



**BILK LOGISZTIKAI
NYILVÁNOSAN MŰKÖDŐ RÉSZVÉNYTÁRSASÁG**

CORPORATE GOVERNANCE REPORT



On the basis of the Corporate Governance Recommendations (“CGR”) of Budapesti Értéktőzsde Zrt. (Budapest Stock Exchange – “BSE”), entered into force on 1 August 2018) and of the related provisions of Act V of 2013 on the Civil Code (the “Civil Code”), the Board of Directors of BILK Logisztikai Nyilvánosan Működő Részvénytársaság (registered seat: 1239 Budapest, Európa utca 6.; company registration No.: 01-10-049617; hereinafter: “Company”) has drawn up the Corporate Governance Report (“Report”) of the Company and presents it to the annual General Meeting.

In the course of its operation, the Company fully acts in line with the applicable legal provisions, in particular with the provisions of the Civil Code, Act CII of 2011 on Regulated Real Estate Investment Trusts (“REIT Act”) and Act CXX of 2001 on the Capital Market (“Capital Market Act”), and with the regulations of BSE and Magyar Nemzeti Bank (“MNB”).

The organizational structure and operating conditions of the Company are set out in the current articles of association and in the rules of procedure of each body.

1. Introducing the operation and scope of competence of the Board of Directors, Supervisory Board and Audit Committee

1.1. Operation and scope of competence of the Board of Directors

- 1.1.1. The rules related to the operation and competence of the Board of Directors are set out in the articles of association of the Company and in the rules of procedure prepared by the Board of Directors Board of Directors.
- 1.1.2. The Board of Directors is the managing body of the Company which shall report to the General Meeting and to the Audit Committee.
- 1.1.3. The main aim and function of the Board of Directors is the overall management of the activity of the Company, the provision of lawful and economical operation besides the establishment of an operational work organization and the management of the Company. The Chief Executive Officer, who is a member of the Board of Directors, is responsible for the day-to-day management of the Company.
- 1.1.4. The Board of Directors determines its own rules of operation and its own rules of procedure.
- 1.1.5. It is the responsibility of the Board of Directors as a board to decide on all issues that do not pertain to the exclusive competence of the General Meeting, in particular:
 - a. management of the Company, control of the management activities of the Chief Executive Officer;
 - b. granting signatory rights to employees of the Company for a specific group of matters;
 - c. elaboration of the bylaws of the Company and establishment of the working organisation of the Company;



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- d. preparation and presentation of the annual financial statement of the Company prepared in line with the Accounting Act and a proposal for the allocation of the profit after tax;
 - e. keeping the business books of the Company in compliance with the regulations;
 - f. developing a preliminary position and presentation of proposals on issues requiring a decision of the General Meeting; preparation of the annual and long-term technical programs of the Company, the annual financial development and business plans and business policy concepts and control of their execution;
 - g. submission of a draft resolution on the appointment of the auditor of the Company;
 - h. submission of the report presenting the corporate governance of the Company, prepared in a manner required from the companies listed on the Budapest Stock Exchange, to the annual General Meeting;
 - i. preparation of a report on the assets and liabilities and business policy of the Company once a year for the General Meeting and quarterly for the Supervisory Board;
 - j. submission of mandatory reports to the authorities and other agencies;
 - k. acquisition of own shares on the basis of the authorisation of the General Meeting or in the course of a court procedure aimed at the settlement of any claim of the Company or within the framework of transformation;
 - l. decision on the increase of the issued capital based on the authorization by the Articles of Association or the General Meeting;
 - m. decision on all issues that do not pertain to the scope of the General Meeting by the law, the General Meeting or the Articles of Association;
- 1.1.6. The mandate of the members of the Board of Directors is for a definite or indefinite period of time.
- 1.1.7. The members of the Board of Directors may be recalled by the General Meeting in line with the provisions of the Articles of Association or their mandate may be terminated in the following cases:
- a. if the mandate is granted for a definite period, then on the expiry date of the definite period mandate;
 - b. if the mandate is subject to a condition of termination, when the condition is met;
 - c. by resignation;
 - d. upon the death of a member of the Board of Directors;
 - e. if the Board of Directors member's legal capacity is limited in the scope required to perform his/her functions;



- f. upon the occurrence of any grounds for exclusion of the member of the Board of Directors or any reason giving cause to conflict of interest.
- 1.1.8. A member of the Board of Directors may resign from their position in a declaration addressed to the Company, given to another member of the Company's Board of Directors or to the General Meeting at any time.
- 1.1.9. The Board of Directors exercises its rights and obligations as a board.
- 1.1.10. According to the Articles of Association of the Company, a member of the Board of Directors may acquire a share in a different business association that has the same main activity as the activity of the Company, further he or she may be an executive officer or a member of the Supervisory Board in another business association pursuing the same main activity as the Company.
- 1.1.11. According to the Articles of Association of the Company, a member of the Board of Directors may be an executive officer in a credit institution, investment enterprise, investment fund manager, real estate appraisal firm, venture capital fund manager, insurer, reinsurer or a regulated real estate investment trust in which the Company does not have any participation.
- 1.1.12. According to the Articles of Association of the Company, a member of the Board of Directors and his or her relatives may enter into transactions falling within the scope of the main activity of the Company in their own names and for their own benefit.

1.2. Operation and scope of competence of the Supervisory Board

- 1.2.1. The provisions of the articles of association and the rules of procedure of the Company are applicable to the operation and scope of competence of the Supervisory Board.
- 1.2.2. The Supervisory Board is the Company's supervisory body. If according to the Supervisory Board, the activities of the management of the Company is contrary to the law or any provision of the Articles of Association, or the resolutions of the General Meeting or otherwise violate the interests of the Company or the General Meeting, the Supervisory Board shall immediately inform the General Meeting in this respect and suggest appropriate measures.
- 1.2.3. The Supervisory Board determines its own rules of operation, its rules of procedure being approved by the General Meeting.
- 1.2.4. The Supervisory Board proceeds as a board. The inspectional tasks may be divided among the members on a permanent basis or based on case-by-case decisions. The division of the inspectional tasks does not affect the responsibility of the member of the Supervisory Board and does not affect his/her right to extend the inspection to other activities that fall within the scope of controlling competence of the Supervisory Board.



