.15. Permanent invitees to the SB meetings are:~~

- ~~▪ the Chairman of the Board of Directors or the member of the Board of Directors appointed by him;~~
- ~~▪ the Chairman and the Deputy Chairman of the Management Committee (~~hereinafter: "MC"~~) or the member of the MC appointed by them;~~
- ~~▪ head of the Company's internal audit unit;~~
- ~~▪ chief legal counsel of the Company;~~

~~3.16. Ad hoc invitees to the SB meetings:~~

- ~~▪ the auditor of the Company if the SB initiated his hearing at the meeting, or~~
- ~~▪ if the auditor requests to participate the SB meeting with consultation rights (CA Section 43 (2));~~
- ~~▪ expert, if his invitation is initiated by SB members to the meeting or certain agenda items of the meeting.~~

~~3.17. The SB's secretarial tasks shall be performed by its own secretariat (~~hereinafter: "Secretariat"~~). The administrative-technical conditions required for the operation of the SB (keeping of minutes, interpretation, meeting room, ~~tape recorder, overhead projector, etc.~~) will be provided by the Secretariat and their costs will be borne by the Company.~~

## 4. MINUTES

4.1. Minutes of every SB meeting shall be taken in Hungarian that must be translated to English prior to its authentication. Both Minutes shall be authenticated. In case of any conflict between the Hungarian and the English version, the Hungarian version shall prevail.

4.2. The minutes shall contain:

- a.) the venue and date of the meeting;
- b.) the names of the participants;
- c.) the agenda;

- [d.\)](#) the names of the Chairman of the meeting, the Keeper of the Minutes and the Authenticator of the Minutes;
  - [e.\)](#) the main issues questioned during the discussion of the individual agenda items and the answers to such questions;
  - [f.\)](#) transcription of individual SB members' contributions to the discussion, provided that the respective SB member requests so;
  - [g.\)](#) the resolutions, the number of votes cast for and against the resolutions and the abstentions;
  - [h.\)](#) objections to the resolutions (provided the objecting SB member requests the objection be entered into the Minutes).
- 4.3. At the request of any participant the contributions, opinions and objections shall be recorded in the minutes verbatim.
- 4.4. The meetings of the SB shall be recorded – unless otherwise decided by the SB - on tape. The Secretariat shall ensure that the recordings are kept in a safe place, at least for ~~5 (five)~~ 1 years. Such voice recordings shall be confidential, and shall not be disclosed to any person without the Chairman's consent, other than to current members of the SB, to persons who were members of the SB at the time when a particular recording was made and to persons who attended as invitees the meeting of which such recording was made.
- 4.5. The minutes are signed by the Chairman and the Minute Keeper and are authenticated by an SB member present.
- 4.6. Following authentication the minutes shall be sent in English and Hungarian to all SB members and to persons who were invited to the discussion of specific agenda items. SB members may query the accuracy of the Minutes, including its translation, within ~~fifteen~~ (15) days upon receipt.
- 4.7. The authenticated minutes of closed meetings can only be distributed with the consent of the Chairman to other persons than the members of the SB and the invitees to the closed meeting.

## 5. ~~Tasks relating to the General Meeting~~ SCOPE OF AUTHORITIES AND TASKS OF THE SB

### 5.1. Tasks related to the General Meeting

~~5.1. Members of the SB participate at the General Meeting without the right to vote. (CA Section 34 (3); Articles 6.20.)~~

~~5.2. The SB convenes an extraordinary General Meeting if, in its opinion, the activities of the management~~

- ~~infringe a statute, the Articles or the resolutions passed by the General Meeting; or~~
- ~~offend the interests of the Company or its shareholders. (CA 35 (4); Articles 8.5.)~~

~~The SB makes a proposal as to the agenda of the extraordinary General Meeting called with the aforementioned purpose.~~

~~5.3.5.1.1.~~ The SB shall examine all submissions to be submitted to ~~every important report on the business policy and every submission that is made on matters falling into the exclusive competence of~~ the General Meeting and present its opinion thereof at the General Meeting. (Civil Code Section 3:27 (1), Articles Section 7.4.)

