

MOL's statement on the application of Warsaw Stock Exchange corporate governance standards

Part a) Indication of which corporate governance rules were not applied and indication of under what circumstances and for what reasons the specific rule was not applied, and how the company intends to remove effects, if any, of not having applied a given rule and what steps it intends to take to mitigate the risk of the specific rule not being applied in the future

General comment: According to the Hungarian Act V of 2013 on the Civil Code (hereinafter referred to as "Civil Code") the main organs of MOL - operating in two-tier system - are the General Meeting, the Board of Directors and the Supervisory Board.

The supreme body and highest decision level of MOL is the General Meeting consisting of the totality of shareholders. The General Meeting shall have the exclusive scope of authority and competence in matters regulated by law or by the Articles of Association of MOL.

The Board of Directors is the highest managing body of MOL. The Board of Directors shall be competent in any matters which are not the exclusive scope of authority and competence of the General Meeting.

The Supervisory Board is the supervisory body of MOL. The Supervisory Board shall supervise the management (Board of Directors) of the Plc and review and survey all significant business policy reports to be submitted to the General Meeting. The Supervisory Board shall not be competent in executive management.

I. Recommendations for Best Practice for Listed Companies

	RECOMMENDATION	COMPLIANCE	NOTE
1	A company should pursue a transparent and effective information policy using both traditional methods and modern technologies and latest communication tools ensuring fast, secure and effective access to information. Using such methods to the broadest extent possible, a company should in particular: - maintain a company website whose scope and method of presentation should be based on the model investor relations service available at http://naszmodel.gpw.pl/ ; - ensure adequate communication with investors and analysts, and use to this purpose also modern methods of Internet communication.	Yes	MOL use both traditional and modern technologies ensuring fast, secure and broad access to information. MOL ensures especially adequate communication with investors and analysts and the representatives of the media.
2	[deleted]		
3	A company should make every effort to ensure that any cancellation of a General Meeting or change of its date should not prevent or restrict the exercise of the shareholders' right to participate in a General Meeting.	Yes	
4	Where securities issued by a company are traded in different countries (or in different markets) and in different legal systems, the company should strive to ensure that corporate events	Yes	

	related to the acquisition of rights by shareholders take place on the same dates in all the countries where such securities are traded.		
5	A company should have a remuneration policy and rules of defining the policy. The remuneration policy should in particular determine the form, structure, and level of remuneration of members of supervisory and management bodies. Commission Recommendation of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC) and Commission Recommendation of 30 April 2009 complementing that Recommendation (2009/385/EC) should apply in defining the remuneration policy for members of supervisory and management bodies of the company.	No	The Company has remuneration policy, which determines the form, structure, and level of remuneration of members of supervisory and management bodies, however this remuneration policy is not fully public and not published as a separate report. On the other hand Annual Report and Corporate Governance Code and Documents for the Annual General Meeting (http://molgroup.info/en/investor-relations/annual-general-meeting) contain the principles and framework of remuneration and long term incentive system of managers, which was approved by the General Meeting. The Company provides detailed information on the remuneration principles of the Board of Directors, Supervisory Board and management in the corporate governance chapter of the Annual Report. It also publishes the cumulated sum of key management compensation as part of the annual financial statements, as well as the remuneration as paid in cash and non-cash for the members of the Board of Directors and Supervisory Board per person, in relation to this position, is published simultaneously with the annual general meeting announcement. The Company examine the relevant Commission Recommendations in order to make further steps to fulfil its recommendations.
6	A member of the Supervisory Board should have appropriate expertise and experience and be able to devote the time necessary to perform his or her duties. A member of the Supervisory Board should take relevant action to ensure that the Supervisory Board is informed about issues significant to the company.	Yes	See our general comment.
7	Each member of the Supervisory Board should act in the interests of the company and form independent decisions and judgments, and in particular: - refuse to accept unreasonable benefits which could have a negative impact on the independence of his or her opinions and judgments; - raise explicit objections and separate opinions in any case when he or she deems that the decision of the Supervisory Board is contrary to the interest the company.	Yes	See our general comment.
8	No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related entities.	Yes	
9	The WSE recommends to public companies and their shareholders that they ensure a balanced	No	MOL always took care to ensure equal chance for all of the employees, but

	proportion of women and men in management and supervisory functions in companies, thus reinforcing the creativity and innovation of the companies' economic business.		considering the natural characteristics of oil industry men are usually overrepresented in oil companies' management.
10	If a company supports different forms or artistic and cultural expression, sport activities, educational or scientific activities, and considers its activity in this area to be a part of its business mission and development strategy, impacting the innovativeness and competitiveness of the enterprise, it is good practice to publish, in a mode adopted by the company, the rules of its activity in this area.	YES	<p>more information:</p> <p>http://molgroup.info/hu/about-mol-group http://molgroup.info/en/about-mol-group/social-investments http://molgroup.info/en/about-mol-group http://molgroup.info/en/sustainability/investment_in_human_capital/</p> <p>http://molgroup.info/en/investor-relations/download-centre#03_annual_reports_sustainability/social-performance/social-investments</p>
11	As part of a listed company's due care for the adequate quality of reporting practice, the company should take a position, expressed in a communication published on its website, unless the company considers other measures to be more adequate, wherever with regard to the company: - published information is untrue or partly untrue from the beginning or at a later time; - publicly expressed opinions are not based on material objective grounds from the beginning or as a result of later circumstances. This rule concerns opinions and information expressed publicly by company representatives in the broad sense or by other persons whose statements may have an opinion-making effect, whether such information or opinions contain suggestions advantageous or disadvantageous to the company.	Yes	<p>more information:</p> <p>http://molgroup.info/en/investor-relations/financial-results-and-reporting http://molgroup.info/en/investor-relations/regulated-information</p> <p>http://molgroup.info/hu/press</p>
12	A company should enable its shareholders to exercise the voting right during a General Meeting either in person or through a plenipotentiary, outside the venue of the General Meeting, using electronic communication means.	No	Currently the participation on MOL General Meetings are feasible only personally. On the other hand each shareholder can order proxy-card via internet prior the General Meeting and exercise their right to vote through a plenipotentiary without charge. However since 2013 a live broadcast of all the Annual General Meetings has been available on the company's website.

II. Best Practice for Management Boards of Listed Companies

General comment: MOL interprets the Polish “management board” as its “Board of Directors” under the Hungarian law. It should be also taken into account that under the Hungarian law the scope of competence of the Board of Directors is somewhat different than the competence of the management board under the Polish law.

MOL’s Board of Directors acts as the highest managing body of the Company and as such has collective responsibility for all corporate operations.

Its key activities are focused on achieving its aims of increasing shareholder value, improving efficiency and profitability and ensuring transparency in corporate activities. It also aims to ensure appropriate risk management, protection of the environment, and conditions for safety at work.