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- 1.2.5. The Supervisory Board member shall be entitled to bring court action seeking the annulment of a resolution adopted by the General Meeting or other bodies of the Company, if the resolution is unlawful or violates the Articles of Association.
- 1.2.6. If a resolution adopted by the General Meeting or another body of the Company is challenged by an executive officer of the Company, and the Company does not have another executive officer who could represent the Company, a member of the Supervisory Board appointed by the Supervisory Board shall represent the Company in the proceedings.
- 1.2.7. The Supervisory Board shall inspect all major proposals to be submitted to the General Meeting or the Board of Directors and present its position at the General Meeting or the meeting of the Board of Directors.
- 1.2.8. The General Meeting may adopt a resolution on the report prepared in accordance with the Act C of 2000 and the allocation of the profit after taxation only based on a written report prepared by the Supervisory Board.
- 1.2.9. The consent of the Supervisory Board is required for the recommendation of the Board of Directors regarding interim dividends.
- 1.2.10. The Company may only purchase an asset which value exceeds 10% of the balance sheet total with the prior approval of the Supervisory Board.
- 1.2.11. The Supervisory Board performs the ordered inspections with the involvement of its members or external experts.
- 1.2.12. The Supervisory Board monitors the Company's management for the General Meeting. The Supervisory Board may inspect the documents, accounting record and books of the Company, may request information from the executive officers and employees of the Company, may inspect the payment account, cash securities and goods portfolio and contracts of the Company or may engage an expert for the inspection employ an expert for it.
- 1.2.13. If according to the Supervisory Board, the activities of the management of the Company is contrary to the law or any provision of the Articles of Association, or the resolutions of the General Meeting or otherwise violate the interests of the Company or the General Meeting, the Supervisory Board shall immediately inform the General Meeting in this respect and suggest appropriate measures.
- 1.2.14. The Supervisory Board prepares a written report on the statements and assessments of the control carried out by it and its members. The report records the statements of persons who became aware of the statements of the control and of those whose personal liability has arisen. These reports, observations and comments of the relevant Supervisory Board members shall be sent to the members of the Supervisory Board and shall arrive at least five (5) days before the Supervisory Board's meeting.
- 1.2.15. The mandate of members of the Supervisory Board is for a definite or indefinite period of time.



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- 1.2.16. The members of the Supervisory Board may be recalled by the decision of the General Meeting anytime.
- 1.2.17. The mandate of members of the Supervisory Board may be terminated in the following cases:
- in case of a definite term mandate, upon expiry of the designated term of mandate;
 - if the mandate is subject to a condition of termination, when the condition is met;
 - by resignation;
 - in the event of the death of the Supervisory Board member;
 - if the legal capacity of the member of the Supervisory Board is limited in the scope required for performing his/her functions;
 - upon the occurrence of any grounds for exclusion of the Supervisory Board member or any reason giving cause to conflict of interest.
- 1.2.18. In accordance with the Articles of Association of the Company, a member of the Supervisory Board may acquire a share in a different business association that has the same core main activity as the activity of the Company and may be an executive officer or a member of the Supervisory Board in another business association pursuing the same core main activity as the Company.
- 1.2.19. The members of the Supervisory Board may be executive officers in a credit institution, investment enterprise, investment fund manager, real estate appraisal firm, venture capital fund manager, insurer, reinsurer or a regulated real estate investment trust in which the Company does not have any participation.
- 1.2.20. The members of the Board of Directors and their relatives may not be elected into the Supervisory Board of the Company.
- 1.2.21.** *Operation and scope of competence of the Audit Committee*
- 1.2.22. The provisions of the articles of association and the rules of procedure of the Company are applicable to the operation and scope of competence of the Supervisory Board.
- 1.2.23. The Audit Committee is a supervisory body of the Company. The Audit Committee assists the Supervisory Board or the Board of Directors in the supervision of the financial statement regime and in the appointment and co-operation with the auditor.
- 1.2.24. The Audit Committee determines its own rules of operation and its own rules of procedure.
- 1.2.25. The Audit Committee proceeds as a board. The inspectional tasks may be divided among the members on a permanent basis or based on case-by-case decisions



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- 1.2.26. The mandate of members of the Audit Committee is for a definite or indefinite period of time.
- 1.2.27. The members of the Audit Committee may be recalled by the decision of the General Meeting anytime
- 1.2.28. The mandate of members of the Audit Committee may be terminated in the following cases:
- a. in case of definite term mandate, upon expiry of the designated term of mandate;
 - b. if the mandate is subject to a condition of termination, when the condition is met;
 - c. by resignation;
 - d. by the death of the Audit Committee member;
 - e. if the legal capacity of the Audit Committee member is limited in the scope required for performing his/her functions;
 - f. upon the occurrence of any grounds for exclusion of the Audit Committee member or any reason giving cause to conflict of interest.
- 1.2.29. In accordance with the Articles of Association of the Company, a member of the Audit Committee may acquire a share in a different business association that has the same main activity as the activity of the Company and may be an executive officer or a member of the Supervisory Board in another business association pursuing the same main activity as the Company.
- 1.2.30. Audit Committee members shall take part in the work of the Audit Committee in person. Audit Committee members shall be independent of the management of the Company and shall not be bound by any instructions while performing their duties.
- 1.2.31. At least one member of the audit committee shall have competence in accounting or auditing.
- 1.2.32. The responsibilities of the Audit Committee:
- The Audit Committee assists the Supervisory Board or the Board of Directors in the supervision of the financial statement regime and in the appointment and co-operation with the auditor. Within this role:
- (i) it monitors the effectiveness of the Company's internal quality control and risk management systems and its financial reporting process and submit recommendations or proposals where deemed necessary;



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- (ii) it monitors the statutory audit of the annual financial statement, taking into account any findings and conclusions by the authority in charge of the public oversight of auditors as provided for in Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors (hereinafter referred to as “Auditors Act”) made during the quality assurance review provided for in the Auditors Act;
- (iii) it reviews and monitors the independence of auditors or the audit firms in accordance with the relevant legislation, and in particular the appropriateness of the provision of non-audit services to the audited entity in accordance with Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC.