5.1.2. The General Meeting may pass a resolution on the ~~annual~~ report prepared in accordance with the Act on Accounting and the use of the profit after income tax only upon receipt of the written report of the SB. (Civil Code Section 3:120 (2), Articles Section 7.4.), ~~whereas the proposal of the Board of Directors on the payment of dividend and the company governance and management report can only be submitted to the General Meeting – simultaneously with the report in accordance with the Act on Accounting – with the prior approval of the SB. (CA Section 35 (3), 220 (3), 312 (3), Articles 8.3.)~~



- ~~5.4.~~5.1.3. The Board of Directors shall make available to the SB its submissions to the General Meeting at least ~~29~~26 days prior to the General Meeting.
- 5.1.4. The Supervisory Board makes a proposal directly to the General Meeting regarding the election, remuneration and removal of the statutory Auditor. (Articles Section 7.4)
- ~~5.5.~~5.1.5. The SB shall forward its report set forth under Section ~~5.3.~~5.1.2. and its proposal under Section 5.1.4. in time to allow the publication of the main data contained in the report within at least ~~twenty-one~~(21) days prior to the General Meeting. (~~CA Section 304 (1)~~Civil Code Section 3:272 (3); Articles ~~5.1.~~Section 4.2.(b))
- ~~5.6.~~5.1.6. At the General Meeting, the Chairman or Deputy Chairman of the SB - or in case of his absence or prevention the SB member designated by him - verbally presents the report of the SB in full during the discussion of the given agenda item, or, if this is impossible because of the length of the report, he provides a summary of it. (~~Articles 8.3.~~)
- 5.1.7. Members of the SB participate at the General Meeting in an advisory capacity. (Civil Code Section 3:111 (1))
- 5.1.8. If the opinion of the employee representatives unanimously differs from the majority standpoint of the SB, the minority opinion of the employees shall be stated at the next meeting of the Company's General Meeting. (Civil Code Section 3:126 (1))
- 5.1.9. The SB may convene the General Meeting to discuss that issue and to take the necessary decisions, if, in its opinion, the activities of the management infringe the law, the Articles or the resolutions passed by the General Meeting, or otherwise interfere with the interests of the Company. (Civil Code Section 3:120 (3). Articles Section 7.4.) The SB makes a proposal as to the agenda of the extraordinary General Meeting called with the aforementioned purpose.

#### ~~6.5.2.~~ **Tasks related to the management of the Company**

The SB shall review, discuss and evaluate:

- 5.2.1.) the quarterly report of the Board of Directors prepared for the SB on the management, the financial status and the business policy of the Company (~~CA Section 244 (2)~~Civil Code Section 3:284 (1); Articles ~~7.4.1.~~(k)Section 6.4.(k));
- 5.2.2.) the annual self-evaluation of the Board of Directors;
- 5.2.3.) matters related to the strategy and business plans of the Company;
- 5.2.4.) remuneration processes employed by the Company;
- 5.2.5.) matters falling into the competence of the MC concerning the most important current issues regarding the operation of the Company.

#### 5.3. **Other tasks**

- 5.3.1. The SB supervises the financial reporting system, selects and cooperates with the statutory Auditor.
- 5.3.2. The SB supervises the effectiveness of risk management and the operation of the internal control system.
- 5.3.3. The SB supervises the Internal Audit activities of the Company, in the frame of which it  
a.) approves the Internal Audit Work Plan of the Company;  
b.) discusses the reports on the auditing activities;  
c.) opines the decisions related to the establishment and termination of employment of the head of the Internal Audit organization, and the determination of his/her remuneration.
- 5.3.4. The SB supervises the Compliance activities of the Company in accordance with the scope described in the Corporate Compliance Program Manual and the related directives and policies, in the frame of which it  
a.) opines the decisions related to the establishment and termination of employment of the head of the Compliance organization, and the determination of his/her remuneration.

- 5.3.5. The SB establishes procedures for (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- 5.3.6. The SB, if necessary, conducts an internal investigation into matters that relate to questionable accounting, internal accounting controls or auditing matters.

