

## **DECLARATION**

### **MOL Plc. Corporate Governance Report in accordance with Budapest Stock Exchange Corporate Governance Recommendations**

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## **1. Introduction**

MOL Hungarian Oil and Gas Public Limited Company (hereinafter: “MOL” or “Company”) has always been committed to implementing the highest standards of corporate governance structures and practices. This is not only with regard to national expectations but also with reference to the continually evolving and improving standards of good governance on an international level. As a result MOL is geared towards shareholders’ interests, whilst taking into account the interests of a broader group of stakeholders inevitably necessary to enhance the creation of exceptional value for MOL’s shareholders and society.

Among other things, the voluntary approval of the declaration on the Budapest Stock Exchange Corporate Governance Recommendations by the Annual General Meeting in 2006, before the official deadline, served as testament to the Company’s commitment to corporate governance. In addition, MOL made a declaration concerning the application of the corporate governance recommendations of the Warsaw Stock Exchange prior to the admission of its shares to the Warsaw Stock Exchange in December 2004. The Company submits its declaration on this topic to the Budapest Stock Exchange every year, reviews the compliance with the Recommendation of the Warsaw Stock Exchange and in case of any change, publishes it.

MOL’s corporate governance practice meets the requirements of the regulations of the Budapest Stock Exchange and the relevant capital market regulations. MOL also subjects its policies to regular review to ensure that they take account of the continually evolving international best practice in this area. MOL’s Corporate Governance Code containing the main corporate governance principles of the Company was adopted in 2006 for the first time and its last update was fulfilled in 2015. This Code summarises the shareholders’ rights, main governing bodies, furthermore remuneration and ethical issues. The Corporate Governance Code has been published on the website of the Company.

## **2. Shareholders (general meeting)**

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 the Company, to approve actual corporate governance actions and to exercise effective governance and control rights.

### **2.1. 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.

Shareholders can exercise their right at MOL General Meetings either in person or by nominee. In addition, our company gives the opportunity to represent themselves through a Proxy card in accordance with the Articles of Association. An internet subsite containing materials for the general meeting serves to facilitate participation (<https://molgroup.info/en/investor-relations/annual-general-meeting>) which contains several information, including a location map, the conditions for participation, the general meeting documents, and the power of attorney templates.

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 depositary 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 the Articles of Association: „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 the provisions of Articles 10.1.1 and 10.1.2.

Furthermore, the shareholder shall, on 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 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 the said requirements.

According to Article 10.1.1 of the Articles of Association: „No shareholder or shareholder group (as defined in Article 10.1.2 of Articles of Association) 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 Act V of 2013 on the Civil Code (hereinafter: "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 the company website 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 the 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 defined by the Board of Directors and published 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.

## **2.2. Relationship with the shareholders**

The Board is aware of its commitment to represent and promote shareholders' interests, and recognises that it is fully accountable for the performance and activities of the MOL Group. To help ensure that the Company can meet shareholders' expectations in all areas, the Board continually analyses and evaluates developments, both in the broader external environment as well as at an operational level.

Formal channels of communication with shareholders include regular announcements, the annual report, the half-year report and quarterly earnings reports, furthermore extraordinary announcements. Regular and extraordinary announcements are published on MOL's website, on the Budapest Stock Exchange (primary exchange), on the Warsaw Stock Exchange and on the Capital Market Information Disclosure System operated by the National Bank of Hungary (Magyar Nemzeti Bank). Moreover we send e-mail announcements to those who subscribed to the distribution list of e-mail announcements of Investor Relations and to the international and domestic media. In addition, presentations on the business, its performance and strategy are given to shareholders at the Annual General Meeting. Regular Roadshow visits are also made to various cities in the UK, the US and Continental Europe where meetings are held with representatives of the investment community, including MOL's shareholders and holders of MOL's Depository Receipts (DR). Furthermore, investors are able to raise questions or make proposals at any time during the year, including the Company's general meeting. Investor feedbacks are regularly reported to the Board of Directors.

MOL has an Investor Relations department which is responsible for the organisation of the above activities as well as for the day-to-day management of MOL's relationship with its shareholders (contact details are provided in the "Shareholder Information" section at the end of the annual report). Extensive information is also made available on MOL's website (<https://molgroup.info/en/>), which has a dedicated section for shareholders and the financial community. MOL has always paid special attention to provide a considerably wide range of information to the capital markets, in line with international best practice. Therefore Investor Relations Department of MOL is continuously renewing its website (direct link at: <https://molgroup.info/en/investor-relations>). The aim of the development is to make the website even more user-friendly, in line with the intention to continuously improve our services. These enable us to meet the expectations of our shareholders, analysts and other capital market participants more effectively.

In 2018 MOL conducted a total of 14 days of roadshow and participated in 12 conferences in the U.S. and Europe, having around 300 meetings with potential and existing shareholders and bondholders. Investor engagement in November-December was dedicated to give an update to the investment community on MOL's long-term strategy ('MOL2030'), summarizing the key steps taken and those upcoming in the near future.

## **3. Management and operation**

### **3.1. 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 also considering 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 economic 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, 6 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 the directors.

The members of the Board of Directors and their independence status in 2018 (professional CVs of the members are available on the Company's website):

Name	Status	Mandate
Zsolt Hernádi, Chairman	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
József Molnár	non-independent	Elected by the Annual General Meeting to be member of the Board of Directors from 12 October, 2007
Zsigmond Járai	independent	Elected by the Annual General Meeting to be member of the Board of Directors from 29 April, 2010
Dr. László Parragh	independent	Elected by the Annual General Meeting to be member of the Board of Directors from 29 April, 2010
Dr. Martin Roman	independent	Elected by the Annual General Meeting to be member of the Board of Directors from 29 April, 2010
JUDr. 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. János Martonyi	independent	Elected by the Annual General Meeting to be member of the Board of Directors from 1 July, 2014

### 3.1.1. Operation of the Board of Directors

The Board acts and adopts resolutions as a collective body.

The Board adopted a set of rules (Charter) to govern its own activities in 1991, when the Company was founded; these rules were updated in April, 2015 to ensure continued adherence to best practice standards.

The 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,
- rules on conflict of interest.

Members of the Board of Directors shall sign an Annual Declaration on Conflict of Interest in accordance with the form approved by the Board of Directors simultaneously with accepting their membership, and in every calendar year 30 days prior to the date of the annual general meeting which is to be submitted to the Corporate Governance and Remuneration Committee. If any conflict of interest specified in the Charter of the Board of Directors occurs with respect to the member of the Board of Directors, such member shall report in Ad hoc Declaration on Conflict of Interest to the Corporate Governance and Remuneration Committee.

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

### 3.1.2. Report of the Board of Directors on its 2018 activities

In 2018, the Board of Directors held 6 meetings with an average attendance rate of 98%. Attendance to the Board of Directors meetings during 2018 is set out in the table below:

	Number of Meetings	Attendance Ratio
<b>TOTAL</b>	6	98%
Zsolt Hernádi	6	100%
Dr. Sándor Csányi	6	100%
József Molnár	6	100%
Zsigmond Járai	6	100%
Dr. László Parragh	6	100%
Dr. Martin Roman	6	100%
JUDr. Oszkár Világi	6	100%
Dr. Anthony Radev	6	100%
Dr. Anwar Al-Kharusi	6	100%
Dr. János Martonyi *	5	83%

\* Mr. János Martonyi did not attend the BoD meeting on 5 December, 2018, due to justified reason.