2. Introduction of the members of the board of directors, the supervisory board and the audit committee, and description of the committees:

2.1. *Members and structure of the Board of Directors, the Chief Executive Officer*

2.1.1. Members of the Board of Directors:

György Péter Waberer	His mandate is for an indefinite period of time as of 17 April 2018.
Lívía Wáberer	Her mandate is for an indefinite period of time as of 17 April 2018.
Géza Czakó	His mandate is for an indefinite period of time as of 17 April 2018.

2.1.2. Chairman of the Board of Directors: György Péter Waberer.

2.1.3. The Chief Executive Officer is a member of the Board of Directors, who is appointed by the General Meeting for this position, the current Chief Executive Officer is: Lívía Wáberer.

2.1.4. The day-to-day management tasks of the Company are performed by the Chief Executive Officer. His or her competence includes decisions on all issues that do not pertain to the exclusive competence of the General Meeting or the Board of Directors.

2.1.5. The Chief Executive Officer shall exercise employer’s rights over the Company’s employees.

2.1.6. The Board of Directors, as a body, exercises the employer rights towards the Chief Executive Officer, other than the rights of appointment and recall, which fall within the competence of the General Meeting.



2.2. *Members of the Supervisory Board*

2.2.1. The members of the Supervisory Board:

Dr. Tibor Endre Illés	His mandate is for an indefinite period of time as from 14 June 2018.
Miklós Marján	His mandate is for an indefinite period of time as from 14 June 2018.
Zsolt Grebicsaj	His mandate is for an indefinite period of time as from 14 June 2018.

2.2.2. The chairman of the Supervisory Board will be Zsolt Grebicsaj.

2.3. *Members of the Audit Committee*

2.3.1. The independent members of the Supervisory Board listed above at Point 2.2.1. will be the members of the Audit Committee:

Dr. Tibor Endre Illés	His mandate is for an indefinite period of time as from 14 June 2018.
Miklós Marján	His mandate is for an indefinite period of time as from 14 June 2018.
Zsolt Grebicsaj	His mandate is for an indefinite period of time as from 14 June 2018.

2.3.2. The chairman of the Audit Committee will be Zsolt Grebicsaj.

3. **Description of the number of meetings of the board of directors, the supervisory board and the committees, alongside with attendance rate.**

In the 2019 business year, the Board of Directors, the Supervisory Board and the Audit Committee held a total of four meetings each and made additional one extraordinary decision each, while this year, however, in relation to the year 2019, they held two meetings each and made one extraordinary decision each. Meetings and written voting were attended by all members, with unanimous and supportive decision-making by the members. Topics of the meetings included discussion of the report closing financial year 2018, the 2019 business plan, quarterly performance, financial reports, ongoing investments and sales, and outsourcing of operations. During the last year's written vote, members decided on the approval of modifications to the Company's credit and guarantee framework agreement and related collateral agreements, as well as to other funding documents. After the meetings at which the Annual Report was discussed, a post-balance sheet date item was submitted which modified the financial



statements. The Board of Directors and the Supervisory Board decided on the amended report outside the meeting. In addition, the Audit Committee cooperated with the auditor on an ongoing basis, examining the auditor's independence.

4. Description of the aspects taken into account when evaluating the work of the board of directors, the supervisory board, the management and each members

There is no separate internal mechanism for the evaluation of the work by the members of the Board of Directors and of the Supervisory Board. The General Meeting has the possibility to evaluate the performance of the tasks in such a manner that, firstly, it gives exemption for the members of the Board of Directors in respect of the given business year and, secondly, it may decide to elect new members instead of the members of the Board of Directors and of the Supervisory Board.

The Board of Directors evaluates the work of the management and decides on their remuneration. The criteria taken into account in terms of evaluation include strategic thinking, timely recognition of market changes and adequate business measures in response to these, increase of tenant satisfaction.

5. Report on the operation of the committees

The operation of each of the committees is described in point 3.

6. Description of the system of the internal controls, evaluation of the activity in question

The tasks of the Supervisory Board and the Audit Committee is to control the managing activity and financial reporting system. Both the Supervisory Board and the Audit Committee will prepare reports on a regular basis on their statements specified in their rules of procedure, in which they reveal e.g. if they experienced damage to the efficiency of the internal controlling and risk management systems.

7. Statutory auditor, activity of the auditor

7.1 The statutory auditor of the Company is appointed by the General Meeting.

7.2 The first auditor of the Company from 25 April 2019 for the 2019 financial year, until the shareholders' resolution approving the financial statement closing the 2019 financial year is adopted, but no later than until 30 April 2020:

Ernst & Young Könyvvizsgáló Korlátolt Felelősségű Társaság
registered seat: 1132 Budapest, Váci út 20.
company registration number: 01-09-267553
chamber registration number: 001165



person responsible for the audit: Zsuzsanna Bartha

mother's maiden name: Ilona Németh

address: 5900 Orosháza, Rákóczi út 25.

chamber membership number: 005268

7.3 The auditor performs activities solely related to audit of the Company.

8. An overview of the disclosure policy and the guideline on insider trading of the Company

8.1. Description of the disclosure policy of the Company

The Company discloses its announcements on the basis of its Disclosure Regulation in compliance with the relevant legislation and stock exchange regulations on its website (www.bilk.hu), on the website of BSE and on the official website operated by MNB. Furthermore, when a legal provision so requires, it discloses them in the Company Gazette and send them also to the media. Besides the currently applicable legal provisions, the regulations of BSE and MNB shall be applicable to the disclosure, date and content of the announcements.