The Audit Committee supports the SB in fulfilling the tasks listed in Section 5.3., the Rules of Procedure of which (its rules of operation) is approved by the SB. The SB fulfills its tasks defined in Sections 5.3.3.c.) and 5.3.4. a.) through its Chairman.

## 7.6. LIABILITY OF THE MEMBERS OF THE SB

- 7.1. ~~The SB members – according to the provisions of the Civil Code on jointly causing damage – have an unrestricted and joint and several liability towards the Company for damages caused by a breach of their supervisory obligations, including those related to the statement prepared according to the Accounting Act and the related business report as well as their disclosure. Members of the SB shall be held liable for damages caused to the Company 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 liable in accordance with the rules pertaining to damages caused by breach of contract. (CA Section 36. (4) Civil Code Section 3:28.; Articles 8.6. Section 7.7.)~~
- 7.2. ~~The SB members are obliged to keep in strictest confidence the information obtained by them on the Company's business (CA Section 36 (3) and 27 (1)) during their membership and at least for five (5) years upon their recall/resign from the said post.~~

## 8.7. CONFLICT OF INTEREST (Articles Section 12)

Disqualification (conflict of interest) rules set out in Section 3:115 (1) of the Civil Code shall not be applicable for the members of the SB. Instead thereof the disqualification rules defined in the present section shall be applied to the members of the SB.

~~The members of the SB may not acquire any share, their close relatives as defined in Section 685. (b) of the Civil Code or any business association in which these persons hold an interest of over 10 percent, - except for the shares of public limited companies - may not hold a stake of over 5 percent in, may not be employed by, and may not accept executive officer or SB membership in such domestic or foreign be officials of and may not enter into a contractual agreement with any business associations whose main business activity is the same as the main activity of the Company, that is a competitor of the Company, except if permitted by law or the Articles and the General Meeting, with a 3/4 majority, gives exemption from the provisions of this paragraph. (Articles Section 13.)~~

~~Pursuant to the authorization, set forth in CA Section 25 (1), Despite the restrictions set out in the above section, SB members may be elected to executive posts or to be members of SBs of such other domestic or foreign business associations whose companies that do similar main business activity is the same as the main activity to that of the Company, in which such~~

(i) having a direct or indirect majority influence in the Company;  
or  
(ii) in which the Company or any person having a direct or indirect majority influence in the Company holds at least 25% ownership and/or voting right.

~~Members of the SB and their close relatives (Civil Code Section 685 (b)) may on their own behalf and to their benefit conclude agreements with the Company relating to the use of public purpose telecommunications services available~~

~~to anyone. (CA Section 36 (3), 25 (2)) The above rules shall not have an effect on the provisions regarding conflict of interest set forth in the Companies Act and other laws.~~

## 9.8. INDEMNIFICATION OF SB MEMBERS

### 9.1.8.1. Indemnification

To the extent permitted by law the Company shall indemnify any present or former member of the SB who was or is threatened to be a party to any threatened, pending or concluded civil, criminal or administrative procedure by reason of his above position at the Company for costs (including attorney's costs) ordered by the court, fines or amounts paid in settlement actually and reasonably incurred by him in connection with the above proceedings or suits if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company and, in the case of a criminal proceeding, he had no reasonable cause to believe that his conduct was unlawful. (Articles, Section ~~14~~,[13.1.](#))

### 9.2.8.2. Advancement of costs

The Company may reimburse the costs borne by a member of its SB in any civil, criminal or administrative proceeding or action (including reasonable attorney's fees) to the given person prior to the conclusion of the procedure, if the SB member undertakes to pay back the amount if it is decided that he is not entitled to indemnification by the Company as defined under ~~paragraph 9.1.~~[Section 8.1.](#) (Articles [Section 13.2.](#))

### 9.3.8.3. Insurance

The Company has the right to take out and maintain insurance to the benefit of the current and former members of the SB in respect of the liability borne by or imputed to them by reason of or in connection with such position, irrespective of whether or not the Company is entitled to indemnify them because of the given liability in accordance with the above [9.1.8.1.](#) and [9.2.8.2.](#) ~~paragraphs~~[Sections](#) of these Rules of Procedure or the statutes. ([Articles Section 13.3.](#))