	RECOMMENDATION	COMPLIANCE	NOTE
1	<p>A company should operate a corporate website and publish on it, in addition to information required by legal regulations:</p> <ol style="list-style-type: none"> 1) basic corporate regulations, in particular the statutes and internal regulations of its governing bodies; 2) professional CVs of the members of its governing bodies; 2a) on an annual basis, in the fourth quarter – information about the participation of women and men respectively in the Management Board and in the Supervisory Board of the company in the last two years; 3) current and periodic reports; 4) [deleted]; 5) where members of the company’s governing body are elected by the General Meeting – the basis for proposed candidates for the company’s Management Board and Supervisory Board available to the company, together with the professional CVs of the candidates within a timeframe enabling a review of the documents and an informed decision on a resolution; 6) annual reports on the activity of the Supervisory Board taking account of the work of its committees together with the evaluation of the internal control system and the significant risk management system submitted by the Supervisory Board; 7) shareholders’ questions on issues on the agenda submitted before and during a General Meeting together with answers to those questions; 8) information about the reasons for 	Yes	<p>2a) more information: MOL Group reports on the composition its highest governance bodies: http://molgroup.info/en/investor-relations/corporate-governance Further information can be found on the composition of governance bodies (gender, age, citizenship) on the following link: http://molgroup.info/en/sustainability/human-capital</p> <p>6) According to the Civil Code and the Articles of Association of MOL the Board of Directors are responsible for the submission of the annual business reports. However the reports of the Board of Directors and the reports of the Supervisory Board shall be submitted annually to the General Meeting.</p> <p>7) According to the Civil Code the events of general meetings shall be recorded in minutes, containing among other things the key events and proposals made during the general meeting (including shareholders’ questions together with theirs answers).</p> <p>14) there is no internal rule about changing the company authorised to audit financial statements, but the shareholders vote on the Annual General Meeting about the auditor of the next year. The proposal on this topic is public and available on the corporate website prior the Annual General Meeting and the final decision is made public thereafter as well.</p> <p>9a) However since 2014 a live broadcast of all the Annual General Meetings has been available on the company’s website.</p>

	<p>cancellation of a General Meeting, change of its date or agenda together with grounds;</p> <p>9) information about breaks in a General Meetings and the grounds of those breaks;</p> <p>9a) a record of the General Meeting in audio or video format;”</p> <p>10) information on corporate events such as payment of the dividend, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles of such operations. Such information should be published within a timeframe enabling investors to make investment decisions;</p> <p>11) information known to the Management Board based on a statement by a member of the Supervisory Board on any relationship of a member of the Supervisory Board with a shareholder who holds shares representing not less than 5% of all votes at the company’s General Meeting;</p> <p>12) where the company has introduced an employee incentive scheme based on shares or similar instruments – information about the projected cost to be incurred by the company from to its introduction;</p> <p>13) a statement on compliance with the corporate governance rules contained in the last published annual report, as well as the report referred to in § 29.5 of the Exchange Rules, if published;</p> <p>14) information about the content of the company’s internal rule of changing the company authorised to audit financial statements or information about the absence of such rule.</p>		
2	A company should publish its website in English, at least to the extent described in section II.1.	Yes	
3	Before a company executes a significant agreement with a related entity, its Management Board shall request the approval of the transaction/agreement by the Supervisory Board. This condition does not apply to typical transactions made on market terms within the operating business by the company with a subsidiary where the company holds a majority stake. For the purpose of this document, related entity shall be understood within the meaning of the Regulation of the Minister of Finance issued pursuant to Article 60.2 of the Act on Public Offering, Conditions Governing the Introduction	Not applicable	<p>These transactions are approved by the Board of Directors, with the simultaneous notification to the chairman of the Supervisory Board.</p> <p>See our general comment.</p>

	of Financial Instruments to Organised Trading, and Public Companies (Dz.U. No. 184, item 1539, as amended).		
4	A member of the Management Board should provide notification of any conflicts of interest which have arisen or may arise, to the Management Board and should refrain from taking part in the discussion and from voting on the adoption of a resolution on the issue which gives rise to such a conflict of interest.	Yes	A member of the Board of Directors must inform the Board of Directors of any conflict of interest.
5	[deleted]		
6	A General Meeting should be attended by members of the Management Board who can answer questions submitted at the General Meeting.	Yes	Hungarian legislation does not set such an obligation for the members of the Board of Directors, though these persons usually participate in general meetings.
7	A company shall set the place and date of a General Meeting so as to enable the participation of the highest possible number of shareholders.	Yes	
8	If a company's Management Board is informed that a General Meeting has been summoned pursuant to Article 399 § 2–4 of the Code of Commercial Partnerships and Companies, the company's Management Board shall immediately perform the actions it is required to take in connection with organising and conducting a General Meeting. This rule shall also apply if a General Meeting is summoned on the basis of authorisation given by the registration court pursuant to Article 400 § 3 of the Code of Commercial Partnerships and Companies.	Not applicable	The Company meets the requirements of Hungarian Civil Code (Sections 3:103 and 3:266): Those shareholders controlling at least one per cent of the voting rights may, at any time, request that the General Meeting be convened, indicating the reason and the purpose thereof or the passing of a decision without a meeting. If Board of Directors fails to comply with such request within eight days, of the date of receipt, and fails to convene the General Meeting at the earliest possible date, and fails to provide for the passing of a decision out of session, the court of registry shall convene the General Meeting at the request of the shareholders making the proposal, or shall empower the requesting shareholders to convene the meeting, or to carry out the procedure for the passing of a decision out of session.

III. Best Practice for Supervisory Board Members

General comment: According to Hungarian legislation the supervisory board post-controls the operation of the company (it differs from the Polish pre-controlling system). The supervisory board in Hungary:

- Monitors ex post the company's management; the supervisory board may request information from the members of the board of directors (similar to management board under Polish system) and the senior management, it may review the accounts and other documents of the company;
- Is obliged to review all relevant business reports placed on the agenda of the general meeting and all proposals, which refers to issues, in which general meeting has exclusive authority.
- The general meeting may only decide on the annual report and the distribution of profit after tax having the written report of the supervisory board.
- If the supervisory board deems the activity of company's management contradictory with the law, the articles of association or the resolutions of the general meeting, or otherwise to be contradictory to the interest of the company or the shareholders, the supervisory board convenes the general meeting and makes proposal on its agenda.

	RECOMMENDATION	COMPLIANCE	NOTE
1	In addition to its responsibilities laid down in legal provisions the Supervisory Board should: <ul style="list-style-type: none"> 1) once a year prepare and present to the Ordinary General Meeting a brief assessment of the company's standing including an evaluation of the internal control system and the significant risk management system; 2) [deleted]; 3) review and present opinions on issues subject to resolutions of the General Meeting. 	Yes	
2	A member of the Supervisory Board should submit to the company's Management Board information on any relationship with a shareholder who holds shares representing not less than 5% of all votes at the General Meeting. This obligation concerns financial, family, and other relationships which may affect the position of the member of the Supervisory Board on issues decided by the Supervisory Board.	Not applicable	Supervisory Board members have to submit a comprehensive conflict of interest statement in accordance with the Hungarian legislation and Company's relevant regulation.
3	A General Meeting should be attended by members of the Supervisory Board who can answer questions submitted at the General Meeting.	Yes	Hungarian legislation does not set such an obligation for the members of the Supervisory Board, though these persons usually participate in general meetings.
4	A member of the Supervisory Board should notify any conflicts of interest which have arisen or may arise to the Supervisory Board and should refrain from taking part in the discussion and from voting on the adoption of a resolution on the issue which gives rise to such a conflict of interest.	Yes	Supervisory Board charter (by-laws) does not include such an obligation. However, the charter of the Board of Directors, which is the supreme management body at MOL, already includes a conflict of interest process for its members. The Supervisory Board also follows this practice.
5	A member of the Supervisory Board should not resign from this function if this action could have a negative	Yes	See our general comment.