8.2. Guideline on insider trading of the Company

The Company acts on the basis of its regulation relating to the ban on insider trading and market manipulation and keeps records for identifying insiders. The regulation covers the criteria for identifying insiders, the rules of appointment and responsibility of the person in charge, and the general terms of keeping these records, further the handling of insider information and the consequences of the abuse therewith. The Company complies with the provisions set out in regulations and legal provisions on insider trading. The Company ensures that all insiders become aware of such policy.

9. Overview of the exercise of the shareholders rights

9.1 Shareholders may exercise their shareholder rights in dealings with the Company only upon being registered in the Register of Shareholders. The omission of registration shall not affect the shareholder's right of ownership of their shares.

9.2 The keeper of the Register of Shareholders may refuse the registration if such person has acquired his shares in violation of the regulations on the transfer of shares set out by law or the Articles of Association.

9.3 The shareholder's registration in the Register of Shareholders shall be cancelled upon request.

9.4 The Company's Register of Shareholders shall be kept by KELER Zrt. The Company has published the appointment and the data of the keeper of the Register of Shareholders on its website. The Register of Shareholders shall specify the following:



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- a. the name (company name) and the address (registered seat) of shareholders and proxies or, in the case of jointly owned shares, the name (company name) and address (or registered seat) of the joint representative,
 - b. the number of shares (interim shares) for each series of shares held by the shareholders,
 - c. and the equity participation of shareholders.
- 9.5 Any data deleted from the Register of Shareholders must remain identifiable.
- 9.6 According to Section 3(3) ha) of the REIT Act, regulated real estate investment trusts are public limited companies where, relative to the total nominal value of the total issued capital, holdings in shares amount up to at least 25 per cent at the time of registration as a regulated real estate investment trust, whose owners individually control - directly or indirectly - not more than 5 per cent of the total nominal value of the total subscribed capital, provided that all shares held by such owners - with the exception of employee shares — that are admitted to trading on a regulated market („REIT Free Float”).
- 9.7 The General Meeting of the Company decided to operate as a public limited company in order to make sure that the state tax authority can register the Company as a regulated real estate investment trust, complying with the provisions of the REIT Act. The Company intends to bear in mind the provision of the REIT Act, for which it must understand the ownership structure of its shareholders. The shareholders’ declarations and the provisions of the Articles of Association relating to them ensure that the Company complies with the provisions of the REIT Act.
- 9.8 Shareholders may also exercise their shareholder rights through representatives. The same representative may represent more than one shareholder but a shareholder may only have one representative. Executive officers, Supervisory Board members and the auditor cannot be representatives. The power of attorney for representation shall be filed to the Company in an authentic public instrument document or in a private document with full probative force.
- 9.9 A shareholder may appoint a shareholder representative to exercise his/her shareholder's rights vis-à-vis the Company. The shareholder’s representative exercises the shareholder rights in their own name on behalf of the shareholder. The shareholder representative must be registered with the Register of Shareholders.
- 9.10 Own shares shall not entitle the Company to exercise shareholder rights. Own shares shall not count for the purposes of determining the quorum of the General Meeting, or in connection with exercising preferential subscription rights. Any dividend that is payable on own shares shall be taken into account as pertaining to shareholders with respect to the dividends payable on their shares.
- 9.11 Shareholders exercise their decision-making rights in accordance with the law or the Articles of Association at the General Meeting of shareholders. The General Meeting is the supreme body of the Company.



- 9.12 Participation and voting at the General Meeting is subject to that the shareholder or the shareholder's proxy is registered in the Company's Register of Shareholders no later than on the second working day preceding the General Meeting.
- 9.13 In the case of an identification procedure related to the closing of the Register of Shareholders prior to the General Meeting, the keeper of the register of shareholders shall delete all data contained in the register of shareholders at the time of the identification procedure, and shall simultaneously enter the data obtained upon the identification procedure into the register of shareholders and closes them with the data of the identification of the shareholder. After that, any entry affecting the shareholder's shares may be made in the Register of Shareholders no sooner than on the first day after the closing of the General Meeting.
- 9.14 The transfer of the share on the day prior to the date of the General Meeting shall not affect the shareholder rights of the individual registered in the Register of Shareholders to attend and to exercise his/her shareholder rights the General Meeting.

10. A brief description of the rules related to the conduct of the General Meeting

10.1. Conducting of the General Meeting

- 10.1.1. The Chairman of the Board of Directors, or the person appointed by the Board of Directors, presides over the General Meeting.
- 10.1.2. The Chairman of the General Meeting:
- a. opens the General Meeting;
 - b. assesses the regularity of the convocation of the General Meeting;
 - c. verifies the powers of attorney of the representatives of shareholders and their entitlement;
 - d. determines that the General Meeting has a quorum and the number of votes that can be cast, or in the absence of a quorum postpones the General Meeting;
 - e. recommends the General Meeting to appoint a keeper of the minutes, teller and a shareholder attesting the minutes;
 - f. chairs the Meeting in the order of issues as specified in the agenda, presents the proposed draft resolutions;
 - g. orders the voting, announces the result of the voting and the resolution of the General Meeting;
 - h. orders a break, suspends or closes the General Meeting;
 - i. provides for keeping the minutes and preparing the attendance sheet.