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 as well as an overview of capital market developments and individually evaluated the performance of each of the company's business units.

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

### 3.1.3. Committees of the Board of Directors

The Board operates its committees to increase the efficiency of the Board's operations and to provide the appropriate professional background for decision-making.

The committees are preparatory, advisory, opinion-forming and proposal-preparing bodies of the Board of Directors and have prior opinion-forming rights, as set out by MOL Group's List of Decision-making Authorities, in certain questions belonging to the competency of the Board of Directors and in those which are delegated to the competency of respective executive members of the Board of Directors, as the executive management of the Company.

The responsibilities and the rules of procedure of the committees are determined by the Board of Directors based on the proposal of the chairmen of the committees.

The Chairman of the Board of Directors may also request the committees to perform certain tasks.

The members and chairmen of the committees are elected by the Board of Directors. The majority of committee members are non-executive and independent.

The Board operates the following committees and allocates responsibilities to the various committees as follows:

#### **a. Corporate Governance and Remuneration Committee**

Members and dates of appointment to the committee (professional CVs of members are available on the Company's website):

- Dr. Sándor Csányi - chairman, 17 November, 2000
- Zsolt Hernádi, 8 September, 2000
- Dr. Martin Roman, 4 June, 2010
- Dr. Anthony Radev, 30 May, 2014
- Dr. János Martonyi, 1 July, 2014

The Chairman of the Board of Directors is a permanent member of the Corporate Governance and Remuneration Committee.

Responsibilities:

- Analysis and evaluation of the activities of the Board of Directors,
- issues related to Board/Supervisory Board membership,
- promoting the contact between shareholders and the Board,
- procedural, ethical and regulatory issues,
- reviewing corporate processes, procedures, organisational solutions and compensation and incentive systems and making recommendations on the implementation of best practices.

Report of the Corporate Governance and Remuneration Committee on its 2018 activities

In 2018 the Corporate Governance and Remuneration Committee held 5 meetings with a 96% average attendance rate. Attendance to the committee meetings in 2018 is set out in the table below:

	Number of Meetings	Attendance Ratio
<b>TOTAL</b>	<b>5</b>	<b>96%</b>
Dr. Sándor Csányi	5	100%
Zsolt Hernádi	5	100%
Dr. Martin Roman*	4	80%
Dr. Anthony Radev	5	100%
Dr. János Martonyi	5	100%

\* Mr. Martin Roman did not attend the meeting on 5 December, 2018 due to justified reason.

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.

## **b. Finance and Risk Management Committee**

Members and dates of appointment to the committee (professional CVs of members are available on the Company's website):

- Zsigmond Járai – chairman, 4 June, 2010
- Dr. László Parragh, 20 February, 2014
- Dr. Anthony Radev, 30 May, 2014
- Dr. Anwar Al-Kharusi, 30 May, 2014

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

Responsibilities:

- Review of financial and related reports,
- monitoring the efficiency of the internal audit system,
- review of the scope and results of the planning and audit,
- monitoring of the risk management system,
- monitoring the liquidity position of the Company, the financial and operational risks and the management thereof, review of 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 2018 activities

In 2018, the Finance and Risk Management Committee held 5 meetings with an 85% average attendance rate. Attendance to the committee meetings in 2018 is set out in the table below:

	Number of Meetings	Attendance Ratio
<b>Total</b>	<b>5</b>	<b>85%</b>
Zsigmond Járai	5	100%
Dr. László Parragh *	4	80%
Dr. Anthony Radev **	3	60%
Dr. Anwar Al-Kharusi	5	100%

\* Mr. László Parragh could not attend the FRC meeting on the 12 March, 2018 due to justified reason.

\*\* Mr. Anthony Radev could not attend the FRC meetings on the 12 March, 2018 and on 30 October, 2018 due to justified reasons.

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

### c. Sustainable Development Committee

Members and dates of appointment to the committee (professional CVs of members are available on Company website):

- Dr. László Parragh – Chairman, 30 May, 2014
- József Molnár, 5 September, 2013 (interim Chairman between 20 February and 30 May, 2014)
- Dr. Anwar Al-Kharusi, 30 May, 2014
- Dr. János Martonyi, 1 July, 2014

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

Responsibilities:

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

Report of the Sustainable Development Committee on its 2018 activities

In 2018, the Sustainable Development Committee held 4 meetings with a 75% attendance rate. Attendance to the committee meetings in 2018 is set out in the table below:

	Number of Meetings	Attendance Ratio
Total	4	75%
József Molnár*	3	75%
Dr. László Parragh**	2	50%
Dr. Anwar Al-Kharusi	4	100%
Dr. János Martonyi***	3	75%

\* Mr. József Molnár could not attend the SDC meetings on 5 December, 2018 due to justified reason.

\*\* Mr. László Parragh could not attend the SDC meetings on 12 March, 2018 and on 6 September, 2018 due to justified reasons.

\*\*\* Mr. János Martonyi did not attend the SDC meeting on 5 December, 2018, due to justified reason.

The Committee evaluated the accomplishment of the sustainability related actions taken in 2018 with focus on the ones included in MOL Group's Sustainability Plan for 2016-2020. The Committee formed opinion on the annual Sustainable Development Report and on thematic reports submitted by selected business units. External evaluations made about MOL Group's sustainability performance were also reviewed with highlighted attention on the fact that the company remained a component of the Dow Jones Sustainability Index.

## 3.2. Executive Board

### 3.2.1. Relationship with the Board of Directors and MOL Group organisations

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 ("EB"), established by the Board of Directors and securing the corporate operative activities, operational 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 the efficient development and operation of MOL Group's processes.

Control and management of MOL Group is implemented through business and functional organisations. The EB is 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 work organization and at the same time to examine and oversee the matters submitted to the Board of Directors. The EB renders preliminary opinions on certain proposals submitted to the Board of Directors and is also responsible for the oversight of the execution of the Board of Directors' resolutions. The EB is the highest decision-making forum regarding such matters, which fall within its competence based on the internal regulations, but do not fall within the exclusive competence of the Board of Directors based on law or the Articles of Association.

Each EB member has one vote, the EB makes its resolutions by simple majority. The Chairman-CEO, or Group CEO or Group CFO (each independently "entitled EB member"), may refer a proposal submitted to EB, to the Board of Directors for a final decision as follows: if an entitled EB member disagrees (i.e. casts „NO" vote) with a proposal adopted by a majority decision of EB members, or, alternatively, disagrees with the „NO" votes casted by the majority of EB members, may request the Chairman-CEO to refer the proposal for a final decision to the Board of Directors.

### 3.2.2. Members of the EB in 2018:

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, Group Downstream
József Simola	Group Chief Financial Officer (GCFO)
JUDr. Oszkár Világi	Executive Vice President, Innovative Businesses and Services
Dr. Berislav Gašo	Executive Vice President, Group Exploration and Production
Péter Ratatics ***	Executive Vice President, Consumer Services

\* Mr. Zoltán Áldott's position as member of the EB terminated on 12 April, 2018, whilst the position as President of the Management Board of INA terminated on 30 June, 2018.

\*\* From 1 July, 2018 Mr. Sándor Fasimon has been appointed as President of the Board of Directors of INA d.d.

\*\*\* From 15 February, 2018, Mr. Péter Ratatics, Executive Vice President, Consumer Services has been appointed as member of the EB. From 1 July, 2018 Mr. Péter Ratatics has been appointed as MOL Hungary COO.