	<p>impact on the Supervisory Board's capacity to act, including the adoption of resolutions by the Supervisory Board.</p>		<p>The Supervisory Board is not the managing board of the Plc.</p> <p>In accordance to the Civil Code if so required by any vital interest of the Company, the resignation shall only take effect upon the delegation or election of a new member of Board of Directors, or failing this on the sixtieth day after the announcement thereof.</p> <p>The Board of Directors is obliged to convene an extraordinary general meeting if the number of supervisory board members reduces below 3.</p>
6	<p>At least two members of the Supervisory Board should meet the criteria of being independent from the company and entities with significant connections with the company. The independence criteria should be applied under Annex II to the <i>Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board</i>. Irrespective of the provisions of point (b) of the said Annex, a person who is an employee of the company or an associated company cannot be deemed to meet the independence criteria described in the Annex. In addition, a relationship with a shareholder precluding the independence of a member of the Supervisory Board as understood in this rule is an actual and significant relationship with any shareholder who has the right to exercise at least 5% of all votes at the General Meeting.</p>	Yes	Please see Note of III./2.
7	[deleted]		
8	<p>Annex I to the <i>Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors...</i> should apply to the tasks and the operation of the committees of the Supervisory Board.</p>	Not applicable	<p>The remuneration committee is not committee of the Supervisory Board. At MOL the Board of Directors is the supreme management body which has a finance and risk management committee, a corporate governance and remuneration committee and a sustainable development committee. These committees report to the Board of Directors and make a summary report to the shareholders in the annual report. The Audit Committee is a committee of the Supervisory Board, and the members of the Audit Committee are independent.</p>
9	<p>Execution by the company of an agreement/transaction with a related entity which meets the conditions of section II.3 requires the approval of the Supervisory Board.</p>	Not applicable	<p>These transactions are approved by the Board of Directors, with the simultaneous notification to the chairman of the Supervisory Board.</p>

IV. Best Practices of Shareholders

	RECOMMENDATION	COMPLIANCE	NOTE
1	Presence of representatives of the media should be allowed at General Meetings.	Yes	Representatives of the media shall be present on-line in a separated press room.
2	The rules of General Meetings should not restrict the participation of shareholders in General Meetings and the exercising of their rights. Amendments of the rules should take effect at the earliest as of the next General Meeting.	Yes	The rules of the General Meeting is regulated by the Articles of Association of MOL adopted by the shareholders.
3	[deleted]		
4	A resolution of the General Meeting concerning an issue of shares with subscription rights should specify the issue price or the mechanism of setting it or obligate the competent body to set it before the date of subscription rights within a timeframe enabling an investment decision.	Yes	
5	Resolutions of the General Meeting should allow for a sufficient period of time between decisions causing specific corporate events and the date of setting the rights of shareholders pursuant to such events.	Yes	
6	The date of setting the right to dividend and the date of dividend payment should be set so to ensure the shortest possible period between them, in each case not longer than 15 business days. A longer period between these dates requires detailed grounds.	Yes	The dividend was paid on the starting day of dividend payment to those shareholders who had provided all the necessary information and documentation. Following this date, dividend is paid monthly to those shareholders providing the necessary documentation.
7	A resolution of the General Meeting concerning a conditional dividend payment may only contain such conditions whose potential fulfilment must take place before the date of setting the right to dividend.	Yes	
8	[deleted]		
9	A resolution of the General Meeting to split the nominal value of shares should not set the new nominal value of the shares at a level which could result in a very low unit market value of the shares, which could consequently pose a threat to the correct and reliable valuation of the company listed on the Exchange.	Not applicable	Hungarian legislation does not set such an obligation, however the Company takes into consideration the fair valuation of stocks as primary interest of the Company.
10	A company should enable its shareholders to participate in a General Meeting using electronic communication means through: 1) real-life broadcast of General Meetings; 2) real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting.	No	Currently the participation on MOL General Meetings are feasible only personally. On the other hand each shareholder can order proxy-card via internet prior the General Meeting and exercise their right to vote through a plenipotentiary without charge. Moreover in 2014 there was a live broadcast of the Annual General Meeting available on the company's website. However the recording was not available after the Meeting. The resolutions of the General Meetings are published immediately after the General Meeting.

Part b) Description of the procedures of General Meeting and its main powers and the rights of the shareholders and procedures of their execution

General Meeting and its main powers

The General Meeting is the supreme body of the Company consisting of the totality of shareholders. The General Meeting, as the main decision-making body, enables shareholders to make decisions on issues that are of a material nature concerning the operations of MOL Group, and to exercise effective governance and control rights.

The general meeting shall have the exclusive scope of authority and competence in the following matters:

- approval and modification of the Articles of Association, with the exceptions provided by law or these Articles of Association.
- save for the increase and conditional increase of the share capital by the Board of Directors the (conditional) increase of the share capital, in the event of capital increase through private placement resolved by the general meeting to assign or select person(s) and shareholder(s) who will have exclusive right to subscribe such shares;
- alteration of rights attached to series of shares, and transformation of share categories or classes;
- decision in respect of the transformation of the Company and its termination without legal successor as well as changing the operational form of the Company;
- decision on the election and dismissal of members of the Board of Directors, Supervisory Board and the auditors, including the decision on their remuneration;
- save for the approval of the interim balance sheet by the Board of Directors pursuant to the authorization granted in these Articles of Association, the approval of the interim balance sheet and annual financial reports (parent company and consolidated/aggregated report) prepared in accordance with the Accounting Act, including the decision on distribution of profit after taxation (determination of dividends);
- save for the decision to pay interim dividends based upon the authorization granted to the Board of Directors in these Articles of Association, decision to pay interim dividends;
- save for the conditional capital increase through issuance of convertible bonds within the competence of the Board of Directors, decision on issuance of convertible bonds or bonds with the right of subscription;
- decision on application for eventual withdrawal of shares from the stock exchange;
- save for the decision of the Board of Directors on the acquisition of treasury shares, decision on the acquisition of treasury share(s);
- decision on transferring control over the crude oil refineries of the Company located In Százhalombatta or Tiszaújváros;
- decision on the transfer of the Company's ownership interest in a subsidiary pursuing natural gas transport and system administration activity or the approval of the increase of the registered capital of such a subsidiary, in case the transfer or the capital increase would result that the voting rights attached to the Company's ownership interest in such subsidiary decreases below 25 % + 1 vote;
- approval, conditioned to the Company's profitability, of the incentive scheme for the members of the Board of Directors, based on the proposal of the Supervisory Board;
- in case of a decision of General Meeting on the capital increase against a provision of cash contribution, the exclusion of the shareholders' preference right to subscribe or take over the shares, based on the written proposal of the Board of Directors;
- unless otherwise provided by law, decision on the decrease of the share capital.

- decision on any matter, which, due to law, belongs to the exclusive scope of authority and competence of the general meeting.

Exercising the shareholders' rights, general meeting participation

Voting rights on the general meeting can be exercised based on the voting rights attached to shares held by the shareholders. Each "A" Series share entitles its holder to one vote. The actual voting power depends on how many shares are registered by the shareholders participating in the general meeting.

A condition of participation and voting at the general meeting for shareholders is that the holder of the share(s) shall be registered in the Share Register. The depository shall be responsible for registering the shareholders in the Share Register pursuant to the instructions of such shareholders in line with the conditions set by the general meeting invitation. According to Article 8.6 of Articles of Associations: „Each shareholder – at the shareholder's identification related to the closing of the share registry prior to the next general meeting –, shall declare whether he, or he and any other shareholder belonging to the same shareholder group as specified in Articles 10.1.1 and 10.1.2 holds at least 2% of the Company's shares, together with the shares regarding which he asks for registration." If the conditions described in the previous sentence are met, the shareholder requesting registration is obliged to declare the composition of the shareholder group taking into account Article 10.1.1 and 10.1.2.