10.2. Minutes of the General Meeting

- 10.2.1. General Meetings shall be recorded in minutes. The minutes shall indicate:
- the Company's name and registered office;
 - the place and time and the procedure for holding the General Meeting;
 - the names of the Chairman of the General Meeting, the keeper of the minutes, the person appointed to witness the minutes and the official vote counters;
 - key events and proposals made during the General Meeting;
 - the draft resolutions and, for each resolution, the number of votes that may be and are actually cast in relation to each resolution, the share in the issued capital represented by those votes, the number of cast affirmative and negative votes and the number of abstentions.
- 10.2.2. The minutes are signed by the Chairman of the General Meeting and by the keeper of the minutes and are authenticated by the shareholder elected as the attestant to the minutes.
- 10.2.3. The Board of Directors shall submit the minutes of the General Meeting and the attendance list to the court of registry within a period of 30 (thirty) days after the close of the General Meeting.
- 10.2.4. Any shareholder may request a copy of the minutes of General Meetings or an extract of a part of the minutes from the Board of Directors.
- 10.2.5. The Company discloses the resolutions adopted at its General Meeting on its website.

11. Remuneration statement

- 11.1 The General Meeting is entitled to decide about the salary paid for the members of the Board of Directors, members of the Supervisory Board and the for members of the Audit Committee.
- 11.2 The members of the Board of Directors and the members of the Supervisory Board are entitled to the following benefits:

Name	Position	Remuneration
György Péter Waberer	Chairman of the Board of Directors	Does not receive remuneration.
Lívía Wáberer	Member of the Board of Directors	Does not receive remuneration.



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Géza Czakó	Member of the Board of Directors	Does not receive remuneration.
Dr Tibor Endre Illés	Member of the Supervisory Board	Does not receive remuneration.
Miklós Marján	Member of the Supervisory Board	Does not receive remuneration.
Zsolt Grebicsaj	Member of the Supervisory Board	He receives a monthly remuneration of HUF 200,000 gross.

11.3 Members of the Supervisory Board are not entitled to a separate salary for participating in the Audit Committee's work.

12. Corporate Governance Report

The enforcement of the provisions of the Corporate Governance Recommendation issued by BSE are set out in Annex 1 attached to this Report.



Annex 1.

Corporate Governance Report on Compliance with the Corporate Governance Recommendations

As part of the Corporate Governance Report, by completing the following tables, the Company declares to what extent it applied in its own practice of corporate governance the recommendations and suggestions formulated in the specific points of the Corporate Governance Recommendations published by the BSE.

By reviewing the tables, market participants may receive information on the extent to which the corporate governance practice of different companies meets certain requirements included in the CGR, and may easily compare the practices of the different companies.

Level of compliance with the Recommendations

The Company should indicate whether it applies the relevant recommendation or not, and in the case of a negative answer, it should provide the reasons for not applying the given recommendation.

The Company must specify whether it applies the relevant recommendation of the Corporate Governance Recommendations or not (Yes/No).

1.1.1 The Company operates an organisational unit engaged in keeping contact with investors or appoints a person for this task. Yes/No

Explanation: The Company does not trade its shares on the stock exchange, so there is no such task at present. However, compliance with the recommendation is ensured.

1.1.2 The Company's Articles of Association are available on the Company's website. Yes/No

1.1.4 If the Company's Articles of Association allow shareholders to exercise their rights in absentia, the Company has published its ways and conditions on its website, including the necessary documents. Yes/No

Explanation: The Articles of Association were amended by the shareholders at the General Meeting held on 7 April 2020 to ensure that, due to the pandemic related situation, the General Meeting of 7 April 2020 could be held by using electronic communication devices. By posting the Articles of Association on the website, the rules for holding a general meeting of shareholders in their absence will be published, thus complying with the Recommendation.

1.2.1 The Company has published rules for the conduct of General Meetings and the exercise of shareholder voting rights in a summary document on its website. Yes/No

1.2.2 The Company has published an exact date indicating the date for the Yes/No



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eligibility to participate in the given corporate event (closing date) and the date of the last trading day for shares authorizing their holders to participate in that corporate event.

Explanation: The Company does not trade its shares on the stock exchange.

1.2.3 The Company has held its General Meetings in such a way as to allow the largest possible number of shareholders to attend. Yes/No

1.2.6 The Company did not restrict the shareholders to appoint a separate representative for each General Meeting by securities account. Yes/No

Explanation: Under the Company's Articles of Association, one shareholder may have only one representative.

1.2.7 In the case of proposals for items on the agenda, in addition to the proposal for resolution of the Board of Directors, the opinion of the Supervisory Board is also available to the shareholders. Yes/No

1.3.3 The Company did not restrict the right of the shareholders attending the General Meeting to receive information, make comments and make motions and did not set any condition for them, except for the measures taken to ensure the proper conduct of the General Meeting in accordance with its intended purpose. Yes/No

1.3.4 By responding to questions raised at the General Meeting, the Company ensured compliance with the information and disclosure principles set out in the statutory and stock exchange regulations. Yes/No

1.3.5 The Company has published, on its website within 3 business days after the General Meeting, its answers to the questions that could not be answered satisfactorily by the representatives or the auditor of the Company's bodies present at the General Meeting, or disclosed information about the reasons for not responding. Yes/No

Explanation: Such has not yet occurred, but compliance with the provisions of the Recommendation is ensured.

1.3.7 The Chairman of the General Meeting has ordered a break or has made a proposal to suspend the General Meeting if a motion or proposal had been received to the issues on the agenda of the General Meeting that the shareholders could not become familiar with prior to the General Meeting. Yes/No

Explanation: The need for this has not yet arisen from any shareholder, but compliance with the provisions of the Recommendation is ensured.

1.3.8.1 The Chairman of the General Meeting did not use a consolidated voting Yes/No



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procedure for deciding on the election and recall of senior officers and Supervisory Board members.

Explanation: Since its conversion into a Public Limited Company, the members of the Board of Directors and the Supervisory Board have not changed, but compliance with the provisions of the Recommendation is ensured.