In 2018, the Executive Board held 27 meetings and discussed 9 issues on a meeting on average.

## 4. Control

### 4.1. 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 Supervisory Board currently consists of thirteen members. In accordance with the Civil Code, 1/3 of the members shall be representatives of the employees, accordingly currently five members of the MOL Supervisory Board are employee representatives while the other eight external persons are appointed by the shareholders.

The members of the Supervisory Board and their independence status:

György Mosonyi, Chairman *	non-independent
Zoltán Áldott, Chairman *	non-independent
Dr. Attila Chikán, Deputy Chairman	independent
John I. Charody	independent
Dr. Norbert Szivek	independent
Ivan Mikloš	independent
Vladimír Kestler	independent
Ilona Dávid	independent
Andrea Bártfai-Mager **	independent
András Láncki ***	independent
Piroska Bognár	non-independent (employee representative)
Dr. Sándor Puskás	non-independent (employee representative)
András Tóth	non-independent (employee representative)
Tibor István Ördög	non-independent (employee representative)
Csaba Szabó ****	non-independent (employee representative)

\* Mr. György Mosonyi passed away on 29 June, 2018. Mr. Zoltán Áldott was elected as member of the Supervisory Board from 12 April, 2018 and appointed as Chairman of the Supervisory Board on 25 June, 2018.

\*\* Ms. Andrea Bártfai-Mager, was elected by the general meeting as member of the Supervisory Board from 1 June, 2017. She resigned on 17 May, 2018.

\*\*\* Mr. András Láncki was elected by the general meeting as member of the Supervisory Board from 12 April, 2018.

\*\*\*\* Mr. Csaba Szabó was elected by the general meeting as member of the Supervisory Board from 12 April, 2018.

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 the Company's operations and the reports of Internal Audit and Corporate Security, furthermore it is informed on other relevant topics. In addition, the Supervisory Board reviews the proposals for the Annual General Meeting. The Supervisory Board reviews its annual activity during the year.

In 2018 the Supervisory Board held 5 meetings with an 82% average attendance rate.

## 4.2. 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, reviewing and monitoring the independence of the statutory auditor, monitoring the effectiveness of the Company's internal audit and risk management systems and make recommendations if necessary;
- carrying out 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 their appointment (professional CVs of members are available on the Company's website):

- Dr. Attila Chikán - chairman, 27 April, 2006
- John I. Charody, 27 April, 2006
- Dr. Norbert Szivek, 14 April, 2016
- Ms. Ilona Dávid, 1 June, 2017
- Ms. Andrea Bártfai-Mager, 1 June 2017\*
- Ivan Mikloš, 1 May, 2016

*\* Ms. Andrea Bártfai-Mager resigned on 17 May, 2018.*

Report of the Audit Committee on its 2018 activities

In 2018, the Audit Committee held 5 meetings with a 93% average attendance rate. In addition to the regular items on the agenda, including the audit of all public financial reports, providing assistance to 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 situation and the status reports on risk management actions attached to these factors. The Audit Committee continuously monitored the Company's financial position. The Audit Committee reviewed the materials of the Annual General Meeting (i.e. financial reports, statements of the auditor). The Audit Committee participated in the procedure of selecting an auditor and made a recommendation to the Supervisory Board regarding the appointment of the auditor.

## 4.3. External auditors

MOL Group was audited by Ernst & Young ("EY") in both 2018 and 2017, excluding FGSZ Zrt. (audited by PwC) and some other non-significant subsidiaries.

Within the framework of the audit contract, EY performs an audit of consolidated and statutory financial statements, and interim financial statements of MOL Plc. 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.

Other non-audit and tax advisory services have ceased from 1 January 2017 due to the EU audit reform came into force. Summary of the fees paid to them in 2017 and 2018 are as follows:

	2017	2018
Fees paid to the auditors (HUF mn)	749	736

The Board of Directors confirms that non-audit services provided by EY complied with the Policy for Services Provided by the External Auditor (FIN\_GP19).

#### **4.4. Internal control**

##### **4.4.1 Compliance & Ethics**

MOL Group is committed to pursue ethical and fair conduct in all activities. In order to achieve the above aims MOL Group started its Compliance Program and established compliance organization responsible for its execution, furthermore, in order to enforce the Code of Ethics and Business Conduct, allocated the task of supporting the operation of the Ethics Council in its competence.

Group Compliance and Ethics' activities include operation of the whistleblowing system ('SpeakUp!'), conducting internal inspections, preparation of risk analysis and training of employees. Whilst taking the specific nature of business into consideration, Group Compliance and Ethics reviews internal processes and risk factors and makes recommendations in order to ensure compliance, furthermore provides assistance for their execution.

Group Compliance and Ethics carries out its task in accordance with the laws of each country, taking EU and international expectations as minimum standards. The organization's competence covers the whole MOL Group through local compliance officers and local ethics officers.

Group Compliance and Ethics annually reports to the Supervisory Board and the Board of Directors on its activities.

##### **4.4.2 Internal Audit**

Internal Audit provides an independent and objective evaluation of financial, operational and control activities executed within the whole MOL Group and reports on the adequacy of internal controls, the level of compliance with internal and external regulations directly to the Finance and Risk Management Committee, Audit Committee and Supervisory Board following the Executive Board's acknowledgement of the audit reports.

There are no restrictions placed upon the focus and scope of internal audit's work, the scope of the Internal Audit function within MOL Group covers all operations including any activities and subsidiaries controlled by MOL Group. The Head of Group Internal Audit is responsible for determining the scope of internal audit reports.

The main focus of Internal Audit is to review operational and functional activities executed within the whole MOL Group, and to identify, understand, test and evaluate associated controls to ensure that identified risks are mitigated in the most favourable cost-benefit ratio from a business perspective.

Internal Audit applies standard risk assessment principles when evaluating the residual and inherent risks of control weaknesses. The applied MOL Group internal audit risk assessment principles are approved by the Finance and Risk Management Committee.

Internal Audit operates under an audit plan approved by the Supervisory Board and agreed with the Audit Committee at the end of the year for the next one. If there is a request to modify the approved annual audit plan during the year, the C-CEO has the authority to approve any mid-year modifications to the annual audit plan.

To provide the independence of the Internal Audit function the Head of Group Internal Audit is accountable to the Finance and Risk Management Committee, Audit Committee and Supervisory Board and has direct access to their chairmen (for daily operational matters the Head of Group Internal Audit reports directly to the C-CEO of MOL Group). The Supervisory Board shall form opinion on the appointment and recall of the Head of Group Internal Audit.

MOL Group Internal Audit department shall be organized and operated according to the professional auditing and internal audit ethical standards of the Institute of Internal Auditors (IIA), the authoritative body for internationally recognized internal audit standards.

## **5. Annual remuneration for MOL Group management**

### **5.1. Board of Directors**

#### **Annual fixed remuneration of the members of the Board of Directors**

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

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

Members of the Board of 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 a year) when they travel to Hungary.

#### **Incentive based on share allowance**

From January 1, 2012 the incentive based on share allowance serves as a long-term incentive for the members of the Board of Directors.