Further, the shareholder shall, for the request of the Board of Directors, immediately identify the ultimate beneficial owner with respect to the shares owned by such shareholder. In case the shareholder fails to comply with the above request or in case there is a reasonable ground to assume that a shareholder made false representation to the Board of Directors, the shareholder's voting right shall be suspended and shall be prevented from exercising it until full compliance with said requirements.

According to Article 10.1.1 of Articles of Associations: „No shareholder or shareholder group (as defined in Article 10.1.2 of Articles of Associations) may exercise more than 10% of the voting rights with the exception of the organization(s) acting at the Company's request as depository or custodian for the Company's shares or securities representing the Company's shares (the latter shall be exempted only insofar as the ultimate person or persons exercising the shareholder's rights represented by the shares and securities deposited with them do not fall within the limitations specified here below)."

In accordance with the Civil Code the shareholders have the right to participate, to request information and to make remarks and proposals at the General Meeting. Shareholders are entitled to vote, if they hold shares with voting rights. The shareholders having at least one per cent of the voting rights may request the Board of Directors to add an item to the agenda of the General Meeting. Where a group of shareholders together controlling at least one per cent of the votes in the Company propose certain additions to the agenda in accordance with the provisions on setting the items of the agenda, or table draft resolutions for items included or to be included on the agenda, the matter proposed shall be construed to have been placed on the agenda if such proposal is delivered to the Board of Directors within eight days following the time of publication of notice for the convocation of the general meeting, and the Board of Directors publishes a notice on the amended agenda, and on the draft resolutions tabled by shareholders upon receipt of the proposal. The conditions to participate in the general meeting are published in the invitation to the general meeting. Invitations to the general meeting are published on company homepage according to the

Articles of Association. The ordinary general meeting is usually held in April, in line with the current regulations.

The ordinary general meeting, based on the proposal of Board of Directors approved by the Supervisory Board, shall have the authority to determine profit distribution, i.e. the amount of the profit after taxation to be reinvested into the Company and the amount to be paid out as dividends. Based upon the decision of the general meeting, dividend can be paid in a non-cash form as well.

The starting date for the payment of dividends shall be defined by the Board of Directors in such way as to ensure a period of at least 10 working days between the first publication date of such announcement and the initial date of dividend distribution. Only those shareholders are entitled to receive dividend, who are registered in the share register of the Company on the basis of shareholders identification executed on the date published by the Board of Directors in the announcement on the dividend payment. Such date relevant to the dividend payment determined by the Board of Directors may deviate from the date of the general meeting deciding on the payment of dividend.

Part c) Personal composition and procedures of the company's managing and supervisory bodies and their committees

Board of Directors

MOL's Board of Directors acts as the highest managing body of the Company and as such has collective responsibility for all corporate operations.

The Board's key activities are focused on achieving increasing shareholder value with considerations onto other stakeholders' interest; improving efficiency and profitability and ensuring transparency in corporate activities and sustainable operation. It also aims to ensure appropriate risk management, environmental protection and conditions for safety at work.

Given that MOL and its subsidiaries effectively operate as a single unit, the Board is also responsible for enforcing its aims and policies and for promoting the MOL culture throughout the entire Group.

The principles, policies and goals take account of the Board's specific and unique relationship with MOL's shareholders, the executive management and the Company. The composition of the Board reflects this with the majority (seven of ten members) made up of non-executive directors. At present, 7 members of the Board of Directors qualify as independent on the basis of its own set of criteria (based on NYSE and EU recommendations) and the declaration of directors.

The members of the Board of Directors and their independence status in 2014 (professional CVs of the members are available on corporate homepage):

Name	Status	Comments
Zsolt Hernádi, Chairman-CEO	non-independent	Elected by the Annual General Meeting to be member of the Board of Directors from 24 February, 1999
Dr. Sándor Csányi, Deputy Chairman	independent	Elected by the Annual General Meeting to be member of the Board of Directors from 20 October, 2000
Mulham Al-Jarf	independent	Elected by the Annual General Meeting to be member of the Board of Directors from 23 April, 2008 and resigned from his position effective from 29 April, 2014
Dr. Miklós Dobák	independent	Elected by the Annual General Meeting to be member of the Board of Directors from 28 April, 2000 and mandate expired on 29 April, 2014
Dr. Gábor Horváth	independent	Elected by the Annual General Meeting to be member of the Board of Directors from 24 February, 1999 and mandate expired on 24 February, 2014
Zsigmond Járai	independent	Elected by the Annual General Meeting to be member of the Board of Directors from 29 April, 2010
József Molnár	non-independent	Elected by the Annual General Meeting to be member of the Board of Directors from 12 October, 2007
Dr. László Parragh	independent	Elected by the Annual General Meeting to be member of the Board of Directors from 29 April, 2010
Iain Paterson	independent	Elected by the Annual General Meeting to be member of the Board of Directors from 24 February, 1999 and mandate as member of the Board of Directors expired on 24 February, 2014
Dr. Martin Roman	independent	Elected by the Annual General Meeting to be member of the Board of Directors from 29 April, 2010
Dr. Oszkár Világi	non-independent	Elected by the Annual General Meeting to be member of the Board of Directors from 1 May, 2011
Dr. Anthony Radev	non-independent	Elected by the Annual General Meeting to be member of the Board of Directors from 30 April, 2014
Dr. Anwar al-Kharusi	independent	Elected by the Annual General Meeting to be member of the Board of Directors from 30 April, 2014
Dr. Martonyi János	independent	Elected by the Annual General Meeting to be member of the Board of Directors from 1 July, 2014

Operation of the Board of Directors

The Board acts and makes resolutions as a collective body.

The Board adopted a set of rules (Charter) to govern its own activities when the company was founded in 1991; these rules were updated in October, 2010 to ensure continued adherence to best practice standards.

The Board Charter covers:

- scope of the authority and responsibilities of the Board,
- scope of the committees operated by the Board,
- the scope of the information required by the Board and the frequency of reports,
- main responsibilities of the Chairman and the Deputy Chairman,
- order and preparation of Board meetings and the permanent items of the agenda, and
- decision-making mechanism and the manner in which the implementation of resolutions is monitored.

Members of the Board have signed a declaration on conflict of interest and they have reported their position as director in the Board to their employer or principal as regards other key management positions.

The Board of Directors prepares a formal evaluation of its own and its Committees performance and it reviews continuously its activity on a yearly basis.

Report of the Board of Directors on its 2014 activities

In 2014, the Board of Directors held 6 meetings with an average attendance rate of 88%.

Attendance to the Board of Directors meetings during 2014 is set out in the table below:

	Number of Meetings	Attendance Ratio	Comments
TOTAL	6	88%	
Zsolt HERNÁDI	5	83%	
Dr. Sándor CSÁNYI	4	67%	
József MOLNÁR	6	100%	
Dr. Miklós DOBÁK	2	100%	Mandate as member of the Board of Directors expired on 29 April, 2014
Dr. Gábor HORVÁTH	1	100%	Mandate as member of the Board of Directors expired on 24 February, 2014
Zsigmond JÁRAI	6	100%	
Dr. László PARRAGH	5	83%	
Iain PATERSON	1	100%	Mandate as member of the Board of Directors expired on 24 February, 2014
Mulham AL-JARF	2	100%	Resigned from his position as member of the Board of Directors effective from 29 April, 2014
Martin ROMAN	4	67%	
Oszkár VILÁGI	5	83%	
Dr. Anthony RADEV	3	100%	Elected by the Annual General Meeting to be member of the Board of Directors from 30 April, 2014
Dr. Anwar AL-KHARUSI	3	100%	Elected by the Annual General Meeting to be member of the Board of Directors from 30 April, 2014
Dr. János MARTONYI	3	100%	Elected by the Annual General Meeting to be member of the Board of Directors from 1 July, 2014

Alongside regular agenda items, such as reports by the Committees' chairmen on the activities pursued since the last Board meeting, the Board of Directors received updates on key strategic issues or an overview of capital market developments, whilst individually evaluating the performance of each of the company's business units.