## 10.9. ~~Miscellaneous~~[OTHER PROVISIONS](#)

~~10.1. The SB maintains an orientation program for new members of the SB. The orientation program includes comprehensive information about the Company's business and operations, general information about the SB, including a summary of members of the SB compensation and benefits and a review of members of the SB duties and responsibilities.~~

~~10.2. The SB maintains a continuing education program for all members of the SB. The SB recognizes the importance of continuing education for its members and is committed to provide such education in order to improve the performance of the SB. It is the responsibility of the Chairman of the SB to advise the members of the SB about their continuing education, including relevant leading edge corporate governance issues. The members of the SB are encouraged to participate in continuing SB member education programs.~~

~~10.3. The SB approves the Internal Audit Work Plan of the Company. A report on internal audit activities must be submitted to the SB meeting on a regular basis.~~

~~10.4. Members of the SB may not be instructed by the members of the Company or his employer with respect to their activities carried out as part of such positions. (CA Section 34 (3))~~

~~10.5.~~[9.1.](#) The ~~senior officials~~[executive officers](#) and employees of the Company are obliged, in the course of the supervisory activities of the SB, to supply all information and make the necessary documents and files available to the SB. If the



above persons do not comply with their such obligation the SB shall inform the Board of Directors about such failure without delay.

~~10.6.~~9.2. The management of the Company provides the members of the SB the possibility of entering the official premises of the Company to facilitate fulfillment of their tasks.

9.3. To prepare its position on certain issues the SB may set up committees – comprised from its own members – on a permanent or an ad hoc basis. The Rules of Procedure of the permanent committee (rules of operation) shall be established by such committee and shall become effective upon its approval by the SB.

9.4. If the SB wishes to engage the services of experts in the course of its supervisory activities, management shall fulfill the SB's such request. (Civil Code Section 3:120 (1))

~~10.7.~~9.5. The General Meeting may provide remuneration to the members of the SB.

~~10.8.~~9.6. ~~A person elected to be a SB member shall, within fifteen (15) days as of acceptance of his new office, inform in writing the business associations where he is already an SB member. (CA Section 36 (3) and 24 (3))~~ SB members shall notify the SB within ~~fifteen (15)~~ days in the event they are offered a membership in a SB or a board of directors or offered an executive management position at another company and also whether they accepted the position.

9.7. SB members are bound to keep business secrets of the Company (Civil Code Section 2:47)

~~10.9.~~9.8. The employee representative SB member shall inform – with the exception of confidential information - the ~~community of~~ employees on the activities of the SB ~~through the CWC. (CA Section 38 (4))~~Civil Code Section 3:126 (2)

## 10. GUIDELINES AND CONTINUOUS EDUCATION FOR THE SB MEMBERS

10.1. The SB maintains an orientation program for new members of the SB. The orientation program includes comprehensive information about the Company's business and operations, general information about the SB, including a summary of members of the SB compensation and benefits and a review of members of the SB duties and responsibilities.

10.2. The SB maintains a continuing education program for all members of the SB. The SB recognizes the importance of continuing education for its members and is committed to provide such education in order to improve the performance of the SB. It is the responsibility of the Chairman of the SB to advise the members of the SB about their continuing education, including relevant leading-edge corporate governance issues. The members of the SB are encouraged to participate in continuing SB member education programs.

## 11. ANNUAL EVALUATION OF THE SB

The SB shall perform an annual comprehensive self-evaluation of its performance. This self-evaluation should include a review of the SB's contribution as a whole and should specifically review areas in which the SB believes a better contribution could be made. Its purpose is to increase the effectiveness of the SB and the evaluation of the individual SB members. The SB shall meet annually to discuss the results of this critical self-evaluation.



## FINAL CLAUSE

These Rules of Procedure were approved by the General Meeting of Magyar Telekom Plc. with Resolution No. ~~25/2011 (IV. 12.)~~.