The aim of the new share based incentive is to ensure the interest in long-term stock price growth and to maintain motivation related to the dividend payment. To ensure these, a 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 as of 1 January 2015 (and after adjustment in line with MOL's 8-for-1 share split as of 26 September, 2017):

- in case of the members of the Board of Directors: 1,200 pieces of series „A” MOL ordinary shares with a nominal value of HUF 125 per month
- in case of the chairman of the Board of Directors: additional 400 pieces of series „A” MOL ordinary shares with a nominal value of HUF 125 per month.

If the Chairman is not a non-executive director, the deputy chairman (who is non-executive) is entitled to this extra remuneration (400 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*, which means that 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 to 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 this, there is a further cash allowance part of the incentive system, the rate of which 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.

## **Other benefits**

The members of the Board of Directors are entitled to receive further **non-financial benefits\***, including life and accident (79,000 HUF/person/year) and travel (18,000 HUF/person/year) insurance.

Besides, as a non-financial benefit an annual health screening (84,000 HUF/person/year) and an additional healthcare package (350,000 HUF/person/year) is available for the members of the Board of Directors.

\* Rounded to 1000 HUF (In case of EUR, calculated based on January 25, 2018 exchange rate; source: [www.mnb.hu](http://www.mnb.hu))

## **5.2. Executive Board and management**

### **Incentive system for the top management, MOL Group Executive Board**

The aim of MOL's remuneration system is to provide incentives for the top management to carry out 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 recognizes that remuneration plays an important role in supporting the achievement of these goals. Through the design of its incentive schemes, MOL aims 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.

The Executive Board (EB)'s remuneration mix 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 incentive system for the top management included the following elements in 2018:

**5.2.1. Short Term Incentive system**

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 evaluation of performance 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 with final approval of the Board of Directors.

**Performance Measures for the STI**

The aim of MOL Group STI scheme is to motivate the participants to achieve operative, business and individual performance targets which can be reached within a year, and support MOL Group’s long term strategy.

In 2018, the Executive Board’s STI framework was designed to include key focus areas in a mix of financial and non-financial KPIs in order to achieve the targets of the Group.

**Financial KPIs:**

In 2018, the key focus of the Executive Board was to deliver the EBITDA and CAPEX targets to achieve the 2030 strategic targets of MOL Group. These performance indicators are represented in the C-CEO and G-CEO annual performance targets:

Business line	KPI
C-CEO and Group CEO	Clean CCS EBITDA
	CAPEX utilisation

Furthermore, Executive Board members with divisional responsibilities are assessed on a number of operative and financial measures reflecting annual priorities and the strategic direction of each business division within the framework of the Group’s long-term strategy.

Business line	KPI
Group Downstream	Clean CCS EBITDA
	CAPEX utilisation

	Downstream 2022 EBITDA impact
Group Exploration and Production	Clean CCS EBITDA
	CAPEX utilisation
	Production volume
	Direct Unit Production Cost
	General operating costs
Group Innovative Businesses and Services	Clean CCS EBITDA
	CAPEX utilisation
	Growth of Retail Non-Fuel margin
	Operating costs

### Non-financial KPIs:

Executive Board members are also accountable for non-financial targets alongside financial ones. Safety is a number one Group priority, which is why the Corporate Governance and Remuneration Committee consistently defines divisional SD&HSE-related performance indicators.

In 2018, MOL Group set the fulfillment of TRIR indicators of each business units, as this uniformly shows the commitment of the Group for conducting safe, sustainable and compliant operations at all times.

In line with MOL Group 2030 strategy, a culture development journey started in 2017. This was set as a performance target across the whole management of MOL Group cascaded from the L1 such that they act as a role model in living the corporate values, and accelerate the culture change.

### Short-term incentive results

The choice of the aforementioned performance measures reflects a desire from the Corporate Governance and Remuneration Committee to assess the participants based on a broad range of corporate and divisional measures that mirrors the corporate strategy and its related KPIs.

The results of the STI are 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 Corporate Governance and Remuneration Committee rigorously assesses performance at the end of the period and judges whether the results against the performance measures are a reflection of the underlying performance of MOL Group.

#### 5.2.2. Short term share program

#### Changes in 2018 regarding the Short Term Incentive system of the MOL Group Executive Board

The Board of Directors of MOL Plc. decided on 6 December 2017 that instead of their short-term incentive the top management can select a share ownership scheme in each year from 1<sup>st</sup> January 2018 which will be operated via a legal entity independent from MOL Plc., called MOL Plc. Employee Share Ownership Program Organization which in compliance with the provisions of the so-called Employee Share Ownership Program (Munkavállalói Rész tulajdonosi Program, 'MRP') legislation.

Program characteristics:

- ▶ Joining the program is voluntary.

- ▶ The basis of the entitlement is a certain number of shares equal to the short-term incentive entitlement of each manager converted to shares with the December average MOL Plc. share price before the target year (2017 December average share price).
- ▶ Period: the scheme starts on 1 January 2018 and lasts till 30 April 2019.
- ▶ Final payout is based on the overall performance evaluation, Corporate, Divisional and Individual payout rates.
- ▶ The payment is made in MOL shares. First payment in 2019 May.
- ▶ In case the payment might happen after the dividend ex-coupon date of the given year, dividend equivalent will be paid in the form of MOL shares together with the remuneration.

### **5.2.3. Long Term Incentive**

The purpose of the long-term incentive system is to drive and reward the delivery of sustainable value and to provide full alignment between MOL Group executive team and MOL shareholders.

The long-term incentive was reviewed in the last quarter of 2016 and the MOL Plc. Board of Directors decided to transform the current long term incentive programs to real share-based programs according to the provisions of MRP act on 13 October 2016. With this change, the programs can even better serve the further improvement of financial performance and efficiency in accordance with the corporate principles and the long term strategic objectives of MOL Group.

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

#### **a) Absolute Share Value Based Remuneration (former Stock Option)**

The basis of the remuneration is a share entitlement, which can be realized as a difference between a past strike price and a selected spot price. The incentive scheme has the following characteristics:

- ▶ It starts annually and covers a 4-year period. The incentive period can be split into a 1-year performance period, a 1-year vesting period and a 2-year exercising period. The share entitlement lapses if not exercised by 31 December of the last year of the exercising period.
- ▶ The value of the incentive is the difference between the strike price and a selected spot price for each unit of the entitlement.
- ▶ The strike price is defined before the performance period begins. The strike price is the average price of MOL Plc. shares weighted with the volume in HUF on the Budapest Stock Exchange in the last quarter of the year before the performance year.
- ▶ The spot price is the average price of MOL shares in HUF on the Budapest Stock Exchange on the day of redemption. The trading day is freely selected by the eligible manager however it is limited by applicable insider trading prohibitions.
- ▶ The share entitlement is defined based on the position grade, but the final share entitlement is based on the individual performance evaluation during the performance period. During the individual performance evaluation, an individual short-term bonus payout percentage (between 0% and 150%) is set which acts as a multiplier of the share entitlement.
- ▶ The payment of the entitlement is in shares or their cash equivalent. The value of the remuneration will be converted to shares based on the 30 days average MOL share price preceding the redemption date. In the case of cash-settlement the remuneration will be paid in Hungarian forints and will be transferred to that bank account number of the participant, to which the regular salary is paid by the employer of the Participant.

- ▶ Dividend equivalent: the final remuneration will be corrected with the value of the dividend per share paid for MOL Plc. shares in the vesting period after the performance period, in alignment with the share entitlement. The aim of the correction is to correct the long term incentive with the change of the share price caused by the dividend payment. The dividend equivalent is paid at redemption.