The Board of Directors respectively paid highlighted attention to the follow-up of the industry macro trends, the treatment of the challenges driven by the external environment, the financial, operation and efficiency improvement challenges regarding INA consolidation and the strategy update process.

Committees of the Board of Directors

The Board operates committees to increase the efficiency of the Board's operations, and to provide the appropriate professional background for decision making. The Committees are bodies for preparation, advising, opinion-forming and proposal-preparing support concerning issues specified in the Decision-making and Authorities List, which sets out the division of authority and responsibility between the Board and the executive management.

- The responsibilities of the Committees are determined by the Board of Directors.
- The Chairman of the Board of Directors may also request the Committees to perform certain tasks.

The members and chairs of the Committees are elected by the Board of Directors. The majority of the committee members is non-executive and independent.

The Board allocates responsibilities to the various Committees as follows:

Corporate Governance and Remuneration Committee:

Members and dates of appointment to the Committee (professional backgrounds of members are available on company homepage):

- Dr. Sándor Csányi – Chairman, 17 November 2000
- Zsolt Hernádi, 8 September 2000
- Dr. Gábor Horváth, 8 September 2000¹
- Dr. Martin Roman, 4 June 2010
- Mulham Al-Jarf, 23 April 2008²
- Dr. Anthony Radev, 30 May, 2014³
- Dr. János Martonyi, 1 July, 2014⁴

¹ Mandate of Dr. Gábor Horváth as member of the Board of Directors expired on 24 February, 2014

² Mulham Al-Jarf resigned from his position as member of the Board of Directors effective from 29 April, 2014

³ Dr. Anthony Radev was elected to be a member of the Committee by the Board of Directors on 30 May, 2014

⁴ Dr. János Martonyi was elected to be a member of the Committee by the Board of Directors on 1 July, 2014

Responsibilities:

- analysis and evaluation of the activities of the Board of Directors,
- issues related to Board/ Supervisory Board membership,
- promoting the relationship between shareholders and the Board,
- procedural and regulatory issues,
- reviewing corporate processes, procedures, organisational solutions and compensation and incentive systems and making recommendations on the introduction of best practice standards.

Report of the Corporate Governance and Remuneration Committee on its 2014 activities

In 2014 the Corporate Governance and Remuneration Committee held 6 meetings with a 90% average attendance rate. Attendance to the Committee meetings during 2014 is set out in the table below:

	Number of Meetings	Attendance Ratio	Comments
TOTAL	6	90%	
Dr. Sándor CSÁNYI	5	83%	
Zsolt HERNÁDI	5	83%	
Dr. Gábor HORVÁTH	0	0%	Mandate of Dr. Gábor Horváth as member of the Board of Directors expired on 24 February, 2014
Mulham AL-JARF	2	100%	Resigned from his position as member of the Board of Directors effective from 29 April, 2014
Dr. Martin ROMAN	5	83%	
Dr. Anthony RADEV	3	100%	Elected to be member of the Committee by the Board of Directors on 30 May, 2014
Dr. János MARTONYI	3	100%	Elected to be member of the Committee by the Board of Directors on 1 July, 2014

In addition to the issues of corporate governance, remuneration and the composition of the management, the Committee discussed a number of key strategic and results-related topics prior to their presentation to the Board of Directors for discussion.

Finance and Risk Management Committee:

Members and dates of appointment to the Committee (professional backgrounds of members are available on company homepage):

- Dr. Miklós Dobák – Chairman, 25 October 2002¹
- Zsigmond Járai – Chairman, 4 June 2010
- Iain Paterson, 8 September 2000²
- Dr. László Parragh, 20 February, 2014
- Dr. Anthony Radev, 30 May, 2014³
- Dr. Anwar al-Kharusi, 30 May, 2014⁴

¹ Mandate of Dr. Miklós Dobák as member of the Board of Directors expired on 29 April, 2014

² Mandate of Iain Paterson as member of the Board of Directors expired on 24 February, 2014

⁴ Dr. Anthony Radev was elected to be a member of the Committee by the Board of Directors on 30 May, 2014

⁵ Dr. Anwar al-Kharusi was elected to be a member of the Committee by the Board of Directors on 30 May, 2014

The Chairman of the Supervisory Board and the Chairman of the Audit Committee are permanent invitees to the Finance and Risk Management Committee meetings.

Responsibilities:

- review of financial and related reports,
- monitoring the efficiency of the internal audit system,
- review of planning, scope and results of the audit,
- oversight of the risk management,

- monitoring the liquidity position of the Company, the financial and operational risks as well as the methodology and strategy of management thereof, review the operation of Enterprise Risk Management (ERM) system,
- ensuring the independence and objectivity of the external auditor.

Report of the Finance and Risk Management Committee on its 2014 activities

In 2014, the Finance and Risk Management Committee held 5 meetings with a 83% average attendance rate. Attendance to the Committee meetings during 2014 is set out in the table below:

	Number of Meetings	Attendance Ratio	Comments
TOTAL	5	83%	
Dr. Miklós DOBÁK	2	100%	Chairman of the Committee until 29 April, 2014
Zsigmond JÁRAI	4	80%	Elected to be Chairman of the Committee by the Board of Directors on 30 May, 2014
Dr. László PARRAGH	3	75%	Elected to be member of the Committee by the Board of Directors on 20 February, 2014
Iain PATERSON	1	100%	Mandate as member of the Board of Directors expired on 24 February, 2014
Dr. Anthony RADEV	1	50%	Elected to be member of the Committee by the Board of Directors on 30 May, 2014
Dr. Anwar AL-KHARUSI	2	100%	Elected to be member of the Committee by the Board of Directors on 30 May, 2014

In addition to the regular items on the agenda, including the audit of all public financial reports, providing assistance with the auditor's work and the regular monitoring of internal audit, the Committee reviewed the major risk factors of the Company, considering the changed international financial position and the status reports on risk management actions attached to these factors.

Sustainable Development Committee:

Members and dates of appointment (professional backgrounds of members are available on company homepage):

- Iain Paterson – Chairman, 29 June 2006¹
- Dr. László Parragh – Chairman, 4 June, 2010²
- József Molnár, 5 September, 2013 (interim Chairman between 20 February and 30 May, 2014)
- Dr. Anwar al-Kharusi, 30 May, 2014³
- Dr. János Martonyi, 1 July, 2014⁴
- Dr. Oszkár Világi, 30 May, 2014⁵

¹ Mandate of Iain Paterson as member of the Board of Directors expired on 24 February 2014

² Dr. László Parragh was elected to be the Chairman of the Committee by the Board of Directors on 30 May, 2014

³ Dr. Anwar al-Kharusi was elected to be a member of the Committee by the Board of Directors on 30 May, 2014

⁴ Dr. János Martonyi was elected to be a member of the Committee by the Board of Directors on 1 July, 2014

⁵ Dr. Oszkár Világi was elected to be a member of the Committee by the Board of Directors on 30 May, 2014

The Chairman and the Deputy Chairman of the Supervisory Board are permanent invitees to the Sustainable Development Committee meetings.