- 1.3.8.2 In the case of senior officers and supervisory board members nominated with the support of shareholders, the Company provided information on the person(s) of the supporting shareholder(s). Yes/No

Explanation: Since the Company was converted into a Public Limited Company, the members of the Board of Directors and Supervisory Board have not changed, but the procedure under the Recommendation is ensured.

- 1.3.9 Prior to discussing the agenda items related to the amendment of the Articles of Association, the General Meeting decided in a separate resolution whether to decide on certain points of the amendment to the Articles of Association separately or in consolidated resolutions or in resolutions consolidated by certain criteria. Yes/No

Explanation: Since the company was converted into a Public Limited Company, in light of the situation developed as a result of the pandemic, changes to the Articles of Association have become necessary in order to make it possible to hold the general meeting on April 7, 2020 by using electronic communication devices. As only one section was added to the Articles of Association, there was no need to make a decision on the matter under this section. If such an issue arises in the future, the Recommendation procedure is ensured.

- 1.3.10 The Company has published the resolutions, the description of the proposals for resolutions and the minutes of the General Meeting also including material questions and answers related to the draft resolutions within 30 days after the General Meeting. Yes/No

Explanation: The minutes of the General Meeting of 25 April 2019 were published on time, compliance with the provisions of the Recommendation is ensured.

- 1.5.1.1 The Board of Directors or a committee set up from the members of the Board of Directors has established guidelines and rules for the evaluation and remuneration of the work of the Board of Directors, the Supervisory Board and the Management. Yes/No

- 1.5.1.2 In determining the performance-based remuneration of the members of Management, account was taken of the tasks of the members, the extent Yes/No



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of their responsibilities and the extent to which the Company achieved its objectives and the Company's actual economic and financial situation.

Explanation: There are no guidelines, the Board of Directors decides on the remuneration

- 1.5.1.3 The Remuneration Guidelines drafted by the Board of Directors of the committee set up from the members of the Board of Directors were reviewed and commented on by the Supervisory Board. Yes/No

Explanation: There are no Remuneration Guidelines.

- 1.5.1.4 The principles (and their significant changes) of the remuneration of the members of the Board of Directors and the Supervisory Board were approved by the General Meeting under a separate agenda item. Yes/No

Explanation: There are no Remuneration Guidelines.

- 1.5.2.1 The oversight of the performance of the Management and the establishment of their remuneration fall within the competence of the Board of Directors. Yes/No

- 1.5.2.2 The General Meeting approved the framework for the unusual benefits that the members of the Management are entitled to and their changes under a separate agenda item. Yes/No

Explanation: This did not take place, but the Company ensures compliance with the provisions of the Recommendation.

- 1.5.3.1 The principles of share-based remuneration schemes were approved by the General Meeting. Yes/No

Explanation: There are no share-based remuneration schemes.

- 1.5.3.2 The shareholders were given detailed information prior to the decision of the General Meeting on share-based remuneration schemes (at least as set out in Section 1.5.3). Yes/No

Explanation: There are no share-based remuneration schemes.

- 1.5.4 The Company has devised its remuneration scheme in such a way that it does not encourage only the short-term maximization of share prices. Yes/No

Explanation: There is no share trading on the stock exchange. There is no remuneration scheme in place, but if accepted by the General Meeting or the Board of Directors, it will be in compliance with the Recommendation.



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- 1.5.5 The members of the Supervisory Board have a remuneration scheme based on a fixed amount and there is no remuneration element linked to share prices. Yes/No
- Explanation: The Chairman of the Supervisory Board receives a fixed monthly remuneration and the other members are not remunerated.
- 1.5.6 The Company has provided information on the remuneration principles and the actual remuneration of the members of the Managing Body, the Supervisory Board and the Management ('Remuneration Statement') to the owners, which have been submitted to the General Meeting with the content and detail required by the applicable sectoral legislation. The Remuneration Statement presented the remuneration of the members of the Board of Directors and the Supervisory Board, as well as the guidelines under which their activities are assessed and their remuneration is established. The information includes the disclosure of information on the remuneration of the Board of Directors and the Supervisory Board at Board level, explaining the fixed and variable components, other benefits, and the description of the principles of the remuneration scheme and their material changes compared to the previous financial year. Yes/No
- Explanation: No Remuneration Statement has been made.
- 1.6.1.1 The Company includes its electronic and Internet publishing procedures in its disclosure guidelines. Yes/No
- 1.6.1.2 The company devises its website, bearing in mind the disclosure considerations and investor information. Yes/No
- 1.6.2.1 The Company has internal disclosure rules, which cover the processing of the information listed in Section 1.6.2 of the Recommendations. Yes/No
- Explanation: The Company has rules to comply with the disclosure obligations, which specifies the events to be reported to shareholders. However, the rules do not explicitly include all rules applicable to the processing of the information listed in Section 1.6.2 of the Recommendation.
- 1.6.2.2 The Company's internal regulations cover the classification of events that are important for disclosure. Yes/No
- 1.6.2.3 The Board of Directors has assessed the efficiency of disclosure processes. Yes/No
- Explanation: The Board of Directors has not yet formally (at a meeting) examined the efficiency of the fulfilment of the disclosure obligation, but is continuously monitoring it.
- 1.6.2.4 The Company has published the results of its review of disclosure Yes/No



processes.

Explanation: The Board of Directors has not formally (at a meeting) examined the efficiency of the fulfilment of the disclosure obligation and has not published its result so far.

1.6.3 The Company has published its annual corporate event calendar. Yes/No

Explanation: The Company's shares are not traded on the stock exchange and it has no corporate event calendar.

1.6.4 The Company has published its strategy, business ethics and other stakeholder guidelines. Yes/No

Explanation: The Annual Report deals with this issue, but it has not yet been published.