The final share entitlement is influenced also by the individual bonus payout percentage for the performance period:

Individual Bonus Payout %		% of Stock Options
0%	>	x0%
Between 1% and 149%	>	Based on individual bonus payout percentage
150%	>	x150%

Overview:

Stock Option	Strike Price	Exercise Period
2013	2,247 HUF	1 Jan 2015-31 Dec 2017
2014	1,824 HUF	1 Jan 2016-31 Dec 2018
2015	1,472 HUF	1 Jan 2017-31 Dec 2019
2016	1,669 HUF	1 Jan 2018-31 Dec 2020

Absolute Share Value Based Remuneration	Strike Price	Redemption Period
2017	2,352 HUF	1 Jan 2019-31 Dec 2020
2018	3,107 HUF	1 Jan 2020-31 Dec 2021

## b) Relative Market Index Based Remuneration (former Performance Share Plan)

The program is a 3-year share-based incentive using the MOL Plc. comparative share price methodology with the following characteristics:

- ▶ A new program starts in each year on a rolling scheme with a 3-year vesting period. Payments are due after the 3<sup>rd</sup> year.
- ▶ The target is the development of MOL's share price compared to relevant and acknowledged CEE regional and industry specific indexes: the CETOP Index and the Dow Jones Emerging Market Titans Oil & Gas 30 Index.
- ▶ MOL's share price performance is compared to the two above mentioned benchmark indices. Basis of the evaluation is the average difference in MOL's year-on-year (12 months) share price performance in comparison to the benchmark indices. Comparisons are made on a USD basis. There are defined payout ratios which are based on the measured difference in MOL's share price performance compared to the two indices, noticed in each year. Final payout ratio will be determined by the average of the three noticed payout ratios over the vesting period.
- ▶ The expected payout amount is additionally linked to individual short-term performance, as the potential payout is based on three years' individual factors in the annual performance evaluation for each participant. This ensures that constant individual over-performance on a

long-term basis is rewarded and the consequences of long term underperformance are managed.

- ▶ The basis of the remuneration is a share entitlement and will be paid in MOL Plc shares or in a form of cash settlement.

The following chart provides an overview about the former Performance Share Plan results for the 3-year programs completed after Long Term Incentive system revision in 2013:

PSP Plan	Payout Ratio
2013-2015	98.28%
2014-2016	180.99%
2015-2017	213.22%
2016-2018	154.62%

### Performance measures of the long-term incentive plans

The choice of the long-term incentive plans is linked to the share price and dividend payment reflecting the Board's strategic priority on reaching continuous and sustainable 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 CETOP and Dow Jones Emerging Market Titans Oil & Gas 30 Index reflects the fact that MOL competes for investor flows on a regional basis (Central and Eastern Europe) as well as with the global emerging market Oil & Gas sector. By applying these two indices, MOL's incentive system provides competitive remuneration to executives and future investors on regional and global oil and gas markets taken in broader meaning as well.

The Absolute Share Value Based Remuneration will be paid from 2019, the Relative Market Index Based Remuneration will be paid first in 2020 by the MRP organization.

### Other fringe benefits

MOL Group is offering standard benefits in-line with market practice for EB members. These include:

- Dedicated status car for both business and private purposes;
- life and accident insurance;
- travel insurance;
- liability insurance;
- annual health screening and special healthcare services.

## 5.3. Supervisory Board

### Remuneration of the members of the Supervisory Board

Members of the Supervisory Board receive **gross 4,000 EUR/month**, while the Chairman receives **gross 6,000 EUR/month**. In addition to this monthly fee, the Chairman of the Supervisory Board is entitled to receive **gross 1,500 EUR** for participation in each Board of Directors or Board Committee meeting, up to fifteen (15) times per annum. The Chairman of the Audit Committee is entitled to receive **gross 1,500 EUR** for participation in each Board Committee meeting, up to fifteen (15) times per annum.

Besides the monthly remuneration both the Chairman of the Supervisory Board and the members are entitled to receive further **1,500 EUR** 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 & accident (79,000 HUF/person/year) and travel (18,000 HUF/person/year) insurance. Besides, as a non-financial benefit an annual health screening (84,000 HUF/person/year) and an additional healthcare package (350,000 HUF/person/year) is available for the members of the Supervisory Board.

\* Rounded to 1000 HUF (In case of EUR, calculated based on January 25, 2018 exchange rate; source: [www.mnb.hu](http://www.mnb.hu))

## **6. Integrated corporate risk management function**

As operators in a high-risk industry we stay committed to professionally manage and maintain our risks within acceptable limits as per best industry practice.

The aim of MOL Group Risk Management is to keep the uncertainties of the business environment within acceptable levels and support stable and sustainable operations and the future growth and the resilience of the company.

MOL Group has developed a comprehensive Enterprise Risk Management (ERM) system as an integral part of its corporate governance structure which, considers the organisation's exposure to uncertainty in regard to value creation, meaning factors critical to the success and threats related to the achievement of objectives, also occurrence of incidents causing potential threat to people, assets, environment or reputation.

Within the ERM framework we identify, assess, evaluate, treat and monitor all significant risks throughout the whole Group, covering all group-level business and functional units, MOL Group companies as well as projects.

The risk management methodology applied by MOL is based on international standards and best practices.

In order to ensure effective risk management risks are managed (assess, evaluate, treat) by risk owners, who are managers responsible for supervising the existing control framework and implementation of defined risk mitigation actions in responsible organisations. Moreover, the group level business and functional units, specialised risk management functions, the Group Risk Management department, and the Management Committee, the Chief Executives Committee and the Board of directors, as well as its committees provide oversight and assurance on the comprehensive and group level application of the risk management framework as well as evaluation of it.

We consider risks on all time horizon.

During 2017 and 2018 we identified major long-term risks that may impact the MOL Group 2030 strategic objectives and detailed analysis and the related mitigation plans have been prepared. These risks include: E&P reserves sustainability, physical asset risk, market volatility, Execution of Strategic projects, Consumer Services Transformation, (Geo)Political and Regulatory Risk, Human Capital Deficit. At the same time, mid-term risks related to our business plans are assessed and managed over the full lifetime of assets, performed at business segment level and coordinated by the group-level risk management team.

As in previous years, the short-term risk profile of the company is regularly reviewed with main focus on the 1-year budget of MOL Group.

Regular reporting to top management provides oversight on top risks and assurance that updated responses, controls, and appropriate mitigation actions are set and followed, effectiveness of risk management is considered by the Executive Board as well as the Board of Directors and its respective Committees

## The main risk drivers of the Group

Risks are categorised to ensure effective risk reporting and consistent responses for similar or related risks.

### 6.1. Market and financial risks include, but are not limited to:

- ▶ **Commodity price risk:** MOL is exposed to commodity price risk on both the purchasing side and the sales side. The main commodity risks reflect the integrated business model with downstream processing more crude than our own production and selling refined products. We monitor this risk in order to support our strong financial position and capacity to fund operations and investments. When necessary, we consider commodity hedging to eliminate risks other than 'business as usual' risks or general market price volatility.
- ▶ **Foreign exchange (FX) risk:** MOL's current FX risk management policy is to monitor the FX risk, and to balance the FX exposures of the operating cash flow with the financing cash flow exposures when necessary and optimal
- ▶ **Interest rate (IR) risk:** According to risk management policy of MOL Group IR risk is continuously monitored and managed by the adequate mix of funding portfolio.
- ▶ **Credit risk:** MOL Group provides products and services to a diversified customer portfolio - both from business segment and geographical point of view – with a large number of customers representing an acceptable credit risk profile. MOL Group's risk management tracks these risks on a continuous basis, and provides support to the sales processes in accordance with MOL Group's sales strategy and ability to bear risk.