Responsibilities:

- review, evaluate and comment for the Board of Directors on all proposals related to sustainable development (SD).
- monitor the development and implementation of all SD related policies (e.g. HSE, Code of Ethics, etc.) and discuss ethical issues
- supervise the progress on the strategic focus areas of SD in MOL Group
- request and discuss reports from business divisions and subsidiaries about their SD performance
- review sustainability related data and information of the external reports

Report of the Sustainable Development Committee on its 2014 activities

In 2014, the Sustainable Development Committee held 4 meetings with a 90% attendance rate. Attendance to the Committee meetings during 2014 is set out in the table below:

	Number of Meetings	Attendance Ratio	Comments
TOTAL	4	90%	
Iain PATERSON	1	100%	Chairman of the Committee until 24 February, 2014
József MOLNÁR	4	100%	Interim Chairman between 20 February and 30 May, 2014
Dr. László PARRAGH	4	100%	Elected to be Chairman of the Committee by the Board of Directors on 30 May, 2014
Dr. Oszkár VILÁGI	0	0%	Elected to be member of the Committee by the Board of Directors on 30 May, 2014
Dr. Anwar AL-KHARUSI	2	100%	Elected to be member of the Committee by the Board of Directors on 30 May, 2014
Dr. János MARTONYI	2	100%	Elected to be member of the Committee by the Board of Directors on 1 July, 2014

The Committee evaluated the accomplishment of the actions in 2014, formed opinion on Sustainable Development Report and decided on 2015 directions and targets. The Committee considered with highlighted attention the achieved results of the Dow Jones Sustainability Evaluation together with the necessary development actions as well as sustainable development reports of business units.

Relationship between the Board and the Executive Management

The governance of the Company is carried out in line with standardised corporate governance principles and practice, and, within its framework, the Board of Directors will meet its liabilities for the integrated corporate governance by defining the responsibilities and accountabilities of the Executive Board, established by the Board and securing the corporate operative activities, operating and organisational procedures, as well as standardised system for target-setting, reporting and audit (performance control system and business control system).

A consistent document prescribes the distribution of decision-making authorities between the Board of Directors and the company's organisations, defining the key control points required for efficiently developing and operating MOL Group processes.

Control and management of MOL Group will be implemented through business and functional organisations. The Executive Board (hereinafter "EB") will be responsible for harmonising their activities.

The EB is a forum for decision preparation that has the role to provide a direct link between the Board of Directors and the Company's staff and at the same time canalize the matters submitted to the full Board. The EB renders preliminary opinions on certain proposals submitted to the Board, the EB is also responsible for the oversight of the execution of the Board's resolutions.

On the EB meetings each member has an obligation to express their opinion, on the basis of which final decision is made by the Chairman-CEO. In case of a difference of opinion between the Chairman-CEO, GCEO or GCFO, the decision shall be made by the Board of Directors.

The Executive Board (EB) members in 2014:

Zsolt Hernádi	Chairman-CEO (C-CEO)
József Molnár	Group Chief Executive Officer (GCEO)
Zoltán Áldott	Executive Vice President, President of the Management Board, INA d.d.
Sándor Fasimon	Executive Vice President, MOL Hungary (COO)
Ferenc Horváth	Executive Vice President, Downstream
József Simola	Group Chief Financial Officer (GCFO)
Dr. Oszkár Világi	Executive Vice President, Chief Executive Officer, Slovnaft a.s.
Alexander Dodds	Executive Vice President, Exploration and Production

In 2014, the Executive Board held 29 meetings and discussed 10 issues on a meeting on average.

Annual remuneration for the members of the Board of Directors

As of January 1, 2009, the members of the Board of Directors have been entitled to the following fixed net remuneration after each AGM:

Members of the Board of Directors	25,000 EUR/year
Chairmen of the Committees	31,250 EUR/year

Directors who are not Hungarian citizens and do not have a permanent address in Hungary are provided with gross **1,500 EUR** for each Board or Committee meeting (maximum 15 times) when they travel to Hungary.

Incentive scheme for the members of the Board of Directors

To ensure uniformity and transparency, in addition to fixed remuneration, MOL operates an incentive scheme for the members of MOL Board of Directors, which supports further commitment of the participants and takes the Company's profitability and long term growth into consideration. This can ensure that the interests of the participants in the compensation program coincide with interests of the shareholders.

Main principles of the incentive scheme for the Board of Directors were approved by the Annual General Meeting (AGM) on April 26, 2012 and it has been effective since 2012.

Incentive based on share allowance

From January 1, 2012 the Profit Sharing Incentive Plan based on the value added method has been replaced by the incentive based on share allowance as the long-term incentive for the members of the Board of Directors. Shares are granted first from 2013.

The aim of the new share based incentive is to ensure the interest of the long-term stock price growth and maintain motivation in addition to the dividend payment for which 1 year retention obligation (restraint on alienation) has been also determined for 2/3 of the shares (the retention obligation terminates at the date of the expiration of the mandate).

The incentive consists of two parts: share allowance and cash allowance related thereto.

- **Share allowance**

Number of shares:

a. for the Members of the Board of Directors: 100 pieces of „A” series of MOL ordinary shares per month

b. for the Chairman of the Board of Directors: additional 25 pieces of „A” series of MOL ordinary shares per month

If the Chairman is not a non-executive director, the deputy chairman (who is non-executive) is entitled to this extra remuneration (25 pieces / month).

The share allowance is provided once a year, within 30 days after the Annual General Meeting closing the given business year.

- **Cash allowance:**

The incentive based on share allowance is a net incentive, that is the Company ensures to pay the taxes, contributions and other payables incurred upon acquisition of the shares in line with the relevant and effective laws. Such cash-based coverage of taxes and contributions does not include any further tax(es) or cost(s) incurred in relation with exercising rights attached to the shares or disposal of the shares (e.g. dividend tax, income tax); these shall be borne by the respective members of the Board of Directors. In line with these, there is a cash allowance part of the incentive system.

Rate of the cash allowance is the gross value of taxes, contributions and other payables incurred upon acquisition of the shares in line with the relevant and effective laws, including also the tax difference and contributions incurring in the country of tax-residence in case of non-Hungarian members of the Board of Directors.

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- **Other benefits**

Other non-financial benefits include a life and accident, travel- and liability insurance. Besides that an annual health screening and an exclusive healthcare package is also available for the members of the Board of Directors.

Incentive system for the Top Management, MOL Group Executive Board

The strategy behind MOL's remuneration is to provide incentives for executives and top management to deliver on the company's strategy, and reward them for the achievement of strategic goals through a combination of short-term and long-term incentives. The Corporate Governance and Remuneration Committee (CGRC) recognizes that remuneration plays an important role in supporting the achievement of the goals. Through the design of its incentive schemes, MOL wishes to ensure that executive remuneration is aligned with and supports the company's strategic objectives within a framework that closely aligns the interests of MOL executives to those of our shareholders.

1. The MOL Group Executive Board (EB) Remuneration Matrix consists of three key pillars:

- ▶ **Annual Base Salary (BS):** fixed annual amount paid to the individuals
- ▶ **Short Term Incentive (STI):** annual bonus based on individual and company performance
- ▶ **Long Term Incentive (LTI):** promotes performance driven culture and enhances the focus on the top management team to be aligned with the interests of shareholders

The Remuneration Mix of the Top Management:

	Fixed Annual Base Salary	Short Term Incentive	Lont Term Incentive
Chairman CEO	26%	26%	48%
Group CEO	28%	28%	44%
EB members	34%	34%	37%

The incentive system for the top management in 2014 included the following elements:

2. Short Term Incentive (bonus)

The basis of the short term incentive is a target of 85-100% of the annual base salary. The amount thereof is defined in line with the performance evaluation of the given manager.

