

**Excerpt of Act V of 2013 on the Civil Code of Hungary (which replaced Act IV of 2006 on Companies).**

[...]

**Section 3:124** *[Conditions for employee participation]*

- (1) If the annual average number of full-time employees employed by the business association exceeds two hundred, one-third of the supervisory board shall be made up of employee representatives.
- (2) Where employee representatives are entitled to sit on the supervisory board, the instrument of constitution may preclude employee participation in the supervisory board for a maximum period of five years, subject to the prior consent of the works council. Any clause of the instrument of constitution to the contrary shall be null and void.
- (3) Employee representatives shall be elected for the first time when the company's supreme body debates the annual accounts for the financial year when the annual average number of employees reached two hundred.
- (4) In a company established by way of succession, employee participation in the supervisory board shall be provided for from the time of registration, if the number of employees employed by the business association exceeds two hundred, and if the conditions for employee participation existed at the predecessor company, or at one of the predecessor companies, if there was more than one.

**Section 3:125** *[Election and removal of employee representatives]*

- (1) Employee representatives are delegated by the works council from among the employees following consultation with the trade unions operating at the business association. In the event of the termination of employment of an employee representative, this shall also bring about the termination of his membership in the supervisory board.
- (2) Persons delegated by the works council shall be given a seat on the supervisory board by the business association's supreme body at its first meeting following such delegation, unless statutory grounds for disqualification exist in respect of the persons delegated. Failure to delegate such person shall have no effect on the supervisory board's operation, provided that all other statutory requirements are satisfied. In that case the seats of employee representatives may not be occupied, but the supreme body shall elect at least three members for the supervisory board nonetheless.
- (3) The company's supreme body shall recall an employee representative upon recommendation by the works council.
- (4) If at the time of adopting the company's annual accounts it is determined that the number of employees dropped below two hundred during the previous financial year, the right of employee representatives to sit on the supervisory board shall cease.

**Section 3:126** *[Rights and obligations of employee representatives]*

- (1) Employee representatives shall have the same rights and same obligations as all other members of the supervisory board. If the opinion of the employee representatives unanimously differs from the majority standpoint of the supervisory board, the minority opinion of the employees shall be stated at the next meeting of the business association's supreme body.
- (2) Employee representatives shall inform the company's employees concerning the activities of the supervisory board.

**Section 3:288** *[Employee participation in the board of directors]*

- (1) If the public limited company has a board of directors, the procedures for exercising the rights stemming from employee participation shall be laid down in an agreement between the board of directors and the works council.
- (2) The general provisions for contracts shall also apply to the agreements concluded under subsection (1).

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