### 6.2. Operational risks include, but are not limited to:

- ▶ **Physical asset safety and equipment breakdown risk:** High asset concentration in Downstream is a significant risk driver. The potential negative effects are mitigated by comprehensive HSE activities and a group-wide insurance management program.
- ▶ **Crude oil supply risk:** Crude supply disruption is a major risk factor for the Downstream business, as it can hamper continuous operations. In order to mitigate this risk, supplies of crude oil via pipelines are currently diversified with regular crude cargo deliveries from the Adriatic Sea.
- ▶ **Cyber risk:** Cyber risk needs attention and effective management to ensure the company is able to monitor, detect and respond to cyber threats. MOL has adapted and changed the way it deals with cyber defence and cyber threats (people, process and technology): a clear vision and strategy has been set up to manage cyber incidents with end-to-end ownership and accountability.

### 6.3. Strategic risks include, but are not limited to:

- ▶ **Regulatory risk:** MOL has significant exposure to a wide range of laws, regulations, environmental and government policies that may change significantly over time. Government actions may be affected by the elevated risk of economic and, in some regions, political crisis, increasing their impact on MOL's operations.
- ▶ **Country risk:** The international exposure of MOL Group contributes to diversification but also exposure to country specific risk at the same time. Therefore we monitor the political risk and compliance with local regulations and international sanctions to keep country risk in our investment portfolio within acceptable limits.

- ▶ **Reputation risk:** MOL, as a major market player in the region, operates under special attention from a considerable number of stakeholders, and we are constantly seeking to meet our responsibilities towards them.
- ▶ **Climate change risk:** The effects of climate change have the potential to adversely impact MOL's current operations. As a response, MOL Group launched its 2030 Strategy as a response to the potentially decreasing demand for fossil fuels on the long term, primarily driven by a combination of new stricter regulations, electrification and digitalization of transportation, energy and fuel efficiency gains, as well as changes in consumer behaviour and advances in technology. MOL Group's transformational strategy meant to respond to these challenges by opening towards new innovative business lines and with increased investment in petrochemical value chain. Several measures have already been taken at group and divisional level in the past, and actions are ongoing. For more details, go to the Notes on Sustainability Performance.

### **Main risk management tools**

Risk Management tools applied by the Group is based on international standards and industry best practice. Enterprise Risk Management is a framework covering all business units and functional units, which ensures identification and analysis of risks that threaten the achievement of company objectives and the Group's financial performance as well as keeping those risks within acceptable level by taking mitigation actions as needed.

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 regularly by using a complex model based on advanced statistical methods, and are managed – if necessary - with hedging measures.

Transferring of the financial consequences of our operational risks is done by insurance management, which represents an important risk mitigation tool used to cover the most relevant exposures and liabilities arising out of our operations. Insurance is managed through a joint program for the whole group to exploit considerable synergy effects.

Following best industry practice and focusing on low probability high potential risks that could disrupt our operations, value chain and cash generation, MOL Group has implemented and is currently working to integrate a crisis management and business continuity program in order to reduce recovery times within tolerable limits for processes critical to our business.

### **7. Principles of prohibition of insider trading**

MOL Group is committed to the fair trade of securities admitted to public trading.

MOL Group employees are expected:

- ▶ not to acquire or dispose of MOL or other company's shares or other financial instruments for their own account or for the account of a third party, directly or indirectly, do not withdraw or modify orders related to the above financial instruments, do not give order or instruction for this, do not induce another person to do so and do not suggest or accept decisions connected to the above financial instruments, if they are in possession of insider information,
- ▶ not to disclose insider information to persons not belonging to MOL Group except they are empowered in writing to do is,
- ▶ to be careful when disclosing insider information even within the employees of MOL Group, to hand over information only in the possession of a permission and to the extent necessary to carry out work,
- ▶ to protect insider information from accidental disclosures to the public.

## **Corporate Governance Declaration on Compliance with the Corporate Governance Recommendations**

As part of the Corporate Governance Report, by completing the following tables, the company declares to what extent it applied in its own practice of corporate governance the recommendations and suggestions formulated in the different points of the Corporate Governance Recommendations (CGR) published by the Budapest Stock Exchange Ltd.

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

The Recommendations contain both recommendations that are binding for all issuers and non-binding proposals. Issuers may derogate both from binding recommendations and non-binding proposals. In the event of derogation from the recommendations, issuers are required to publish and justify the derogation in their corporate governance reports ('comply or explain'). This enables issuers to take industry and company-specific requirements into account. Accordingly, even issuers derogating from the recommendations can comply with corporate governance requirements under specific circumstances. Concerning the proposals, issuers should indicate whether they apply a given guideline or not, and they can also explain any derogation from the proposals.

The basic principle and purpose of the corporate governance report is to have companies give a report of their previous business year and to reveal the measure of their compliance with the Recommendations. The Recommendations may, however, include recommendations and proposals relating to events which did not occur at the issuer in the given period. In accordance with the current practice, these 'event type' questions can be answered with 'YES' also when the relevant event did not occur in the business year (for instance, no dividend was paid, or no shareholders' comments were received for the proposals to be submitted prior to the General Meeting) if the Company would have responded to the occurrences of such events as set forth in the Recommendations, in line with the provisions of its Articles of Association or its practices. In a situation like that, the solution that comes closest to the principle of transparent operation is for the issuer to select YES and also to add an explanation that though the event in question did not occur in the previous business year, there are appropriate mechanisms in place to handle it.

### **Level of compliance with the Recommendations**

The Company indicates whether it follows the relevant recommendation or not, and if not, briefly explains the reasons why it did not follow that specific recommendation.

1.1.1. Does the Company have an organisational unit dealing with investor relationship management, or a designated person to perform these tasks?

**Yes**

**No**

Explanation:

1.1.2. Is the Company's Articles of Association available on the Company's website?

**Yes**

**No**

Explanation:

1.1.4. If the Company's Articles of Association allow shareholders to exercise their rights in their absence, did the Company publish the methods and conditions of doing so, including all necessary documents?

**Yes**

**No**

Explanation: Shareholders may exercise their shareholder rights in the General Meeting through a Nominee and may also be represented through Proxy-card, the terms of which shall be published in the general meeting notice on the company's website. According to the Articles of Association of the Company, the participation at the General Meeting via electronic communication devices is not possible.

1.2.1. Did the Company publish on its website a summary document containing the rules applicable to the conduct of its General Meetings and to the exercise of voting rights by shareholders?

**Yes** **No**

Explanation:

1.2.2. Did the Company publish the exact date when the range of those eligible to participate in a given company event is set (record date), and also the last day when the shares granting eligibility for participating in a given company event are traded?

**Yes** **No**

Explanation:

1.2.3. Did the Company hold its General Meetings in a manner providing for maximum shareholder participation?

**Yes** **No**

Explanation:

1.2.6. The Company did not restrict the shareholders' right to designate a different representative for each of their securities accounts to represent them at any General Meeting. (Answer Yes, if not)

**Yes** **No**

Explanation:

1.2.7. For proposals for the agenda items, were the Board of Directors' draft resolution and also the Supervisory Board's opinion disclosed to the shareholders?