Based on MOL Group's decision making authorities the C-CEO and G-CEO annual performance is evaluated by the Corporate Governance and Remuneration Committee (CGRC) with final approval of the MOL Board of Directors (BoD).

For the 2014 plan year the MOL Group Executive Board's STI framework was unified with the following performance measures, representing in all EB members goal:

KPI	Definition
Financial	Mandatory elements are 2014 MOL Group CCS EBITDA and Divisional targets (e.g. EBIT, EBITDA, ROACE, CAPEX efficiency, OPEX etc.) related to individual EB members and relevant to each director's business area. Divisional targets exclude the C-CEO and G-CEO as these are not applicable.
Non-financial	SD and HSE targets: SD and Health and Safety targets defined to each EB members in-line with their business strategies
	Human Resources targets: <ul style="list-style-type: none"> - support the execution of Annual People Cycle to enhance MOL Group's performance culture - enhance employee engagement level of the company by implementing action plans based on the Engagement Survey
	Individual targets: divisional business targets translated to KPI and Non-KPI individual targets which are cascaded to lower levels

Choice of Performance Measures for the STI

The aim of the MOL STI scheme is to focus the participants on achieving stretching financial, business and individual performance goals reflecting the delivery of key annual business priorities within the framework of the MOL Group's long term strategy. The choice of the aforementioned performance measure reflects a desire from the CGRC to assess the participants based on a broad range of corporate and divisional measures that mirrors the corporate strategy and its related KPIs. The achievement of these annual performance measures should translate into the creation of sustainable shareholder value in the long term, which is captured by the Long Term Incentive System.

The outcome of the STI is not driven by a purely formulaic approach, as no specific weight has been assigned to each performance measure in order not to create an overemphasis on one at the expense of others. The CGRC will rigorously assess performance at the end of the period, and judge whether the results against the performance measures are a reflection of the underlying performance of the MOL Group.

3. Long Term Incentive system

The long term managerial system was renewed in 2013.

The overarching purpose of the current long-term incentive systems is drive and reward the delivery of sustainable value creation and to provide greater alignment with MOL shareholders.

The system consists of two elements, a Stock Option Plan (50%) and a Performance Share Plan (50%).

The main characteristics of the two incentive schemes are as follows:

a) Stock Option Plan

The Stock Option Plan is an option to sell hypothetically MOL shares granted on a past strike price at a spot price and so realizing a profit with the difference between the two prices. The incentive schemes has the following characteristics.

- ▶ It covers a 5-year period starting annually, with the period being split into a 2-year vesting period (exercising Stock Options is not possible) and a 3-year exercising period. If the Stock Option is not exercised, it lapses on December 31 of the last year.
- ▶ The grants are defined in line with job categories.
- ▶ The rate of incentive is linked to individual short-term performance with STI framework described above.

As a new part of the managerial remuneration package, from 2013 managers who are entitled to the long-term incentive scheme, are also eligible for an annual one-time payout, in case the Annual General Meeting of MOL Plc. decides on a dividend payment for the given year. The amount thereof is equal to the product of the dividend paid for one share and of the numbers of Stock Option awarded to the given the manager. The purpose of the incentive is to balance the incentive in terms of share price movements after dividend payments of the Company.

b) Performance Share Plan

The Performance Share Plan is a 3-year cash based programme using a comparative share price methodology with the following characteristics:

- ▶ The programme starts each year on a rolling scheme with a 3-year vesting period. Payments are due after the 3rd year.
- ▶ Target is the development of MOL's share price compared to relevant and acknowledged regional and industry specific indicators (the CETOP20 and DJ Emerging Market Titans Oil&Gas 30 Index that covers both regional and industrial peers).
- ▶ The basis of the evaluation is the average difference in MOL's year-on-year share price performance in comparison to the benchmark indices during 3 years.
- ▶ The rate of incentive is linked to individual short-term performance.

Choice of Performance Measures for the LTI

The choice of LTI awards being linked to the share price and dividend distribution reflects the Board's strategic priority on restoring value creation. Through its long term incentives schemes, MOL prioritizes to provide its shareholders with a return on their investment through both the appreciation of the share price as well as through the payment of dividends.

The choice of CETOP20 and Dow Jones Emerging Market Titans Oil&Gas 30 Index reflects the fact that MOL competes on a regional basis (Central and Eastern Europe) for investor flows as well as with the global emerging market Oil & Gas sector. The choice of these two indexes is consistent with the purpose of incentivizing and ultimately rewarding executives for providing competitive returns to current as well as future investors over the long-term relative to the broader regional and global oil & gas markets.

Other Fringe Benefits

These include company cars (also used for private purposes), life&accident insurance, travel insurance, liability insurance, an annual health check and a complex healthcare service.

Supervisory Board

The Supervisory Board is responsible for monitoring and supervising the Board of Directors on behalf of the shareholders (General Meeting). Members of the Supervisory Board shall be elected by the General Meeting for a definite period, but for a maximum of five (5) years, the present membership is nine. In accordance with Civil Code, 1/3 of the members shall be representatives of the employees, accordingly three members of the MOL Supervisory Board are employee representatives with the other six external persons appointed by the shareholders.

The members of the Supervisory Board and their independence status:

György Mosonyi, Chairman	non-independent
Dr. Attila Chikán, Deputy Chairman	independent
John I. Charody	independent
Slavomír Hatina	independent
Attila Juhász	non-independent (employee representative)
Dr.sc. Žarko Primorac	independent
Andrea Hegedűs	non-independent (employee representative)
Dr. Sándor Puskás	non-independent (employee representative)
István Töröcskei	independent

The Chairman of the Supervisory Board is a permanent invitee to the meetings of the Board of Directors, Finance and Risk Management Committee and Sustainable Development Committee meetings.

Regular agenda points of the Supervisory Board include the quarterly report of the Board of Directors on company's operations and the reports of Internal Audit and Corporate Security and besides it is informed and is kept updated on other relevant issues, topics as well. In addition, the Supervisory Board reviews the proposals for the Annual General Meeting. The Supervisory Board reviews its annual activity during the year.

In 2014 the Supervisory Board held 5 meetings with an 91% attendance rate.

Remuneration of the members of the Supervisory Board

The Annual General Meeting held on April 27, 2005 approved the remuneration scheme for the Supervisory Board. Under this scheme, the members of the Supervisory Board receive remuneration of EUR 3,000/month, while the Chairman of the Supervisory Board receives remuneration of EUR 4,000/month. In addition to this monthly fee, the Chairman of the Supervisory Board is entitled to receive gross EUR 1,500 for participation in each Board of Directors or Board Committee meeting, up to 15 times per annum. From January 1, 2012, the Chairman of the Audit Committee is also entitled to receive gross EUR 1,500 for participation in each Board Committee meeting, up to 15 times per annum. Besides the monthly remuneration both the Chairman and the members of the Supervisory Board are entitled to receive further EUR 1,500 for each extraordinary meeting that is held in

addition to the scheduled annual meetings. This remuneration is provided maximum two times a year.

Other benefits

The members of the Supervisory Board are entitled to receive further non-financial benefits, including life and accident insurance, travel- and liability insurance. Besides that an annual health screening and an exclusive healthcare package is also available for the members of the Supervisory Board.

Audit Committee

In 2006, the general meeting appointed the Audit Committee comprised of independent members of the Supervisory Board. The Audit Committee strengthens the independent control over the financial and accounting policy of the Company. The independent Audit Committee's responsibilities include the following activities among others:

- providing assistance to the Supervisory Board in supervising the financial report regime in selecting an auditor, and in working with the auditor;
- the tasks of the audit committees of its subsidiaries which are consolidated by the Company, operate as public limited companies or issue securities admitted to trading on regulated market, if the relevant laws allow that and the subsidiary in question does not operate a separate audit committee.

