Pannon Egyetem
University of Pannonia

# Investment Regulation of the University of Pannonia

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*if the entry into force of the Regulation is subject to adoption by the Board of Trustees

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The Investment Regulation of the University of Pannonia (hereinafter referred to as the "Regulation") issued by the University of Pannonia (hereinafter referred to as the "University") on the basis of the University's Organisational and Operational Rules (hereinafter referred to as: "OOR"), Part I Organisational and Operational Rules of Procedure (hereinafter referred to as: "OORP") approved by the Senate of the University of Pannonia and adopted by the Foundation for the University of Pannonia acting as the operator exercising founders' and ownership rights (hereinafter referred to as: "Operator") and on the basis of the resolution by the Board of Trustees on the rules of procedure for adopting the regulations of the University of Pannonia by the Board of Trustees is as follows:

# I. GENERAL PROVISIONS

## 1.§ Introduction

The University is a publicly recognised higher education institution, operating independently and managing its own finances, with public benefit status, maintained by a foundation performing public duties, as of 1st September 2021. According to Article 45 of Act CLXXV of 2011 on the Status of Public Benefit Organisations and on the Operation and Support of Civil Organisations, a public benefit organisation engaged in investment activities shall prepare an investment regulation prior to commencing such activities.

## 2.§ Legal environment, related regulations

(1) Act CLXXV of 2011 on Associations, Public Benefit Status and the Operation and Support of Civil Organisations (hereinafter referred to as "Civil Act"),
(2) Act CCIV of 2011 on National Higher Education (hereinafter referred to as "NHEAct"),
(3) Act V of 2013 on the Civil Code (hereinafter referred to as "Civil Code"),
(4) Act C of 2000 on Accounting (hereinafter referred to as "Accounting Act") and related government decrees,
(5) Act CLVIII of 2020 on the Foundation for the University of Pannonia, and on Asset Transfers to the Foundation for the University of Pannonia and to the University of Pannonia (hereinafter: "PBFAct"),
(6) Policy on Financial Management,

(7) Asset Management Policy,
(8) Chancellor's Directive on the Establishment, Operation and Exercise of Ownership Rights of Business Organisations Founded by the University of Pannonia.

## 3.§ Definitions

(1) Investment decision: any decision that affects, alters or changes the structure, composition or volume of the University's assets.

(2) Long-term investment: an investment opportunity with a horizon exceeding one year.

(3) Temporary available funds: assets or funds not required for the University's operational liquidity within the financial year, remaining unutilised from the annual budget, excluding grant funds.

## 4.§ Aim of the Regulation

(1) The aim of this Regulation is to define the activities related to the University's financial investments and their administration. The University's financial investments include long-term investments as well as investments of temporarily available funds.

(2) The Regulation sets out the investment objectives and principles, the decision-making and procedural framework related to investment activities and the risk management requirements, in a manner that ensures consistency with the Deed of Foundation, the University's internal regulations and the University's annual institutional budget.

## 5.§ Scope of the Regulation

(1) The material scope of this Regulation shall extend to making individual investment decisions, the preparation for decision-making and the aspects to

be considered during this process, the implementation of investment decisions and the monitoring of their execution.

(2) The personal scope of this Regulation shall extend to all individuals who are in an employment relationship or any other work-related legal relationship with the University and perform tasks related to the University's investment activities.

(3) The personal scope of this Regulation also includes individuals who, based on contractual arrangements, act on behalf of the University in connection with the making, execution or monitoring of investment decisions.

## II. RULES FOR THE USE OF UNIVERSITY ASSETS

### 6.§ General rules on the use of University assets

(1) In accordance with the provisions of the NHEAct, the University may make any decisions and take any measures within the scope of its economic activities that contribute to the fulfilment of the tasks set out in its Deed of Foundation, provided that doing so does not jeopardise the execution of its core functions or the efficient use of public funds and assets. In particular, this includes the right to enter into contracts, form associations, establish economic organisations and use and exploit assets at its disposal or owned by it.

(2) The University has received its movable and immovable assets necessary for carrying out its activities as gratuitous transfers from the Hungarian State, with the stipulation that it shall use, exploit and manage them as an owner in order to fulfil the tasks specified in its Deed of Foundation.

(3) In managing its assets, the University uses and exploits its immovable and movable property (including property rights in intellectual creations and in business associations) and may engage in financial investment activities.

(4) Accumulated financial assets, as well as assets not required for the execution of the annual budget and the maintenance of intra-year liquidity, may be invested.