**Yes** **No**

Explanation:

1.3.3. The Company did not restrict the right of its shareholders attending a General Meeting to request information, add comments and submit proposals, or set any preconditions for these with the exception of some measures taken to conduct the General Meeting in accordance with the regulations and its function. (Answer Yes, if not)

**Yes** **No**

Explanation:

1.3.4. By answering the questions raised at the General Meeting, did the Company ensure compliance with the information provision and disclosure principles set out in legal and stock exchange regulations?

**Yes** **No**

Explanation:

1.3.5. Did the Company publish on its website within 3 working days following the General Meeting the answers to the questions that the representatives of the Company's boards or its auditor present at the General Meeting could not satisfactorily answer at the meeting, or an official statement explaining why it refrained from giving answers?

**Yes** **No**

Explanation: There was no such event in 2018.

1.3.7. Did the Chairman of the General Meeting order a recess or suggest that the General Meeting be postponed when a proposal or motion relating to a particular issue on the agenda was submitted which the shareholders hadn't had a chance to become familiar with before the General Meeting?

Yes

**No**

Explanation: There was no such event in 2018.

1.3.8.1. The Chairman of the General Meeting did not use a combined voting procedure for a decision related to electing and recalling executive officers and Supervisory Board members. (Answer Yes, if not)

Yes

**No**

Explanation:

1.3.8.2. For executive officers or Supervisory Board members, whose nominations were supported by shareholders, did the Company disclose the identity of the supporting shareholder(s)?

Yes

**No**

Explanation: There was no such event in 2018.

1.3.9. Prior to discussing agenda items concerning the amendment of the Articles of Association, did the General Meeting pass a separate resolution to determine whether to decide on each amendment of the Articles of Association by individual votes, joint votes, or votes combined in a specific way?

Yes

**No**

Explanation: There was no such event in 2018.

1.3.10. Did the Company publish the minutes of the General Meeting containing the resolutions, the description of the draft resolutions and any important questions and answers related to the draft resolutions within 30 days following the General Meeting?

Yes

**No**

Explanation:

1.5.1.1. Did the Board of Directors/Governing Board or a committee consisting of Board of Directors/Governing Board members establish guidelines and rules concerning the performance review and remuneration of the Board of Directors/Governing Board, the Supervisory Board and the management?

Yes

**No**

Explanation:

1.5.1.2. Were the tasks and the level of responsibility of each member, the rate of achievement of the Company's objectives and its economic/financial position taken into consideration for establishing performance-based remuneration for the members of the management?

Yes

**No**

Explanation:

1.5.1.3. Were the remuneration guidelines established by the Board of Directors/Governing Board or a committee consisting of Board of Directors/Governing Board members assessed by the Supervisory Board?

Yes

**No**

Explanation:

1.5.1.4. Were the guidelines (and any major changes thereof) for the remuneration of Board of Directors/Governing Board and Supervisory Board members approved by the General Meeting as a separate agenda item?

**Yes**

**No**

Explanation:

1.5.2.1. Does controlling the performance of and the establishment of the remuneration for the executive management fall within the competence of the Board of Directors/Governing Board?

**Yes**

**No**

Explanation:

1.5.2.2. Were the terms for extraordinary benefits provided to management members (and any major changes thereto) approved by the General Meeting in a separate agenda item?

**Yes**

**No**

Explanation:

1.5.3.1. Did the General Meeting approve the principles of the stock-based remuneration schemes?

**Yes**

**No**

Explanation:

1.5.3.2. Did shareholders receive detailed information before the General Meeting decided about the stock-based remuneration schemes (at least as specified in Section 1.5.3)?

**Yes**

**No**

Explanation:

1.5.4. Does the Company have a remuneration scheme in place which does not incentivize the staff to focus only on short-term maximisation of the share price?

**Yes**

**No**

Explanation:

1.5.5. Does Supervisory Board members receive a fixed-amount remuneration which does not include any elements linked to share price?

**Yes**

**No**

Explanation:

1.5.6. Did the Company prepare a report ('Remuneration Statement') for the owners about the remuneration principles relating to and containing the actual remuneration of Board of Directors/Governing Board, Supervisory Board and management members (with the content and the level of detail set out in industry regulations binding for the Company), and did the Company present it to the General Meeting? Did the Remuneration Statement present the remuneration of Board of Directors/Governing Board and Supervisory Board members, as well as the guidelines used to assess their activities and establish their remuneration? Did this information include the disclosure of the total remuneration for Board of Directors/Governing Board and Supervisory Board level, the details of all fixed and variable elements, any other remunerations as well as a presentation of the guidelines for the remuneration scheme and any major changes to those compared to the previous financial year?

**Yes**

**No**

**Explanation:** The company provided 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 published the cumulated sum of key management compensation as part of the annual financial statements, as well as the remuneration paid in cash and non-cash for the members of the

Board of Directors and Supervisory Board per person, in relation to this position, was published simultaneously with the annual general meeting announcement.

1.6.1.1. Do the Company's publication guidelines cover the procedures for electronic, online disclosure?

**Yes** **No**

Explanation:

1.6.1.2. Does the Company design its website by considering the aspects of disclosure and the informing of investors ?

**Yes** **No**

Explanation:

1.6.2.1. Does the Company have an internal publication policy in place which covers the processing of the information listed in Section 1.6.2 of the Recommendations document?

**Yes** **No**

Explanation:

1.6.2.2. Do the internal regulations of the Company cover the methods for the assessment of events judged to be important for publication?

**Yes** **No**

Explanation:

1.6.2.3. Did the Board of Directors/Governing Board assess the efficiency of the publication processes?

**Yes** **No**

Explanation:

1.6.2.4. Did the Company publish the findings of the efficiency assessment of the publication process?

**Yes** **No**

Explanation: The above practice has not been carried out by the company so far, in the absence of a recommendation.

1.6.3. Did the Company publish its annual company event calendar?

**Yes** **No**

Explanation:

1.6.4. Did the Company publish its strategy, business ethics and policies regarding other stakeholders?

**Yes** **No**

Explanation:

1.6.5. Did the Company publish the career information of Board of Directors / Governing Board, Supervisory Board and management members in its annual report or on the company website?

**Yes** **No**

Explanation:

1.6.6. Did the Company publish all relevant information about the work of the Board of Directors / Governing Board and the Supervisory Board, and the management, the assessments of these and the changes in the current year?

**Yes** **No**

Explanation:

1.6.7.1. Did the Company publish its remuneration guidelines in line with the recommendations set out in Section 1.5?

**Yes**

**No**

Explanation: The company provided detailed information on the remuneration principles of the Board of Directors, Supervisory Board and management in this Corporate Governance Declaration and at the same time on the Company's website. It also published 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, was published simultaneously with the annual general meeting announcement.

1.6.7.2. Did the Company publish its remuneration statement in line with the recommendations set out in Section 1.5?

**Yes**

**No**

Explanation: The company provided detailed information on the remuneration principles of the Board of Directors, Supervisory Board and management in this Corporate Governance Declaration and at the same time on the Company's website. It also published 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, was published simultaneously with the annual general meeting announcement.

1.6.8. Did the Company publish its risk management guidelines and information about its system of internal controls, the main risks and the principles for their management?