Members of the Audit Committee and dates of appointment (professional backgrounds of members are available on company homepage):

- Dr. Attila Chikán - Chairman, 27 April, 2006
- John I. Charody, 27 April, 2006
- István Töröcskei 1 May, 2011

and in case of long-term incapacitation of any of the permanent members, Dr.sc. Žarko Primorac.

Report of the Audit Committee on its 2014 activities

In 2014, the Audit Committee held 5 meetings with a 100% average attendance rate. In addition to the regular items on the agenda, including the audit of all public financial reports, providing assistance with the auditor's work and the regular monitoring of Internal Audit, the Committee reviewed the major risk factors of the Company, considering the changed international financial position and the status reports on risk management actions attached to these factors. The Audit Committee continuously monitored the Company's financial position in particular with regard to the impacts caused by the crisis. The Audit Committee reviewed the materials of the Annual General Meeting (i.e. financial reports, statements of the Auditor).

Part d) Description of the basic features of the company's internal control and risk management systems related to the process of preparing financial statements

Integrated corporate risk management function

The aim of MOL Group Risk Management is to deal with challenges of the business environment to support a stable and sustainable operation and future growth of the company. MOL Group has developed risk management function as an integral part of its corporate governance structure.

Incorporation of the broadest variety of risks into one long-term, comprehensive and dynamic system is arranged by **Enterprise Risk Management (ERM)** on group level. ERM integrates financial and operational risks along with a wide range of strategic risks, also taking into consideration compliance issues and potential reputation effects. The ERM process identifies the most significant risks to the performance of the company. Risks are assessed based on a unified methodology and collected into risk maps at different levels. Risk responses and controls are reviewed and mitigation actions set and reviewed for completion regularly by top management.

The main risk drivers of the Group are the following

- **Commodity price risk:** MOL is exposed to commodity price risk on both the purchasing side and the sales side. The main commodity risks stem from long crude oil position to the extent of its group level production, long refinery margin position to the extent of the refined product volumes and long petrochemical margin position. Investors buying oil companies' share are generally willing to take the risk of oil business so commodity price risk should not be fully eliminated from the cash flow. However, commodity hedge deals are considered to eliminate risks other than 'business as usual' risks or general market price volatility.
- **Foreign Exchange (FX) risk:** Business operation is economically driven mainly by USD. The overall operating cash flow exposure of the Group is net long USD, EUR, RON, and net short HUF, HRK, RUB from economic point of view. According to MOL's current FX risk management policy the long FX exposures of the operating cash flow are decreased by the short financing cash flow exposures.
- **Regulatory risk:** Due to the economic crisis the risk of potential government actions increased as well as potential impact of such decisions.
- **Country risks:** The internationally extending portfolio requires the proper management of country risk exposures. Country exposures are monitored to enhance the diversification effect in the investment portfolio.
- **Drilling risks:** The uncertainty related to drilling success is a typical business risk in the exploration activity.
- **Equipment breakdown:** Due to the high asset concentration in Downstream business it is a significant risk driver. The potential negative effects are mitigated besides comprehensive HSE activities through a Group wide insurance management program.
- **Market demand uncertainties:** External factors like drop in market demand can affect MOL's results negatively.

- **Reputation risk:** Reputation of energy industry players has been in the focus of media for the past years due to extreme negative events (e.g. BP oil spill, Fukushima nuclear accident). MOL as a major market player in the region operates under special attention from stakeholders.

Some of the risks are managed centrally, while some are dealt by affected MOL Group companies or within the Business Units or Functions, overseen always by nominated risk owners. Risk Management regularly controls the realization of these risk mitigation actions – in a form of quarterly reports.

Main risk management tools

Enterprise Risk Management is a framework covering Business Units and Functional Units, which ensures incorporation of risks faced by the company into Risk Maps.

Risk analysis activity supports stable and efficient operation by identifying key risks that threaten achievement of company objectives and require specific attention by Top Management through strengthened controls or execution of mitigation actions. The Risk Map is a heat map used to graphically present major risks on a matrix using probability and impact ratings as a result of detailed risk assessment processes. The Risk Maps integrate Strategic, Operational and Financial risks, which are identified and reassessed on a quarterly basis, providing regular updates to Top Management on evolution of risks and status of mitigation actions.

To ensure the profitability and the financial stability of the Group, **Financial Risk Management** is in place to handle short-term, market related risks. Commodity price, FX and interest rate risks are measured by using a complex model based on Monte Carlo simulation, and are managed – if necessary - with risk mitigation tools (such as swaps, forwards and options).

Transferring of excess operational risks is done by **Insurance Management**. Purchase of insurances represents an important risk mitigation tool used to cover the most relevant operational and liability exposures. The major insurance types are: Property Damage, Business Interruption, Liability and Control of Well Insurance, set around a yearly cycle (i.e. annual renewal of most insurance programs). Insurance is managed through a joint program for the whole MOL Group to exploit considerable synergy effects.

Valuable synergies can be exploited when risk is approached in a comprehensive way

The existence of an integrated risk management function enables MOL to exploit the synergies between the above detailed pillars of risk management. The input sources of modelling financial risks are applied in ERM as well. Similarly, the accumulated information on operational risks gained through managing insurances is also an important factor in the ERM development. The results of ERM on operational risks (including business continuity management) can give a better direction to insurance management by highlighting areas that shall be covered by insurance as a must and which are those where further analysis is required to make decisions on how to manage the related risks.

Decision making support of capital allocation

Besides providing information on the most imperative risks that MOL Group faces, Risk Management also supports top management and the Board of Directors to take more educated decisions on investments, taking into consideration the risk profile of each project as well. To serve this purpose, Group Risk Management is involved in evaluation of major projects through the utilization of its ERM capabilities by providing opinion on capital allocation and financing headroom.

External auditors

The MOL Group was audited by Ernst and Young in both 2014 and 2013, excluding FGSZ Zrt. (audited by Pricewaterhouse Coopers).

Within the framework of the audit contract, Ernst & Young performs an audit of statutory financial statements, including interim financial statements of MOL Plc. prepared in accordance with Law C of 2000 on Accounting and the consolidated annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS). Audits of the above mentioned financial statements are carried out in accordance with the Hungarian National Standards on Auditing, the International Standards on Auditing (ISA), the provisions of Accounting Law and other relevant regulations. The auditors ensure the continuity of the audit by scheduling regular on-site reviews during the year, participating in the meetings of MOL's governing bodies and through other forms of consultation. The auditors also review the stock exchange reports issued quarterly; however they do not perform an audit of or issue any opinion on such reports with regards to these.

Ernst & Young also provided other services to MOL Group. Summary of the fees paid to them in 2014 and 2013 are as follows (HUF mn):

	2014	2013
Audit fee for MOL Plc. (including audit fee for interim financial statements)	154	154
Audit fee for subsidiaries	524	373
Other audit related services*	15	23
Other non-audit services *	152	2
Tax advisory services	303	330
Total	1 148	882

*The specification has been modified for more transparent communication.

The increase of Audit fee for subsidiaries is almost entirely resulting from the recent acquisitions (Wintershall, Premier Oil and Eni) and activities in connection with new legal entities. Other non-audit services increased due to the relocation of certain subsidiaries to Netherland in connection with international Upstream operation. The Board of Directors does not believe that non-audit services provided by E&Y compromised their independence as auditors.

Budapest, 16th April 2015

József MOLNÁR
Member of the Board of Directors

Dr. László PARRAGH
Member of the Board of Directors