(5) The University seeks an investment portfolio that ensures balanced and secure management, guaranteeing long-term stable operations and the predictable profitability required for this. This objective fundamentally influences the types of investment instruments in which the available assets may be invested. The investment strategy may change in line with fluctuations in the value of the assets.

(6) With regard to investment forms, within the limits of the law, the types of investment activities detailed in Chapter IV are permitted.

## III. THE PRINCIPLES OF INVESTMENT ACTIVITY

### 7.§ Investment principles

(1) The purpose of defining the principles is to provide guidance for the making of investment-related decisions and to determine their limits, as well as to ensure the transparency of the objectives and risks associated with investments, in order to ensure that the University's activities are sustainable in the long term without the investment activity causing disruption to the financing of operations.

(2) In the course of its investment activities, the University pays particular attention to cost-effectiveness. Without jeopardising the achievement of its objectives, the University takes into account its social responsibility in its investment activities, which also extends to environmental considerations.

(3) The University seeks to achieve the attainment of its fundamental objectives and the long-term sustainable financing of the related activities through the use of returns and interest income generated from investments and fixed-term deposits, while pursuing an investment policy that ensures the preservation of the asset base.

(4) In the preparation, adoption, implementation and supervision of investment decisions, the following principles shall be taken into account:

a) **Income generation:** the primary objective of investments is to generate income from the investment of temporarily available assets,

thereby increasing the resources required for the achievement of objectives.

b) **Security:** the cornerstone of the long-term sustainability of the University's activities is the low level of risk undertaken in investments, aimed at preserving the asset base owned by the University.

c) **Liquidity:** the University's financial investments must at all times be aligned with its short-term and any possible long-term obligations, ensuring the institution's continuous solvency.

d) **Preservation of assets:** the preservation and growth of the value of assets owned by the University is the guarantee of its long-term and stable operation.

e) **Striving for low transaction costs**.

f) **Risk minimisation**: with regard to the foreign exchange risk of investments, efforts shall be made to minimise risk by aligning the currencies of investments and the income generated by them with the currencies of planned expenditures. Efforts shall be made to minimise foreign exchange risk on the balance sheet.

g) **Diversification:** the development of an investment strategy that enables the minimisation of risks associated with securities.

## IV. INVESTMENT ACTIVITIES

### 8.§ Types of investment activities

(1) Investment activity shall include the disposal and utilisation of real estate assets, the establishment of business entities and the acquisition of ownership interests in business entities, as well as investment activities related to financial instruments in accordance with this Regulation.

(2) On the basis of the above, and in connection with the implementation of the objectives set out in its Deed of Foundation, the University may decide on the acquisition, transfer or granting of the right of use of ownership of real estate,

the development of real estate, the placement of its monetary assets in competitively interest-bearing bank deposits, risk-free or low-risk securities, and the investment of its assets in state-guaranteed financial and other instruments as defined in this Regulation.

### 9.§ Investment activities related to real estate assets

(1) The University shall be entitled to dispose of its movable assets – including intellectual property and proprietary rights – and immovable assets (hereinafter collectively referred to as "institutional assets") owned by it, and shall be entitled to acquire assets under ownership title using its available funds.

(2) The revenue derived from the transfer of real estate – the portion remaining after the settlement of the costs of the transfer – shall be used by the University exclusively for the implementation of infrastructure development objectives serving the performance of public duties as defined in Annex 1 to the PBFAct. The University may not use revenue derived from the sale of real estate to finance operating costs.

(3) The University may acquire only unencumbered real estate located within the territory of the European Economic Area (hereinafter: "EEA") and Hungary. The University may also acquire real estate encumbered by an easement.

(4) The University shall engage at least two independent real estate valuers, either individuals or organisations, whose task shall be to determine the market value of the real estate concerned.

(5) The engaged individual or organisation must be independent of the University's organisation and may not have any interest in the University's investments. Only a person holding a qualification authorising them to carry out real estate valuation and having at least three years of professional experience in the field of real estate valuation may be engaged for valuation purposes. A company may be engaged if it employs at least one person meeting the above requirements under an employment or membership relationship. The appointed valuer must have professional liability insurance.

(6) If the difference between the values determined by the two independent valuations exceeds 20%, a third valuation shall be required, on the basis of which the transaction price shall be determined.

(7) The rules governing the acquisition and disposal of ownership of real estate assets, as well as the utilisation of real estate assets, are laid down in the University's Asset Management Policy.

## 10.§ Equity interest in business entities

(1) The University may establish business entities and may acquire equity interests in business entities.