1.6.5 The Company has published information on the professional career of the members of the Board of Directors, the Supervisory Board and the Management in its Annual Report or on its website. Yes/No

1.6.6 The company disclosed the relevant information on the work of the Board of Directors, the Supervisory Board and the Management, their evaluation and the changes in the reference year. Yes/No

Explanation: In accordance with the Articles of Association, the Corporate Governance Report summarizes the main rules governing the operation of the Board of Directors and the Supervisory Board and the topics discussed at the meetings since the establishment of the Boards. The Management's work is evaluated by the Board of Directors by taking into account the main considerations of this Report.

1.6.7.1 The Company disclosed its Remuneration Guidelines in accordance with the recommendations set out in Section 1.5. Yes/No

Explanation: There are no Remuneration Guidelines.

1.6.7.2 The Company disclosed its Remuneration Statement in accordance with the recommendations set out in Section 1.5. Yes/No

Explanation: No Remuneration Statement has been made.

1.6.8 The Company has published its Risk Management Guidelines and information on the system of internal controls as well as on the main risks and their management principles. Yes/No

Explanation: There are no Risk Management Guidelines.

1.6.9.1 The Company has published its Insider Trading Guidelines for the Yes/No



Company's shares in securities trading.

Explanation: No Insider Trading Policy has been published.

1.6.9.2 The Company has published the shareholding in the Company's securities held by the members of the Board of Directors, the Supervisory Board and the management or their interest in a share-based incentive scheme in the Annual Report or otherwise. Yes/No

1.6.10 The Company has published the relationship of the members of the Board of Directors, the Supervisory Board and the Management with any third party that may affect its operation. Yes/No

Explanation: Such disclosure has been not necessary so far, but the Company will comply with the provisions of the Recommendation.

2.1.1 The Company's Articles of Association contain clear provisions on the tasks and competence of the General Meeting and the Board of Directors. Yes/No

2.2.1 The Board of Directors has rules of procedure, which define the tasks to be carried out in the preparation and conduct of the meetings and the resolutions adopted, as well as other issues concerning the operation of the Board of Directors. Yes/No

2.2.2 The procedure for nominating the members of the Board of Directors and the principles for the establishment of remuneration are disclosed by the Company. Yes/No

Explanation: There has been no change in membership since the establishment of the Board of Directors. The members of the Board of Directors do not receive any remuneration. If it becomes necessary to appoint a new member or the members of the Board of Directors held their position for remuneration in the future, the Company will comply with the provisions of the Recommendation.

2.3.1 The Supervisory Board details the operation, competence and tasks of the Committee as well as the administrative rules and procedures under which the Supervisory Board acts in its rules of procedure and work plan. Yes/No

Explanation: There is no work plan.

2.4.1.1 The Board of Directors and the Supervisory Board held meetings at pre-defined regular intervals. Yes/No

2.4.1.2 The rules of procedure of the Board of Directors and the Supervisory Board provide for the organization of meetings that cannot be planned in advance and decision-making by electronic communications devices. Yes/No



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- 2.4.2.1 The members of the Board had access to the proposals of the given meeting at least five business days before the given board meeting. Yes/No
- Explanation: According to the rules of procedure, they must be sent out 8 days before the meeting.
- 2.4.2.2 The Company ensured the proper conduct of the meetings, the taking of minutes of the meetings, and the management of the documentation and resolutions of the Board of Directors and the Supervisory Board. Yes/No
- 2.4.3 The rules of procedure regulate the regular or ad hoc participation of non-board members in the board meeting. Yes/No
- Explanation: Only the rules of procedure of the Supervisory Board includes it. The rules of procedure of the Board of Directors do not rule out the participation of a third party in the meetings, but do not regulate it.
- 2.5.1 The nomination and election of the members of the Board of Directors and the Supervisory Board have been carried out in a transparent manner, and information on the candidates was published in due time before the General Meeting. Yes/No
- Explanation: There has been no change in membership since the establishment of the Supervisory Board. If it becomes necessary to appoint or elect a new member, the Company will comply with the provisions of the Recommendation.
- 2.5.2 The composition and number of members of the bodies are in line with the principles set out in Section 2.5.2 of the Recommendations. Yes/No
- Explanation: The representation of both genders is ensured only in the Board of Directors. In determining the composition, professional considerations prevailed.
- 2.5.3 The Company ensured that the newly elected Board members were able to get acquainted with the Company's structure and operation and their duties as members of the Board. Yes/No
- Explanation: There has been no change in membership since the establishment of the Supervisory Board. If a new member is elected, the Company will comply with the provisions of the Recommendation.
- 2.6.1 The Board of Directors/Supervisory Board has periodically (in connection with the preparation of the Annual Corporate Governance Report) requested that its members considered independent confirm their independence. Yes/No
- Explanation: This was completed in relation the preparation of the Annual Report by the date of the Annual General Meeting.
- 2.6.2 The company provides information about the assets that ensure that the Board of Directors evaluates the Management's activities objectively. Yes/No
- Explanation: There are no pre-established evaluation criteria or specific tools.



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- 2.6.3 The Company published guidelines for the independence of the Board of Directors/Supervisory Board and the independence criteria applied on its website. Yes/No
- Explanation: There are no such guidelines. The independence criteria for the members of the Board of Directors and the Supervisory Board are determined by the relevant legal rules.
- 2.6.4 The Company's Supervisory Board has no member who has held a position in the Company's Board of Directors or Management for 5 years preceding their nomination, excluding cases of ensuring employee participation. Yes/No
- 2.7.1 A member of the Board of Directors has informed the Board of Directors (Supervisory Board/Audit Committee) if such member (or persons or relatives who have business relations with such member) has had a significant personal interest in one of the transactions of the Company (or one of its subsidiaries) due to which they are not independent. Yes/No
- Explanation: Such information has not been required so far, but the information obligation of the members is in place and the Company complies with the provisions of the Recommendation.
- 2.7.2 Transactions and orders between members of the Board and Management (and those in close relationship with them) and the company (or its subsidiary) were conducted in accordance with the Company's general business practice, but were subject to more stringent transparency rules compared to general business practice. Yes/No
- Explanation: There were no such transactions, but in the case of such a transaction, the Company acts in accordance with the provisions of the Recommendation.
- 2.7.3 The member of the Board informed the Supervisory Board/Audit Committee (Nomination Committee) if they have been invited to become a Board member or to hold a Management position at a company outside the Group. Yes/No
- Explanation: The Company's Articles of Association allows a member of the Board of Directors or the Supervisory Board to acquire a shareholding in a different company that has the same main activity as the Company, furthermore, to be a senior officer or a member of the Supervisory Board in another company engaged in the same main activity as the Company. No information has been received on the subject since the election of the members.
- 2.7.4 The Board of Directors has developed guidelines for the internal flow of information and the management of insider information and Yes/No



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oversees compliance with them.