(2) The University may only establish, or acquire an equity interest in, business entities which do not prejudice the interests of the institution.

(3) The University may not establish, nor may it acquire an equity interest in, any business entity that is not transparent, or whose non-natural-person member is not transparent[1].

(4) The rules governing the establishment of business entities and the acquisition of equity interests therein are set out in the Chancellor's Directive on the Establishment and Operation of Business Entities Founded by the University of Pannonia and the Exercise of Ownership Rights.

## 11.§ Investment activities related to financial instruments

(1) Temporarily available funds that do not endanger liquidity may be placed under portfolio management for the purpose of income generation.

(2) When selecting investments, the University's monetary assets shall primarily be invested in low-risk (yield-generating), income-producing, capital-protected securities whose risk profile and maturity are aligned with the University's objectives.

[1] Definition based on Act CXCVI of 2011 on National Assets.

(3) The currencies of investments shall be: Hungarian forint (HUF), euro (EUR), and US dollar (USD).

(4) Low-risk securities shall include government securities and debt securities, as follows:

a) Government securities: debt securities issued in Hungarian forints or in other currencies by the Hungarian State, a Member State of the European Union, another state party to the Agreement on the European Economic Area (EEA) or a third country, as well as by the Hungarian National Bank, the European Central Bank, the EEA or the central bank of another state.

b) Debt securities issued by credit institutions with capital protection, denominated in Hungarian forints or other currencies. These include securities issued by credit institutions registered in Hungary, a Member State of the European Union, or a state party to the Agreement on the European Economic Area, performing central banking functions, whereby the issuer acknowledges the provision of a specified sum of money and undertakes to repay the principal and, in the case of interest-bearing securities, the interest calculated in a specified manner or other yield, or to provide other services undertaken, to the holder of the security at the specified time and in the specified manner.

c) Debt securities issued by business entities with capital protection, denominated in Hungarian forints or other currencies. These include securities issued by business entities registered in Hungary, a Member State of the European Union, a state party to the Agreement on the European Economic Area or another state, whereby the issuer acknowledges the provision of a specified sum of money and undertakes to repay the principal and, in the case of interest-bearing securities, the interest calculated in a specified manner or other yield, or to provide other services undertaken, to the holder of the security at the specified time and in the specified manner.

d) Investment units: transferable securities issued in series by an investment fund as issuer, providing a claim against the investment fund and other rights as defined in the investment fund's management regulations. This category shall include investment units of investment

funds whose investment strategy provides for at least 65% of their assets to be invested in government securities or bonds issued by central banks.

## V. DECISION-MAKING AUTHORITY

### 12.§ Method of decision-making

(1) By the authorisation of this Regulation, the Chancellor is entitled to make investment decisions. Investments exceeding one year may only be executed with the prior approval of the Operator.

(2) Investment decisions shall be made in accordance with the principles set out in this Regulation, after thorough consideration of all circumstances affecting the decision and a risk assessment, based on the principles of good faith and economy.

(3) Each investment shall be decided on separately. If the size, complexity or special nature of an investment justifies it, the Chancellor may engage an external or investment expert.

(4) The execution of investment decisions shall be carried out by the Director of Finance or an authorised external financial organisation providing portfolio management services for the assets handed over for portfolio management.

## VI. REPORTING

### 13.§ Assessment of investment activities

(1) The University shall provide information on its financial, income and asset position, as well as planned and actual operating and investment costs, in the quarterly report on its management. Information shall also be provided on the composition and performance of the securities portfolio.

(2) The Operator, based on the Chancellor’s submission, shall review the

composition and performance of the University's investment portfolio.

(3) During the above evaluations of the investment portfolio, the Chancellor shall make recommendations for the improvement or termination of underperforming or poor-quality investments, or justify retaining an investment if it is still required in the future.

## VII. IMPLEMENTATION PROVISIONS

(1) This Regulation shall be published on the University's website (www.uni-pannon.hu)

(2) This Regulation was approved by the Senate at its meeting on 31st October 2024, under Senate Resolution 210/2024 (X.31.).

(3) This Regulation shall enter into force on 1st December 2024.

(4) This Regulation shall remain in effect until revoked.

Dated in Veszprém, on 31st October 2024

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| Dr. János Abonyi<br>Rector | Zsolt Csillag<br>Chancellor |

This Regulation was adopted by the Board of Trustees of the Foundation for the University of Pannonia by Resolution No. 143/2024. (11.21.).

Dated in Veszprém, on 21st November 2024

Dr. Zoltán Birkner
Chairman of the Board of Trustees