2.8.1 The Company has developed an independent internal control function, which reports to the Audit Committee/Supervisory Board. Yes/No

Explanation: There is no such function.

2.8.2 Internal control has unrestricted access to all the information required for the investigations. Yes/No

Explanation: There is no such function.

2.8.3 Shareholders were informed about the operation of the internal control system. Yes/No

Explanation: There is no such system.

2.8.4 The Company has a compliance function. Yes/No

Explanation: There is no such function.

2.8.5.1 The Board of Directors or the committee it operates is responsible for supervising and directing the entire risk management of the Company. Yes/No

Explanation: There are no risk management procedures.

2.8.5.2 The Company's relevant body and the General Meeting were informed about the efficiency of risk management procedures. Yes/No

Explanation: There are no risk management procedures.

2.8.6 The Board of Directors has developed, by involving the functions concerned, risk management principles appropriate to the specific features of the sector and Company. Yes/No

Explanation: There are no principles specified.

2.8.7 The Board of Directors formulated principles for a system of internal controls that ensure the management and control of risks affecting the Company's operations as well as the achievement of the Company's performance and profit targets. Yes/No

Explanation: There are no principles specified.

2.8.8 The functions of the internal control systems have reported at least once to the competent body on the functioning of internal control mechanisms and corporate governance functions. Yes/No

Explanation: There are no such functions.



- 2.9.2 The Board of Directors has invited the Company's Auditor to its meetings the financial statements of the company in a consultative capacity. Yes/No

Level of compliance with the Recommendations

The Company should indicate whether it applies the relevant recommendation or not, and in the case of a negative answer, it should provide brief information on the reasons for not applying the given recommendation.

A Company must specify whether it applies the relevant recommendation of the Corporate Governance Recommendations or not (Yes/No).

- 1.1.3 The Company's Articles of Association allow the shareholders to exercise their voting rights even in their absence. Yes/N
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Explanation: Shareholders may exercise their shareholder's rights in person or by way of their representative or proxy. In addition to the above, the Articles of Association have so far not allowed shareholders to exercise their voting rights in their absence. Shareholders at the annual General Meeting held on 7 April 2020 amended the Articles of Association so that, due to the situation related to the pandemic, the annual General Meeting of 7 April 2020 could be held with the use of electronic means.

- 1.2.4 The Company has determined the venue, date and time of the General Meetings initiated by the shareholders by taking account of the motion of the initiating shareholders. Yes/No

Explanation: No shareholder has initiated a General Meeting, but if it had happened, the Company would have acted in accordance with the provisions of the Recommendation.

- 1.2.5 The voting procedure applied by the Company ensures the unambiguous, clear and fast determination of the voting results and, in the case of electronic voting, its authenticity and reliability. Yes/No

Explanation: For the time being, the Company's shares are not traded on the stock exchange. The current number of shareholders does not justify the provision of special technical conditions, but, if necessary, the Company will act in accordance with the Recommendation. Voting by using electronic means ensures



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- compliance with the Recommendation.
- 1.3.1.1 The Board of Directors and the Supervisory Board were represented at the General Meeting. Yes/No
- 1.3.1.2 The Chairman of the General Meeting provided appropriate information about the possible absence of the Board of Directors and the Supervisory Board before the discussion of the items on the agenda on the merits. Yes/No
- Explanation: Until now, the Board of Directors and the Supervisory Board were represented at the general meeting, therefore, there was no need to provide such information. If such a need arises, the Company will comply with the requirements of the Recommendation.
- 1.3.2.1 The Company's Articles of Association do not limit the possibility for any person to be invited to comment and express their opinion at the Company's General Meetings on the initiative of the Chairman of the Board of Directors if it is presumed that this person's presence and opinion are necessary or facilitate the provision of information to the shareholders and decision-making by the General Meeting. Yes/No
- 1.3.2.2 The Company's Articles of Association do not limit the possibility to invite any person with the right to comment and express their opinion on the initiative of the Company's shareholders requesting supplementation of the agenda items at the Company's General Meetings. Yes/No
- 1.3.6 The Company's statutory Annual Report and Accounts contain a brief, non-technical and illustrative summary for shareholders, which include material information about the Company's annual operations. Yes/No
- 1.4.1 The company has paid, within 10 business days in accordance with the provisions of Section 1.4.1, dividends to its shareholders who provided all the necessary information and documents. Yes/No
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- Explanation: No dividend payments have been made since the Company was converted into a Public Limited Company. Dividend payments for the 2019 business year will be made within the deadline set by the General Meeting.
- 1.6.11 The Company also published its information in English in accordance with the provisions of Section 1.6.11. Yes/No
- 1.6.12 The Company provided information to its investors about its Yes/No



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operations and financial and pecuniary situation regularly, but at least quarterly.

Explanation: The Company only fulfils its obligation to provide information on the half-yearly and annual reports required by law.

2.9.1 The Company has internal procedures to be followed when an external consultant(s) and their outsourced services are used. Yes/No

Explanation: There are no internal rules of procedure in place.