**Yes**

**No**

Explanation:

1.6.9.1. Did the Company publish its guidelines relating to the trading of its shares by insiders?

**Yes**

**No**

Explanation:

1.6.9.2. Did the Company disclose the share of the Board of Directors / Governing Board, Supervisory Board and management members in the securities issued by the Company, as well as the extent of their interest under the share-based incentive system in the annual report or in some other way?

**Yes**

**No**

Explanation:

1.6.10. Did the Company publish the relationship of Board of Directors / Governing Board, Supervisory Board and management members may have with third parties which could affect the operation of the Company?

**Yes**

**No**

Explanation:

2.1.1. Does the Company's Articles of Association contain clear provisions regarding the responsibilities and competences of the General Meeting and the Board of Directors / Governing Board?

**Yes**

**No**

Explanation:

2.2.1. Does the Board of Directors / Governing Board have a rules of procedure in place defining the organisational structure, the actions for arranging and conducting the meetings, and the tasks regarding the adopted resolutions, as well as other issues related to the operation of the Board of Directors / Governing Board?

**Yes** **No**  
Explanation:

2.2.2. Does the Company publish the procedure used for nominating Board of Directors / Governing Board members and the principles for determining their remuneration?

**Yes** **No**  
Explanation:

2.3.1. Does the Supervisory Board provide a detailed description of its operation and duties, as well as the administrative procedures and processes followed by it, in its rules of procedure and work plan?

**Yes** **No**  
Explanation:

2.4.1.1. Did the Board of Directors / Governing Board and the Supervisory Board hold meetings periodically at a predefined interval?

**Yes** **No**  
Explanation:

2.4.1.2. Do the rules of procedure of the Board of Directors / Governing Board and the Supervisory Board provide rules for the conduct of meetings that cannot be planned in advance, and for decision-making using electronic telecommunications means?

**Yes** **No**  
2.4.2.1. Did board members have access to the proposals to be presented at the meeting of the respective board at least five days prior to the meeting?

**Yes** **No**  
Explanation: According to the company's practice, the proposals are available to members 8 days prior to the board meetings. Shorter period can happen only in exceptional cases.

2.4.2.2. Did the Company arrange the proper conduct of the meetings, the drawing up of the meeting minutes and management of the resolutions made by the Board of Directors / Governing Board and the Supervisory Board?

**Yes** **No**  
Explanation:

2.4.3. Do the rules of procedure provide for the regular or ad hoc participation of non-board members at respective board's meetings?

**Yes** **No**  
Explanation:

2.5.1. Were the members of the Board of Directors / Governing Board and the Supervisory Board nominated and elected in a transparent process, and was the information about the candidates made public in due time before the General Meeting?

**Yes** **No**  
Explanation:

2.5.2. Does the composition and size of the boards comply with the principles set out in Section 2.5.2 of the Recommendations?

**Yes** **No**  
Explanation:

2.5.3. Did the Company ensure that the newly elected Board of Directors / Governing Board and Supervisory Board members became familiar with the structure and operation of the Company and their tasks to be carried out as members of the respective boards?

**Yes**

**No**

Explanation:

2.6.1. Did the Governing Board / Supervisory Board request (in the context of preparing the annual corporate governance report) its members considered to be independent to confirm their independence at regular intervals?

**Yes**

**No**

Explanation:

2.6.2. Does the Company provide information about the tools which ensure that the Board of Directors / Governing Board assesses objectively the management's activities?

**Yes**

**No**

Explanation:

2.6.3. Did the Company publish its guidelines concerning the independence of its Governing Board / Supervisory Board members and the applied independence criteria on its website?

**Yes**

**No**

Explanation:

2.6.4. The Supervisory Board of the Company does not have any members who has held a position in the Board of Directors or in the management of the Company in the previous five years, not including cases when they were involved to ensure employee participation?

**Yes**

**No**

Explanation: In 2018 there were two members of the Supervisory Board, who held any position in the Board of Directors or in the management of the Company in the previous five years.

2.7.1. Did members of the Board of Directors / Governing Board inform the Board of Directors / Governing Board and (if applicable) the Supervisory Board (or the Audit Committee if a uniform governance system is in place) if they, or individuals they have business relations with, or their relatives have interest in any business transactions of the Company (or any subsidiaries thereof) which excludes their independence?

**Yes**

**No**

Explanation:

2.7.2. Were transactions and assignments between members of boards/ members of the management/individuals closely associated with them and the Company/subsidiaries of the Company carried out in accordance with the Company's general business practice but applying more stringent transparency rules compared to general business practice, and were they approved?

**Yes**

**No**

Explanation:

2.7.3. Did board members inform the Supervisory Board / Audit Committee (Nominating Committee) if they had received an appointment for board membership or management position of a company not belonging to the Company Group?

**Yes**

**No**

Explanation: The members of the Board shall make a statement at their election regarding their corporate or management role in a company other than a company belonging to the Group.

According to the Charter of the Board of Directors, the Board of Directors informs the Corporate Governance and Remuneration Committee of the Board of Directors if he or she has received a membership or management membership request from a company not belonging to the Group. The Chairman of the Supervisory Board participates in the meetings of the Board of Directors as a permanent invitee .

According to the Charter of the Supervisory Board, a member of the Supervisory Board informs the Supervisory Board if he or she has received a membership or management membership request from a company not belonging to the group.

2.7.4. Did the Board of Directors / Governing Board develop guidelines for the flow of information and the management of insider information within the Company, and monitor compliance with them?

**Yes**

**No**

Explanation:

2.8.1. Did the Company create an independent internal audit function that reports directly to the Audit Committee / Supervisory Board?

**Yes**

**No**

Explanation:

2.8.2. Does Internal Audit have unrestricted access to all information necessary for carrying out audits?

**Yes**

**No**

Explanation:

2.8.3. Did shareholders receive information about the operation of the system of internal controls?

**Yes**

**No**

Explanation:

2.8.4. Does the Company have a function ensuring compliance (compliance function)?

**Yes**

**No**

Explanation:

2.8.5.1. Is the Board of Directors / Governing Board or a committee operated by it responsible for the supervision and management of the entire risk management of the Company?

**Yes**

**No**

Explanation:

2.8.5.2. Did the relevant organisation of the Company and the General Meeting received information about the efficiency of the risk management procedures?

**Yes**

**No**

Explanation:

2.8.6. With the involvement of the relevant areas, did the Board of Directors / Governing Board develop the basic principles of risk management taking into account the special idiosyncrasies of the industry and the Company?

**Yes**

**No**

Explanation:

2.8.7. Did the Board of Directors / Governing Board define the principles for the system of internal controls to ensure the management and control of the risks affecting the Company's activities as well as the achievement of its performance and profit objectives?

Yes

**No**

Explanation:

2.8.8. Did internal control systems functions report about the operation of internal control mechanisms and corporate governance functions to the competent board at least once a year?

Yes

**No**

Explanation:

2.9.2. Did the Board of Directors / Governing Board invite the Company's auditor in an advisory capacity to the meetings on financial reports ?

Yes

**No**

Explanation:

### **Level of compliance with the Proposals**

The Company must state whether it follows the relevant proposal included in the Corporate Governance Recommendations, or not (Yes / No). The Company can also explain any derogation from it.

1.1.3. Does the Company's Articles of Association provide an opportunity for shareholders to exercise their voting rights also when they are not present in person?

Yes

**No**

Explanation: Shareholders may exercise their shareholder rights in the General Meeting through a Nominee and may also be represented through a shareholder form (Proxy-card), the terms of which shall be published in the general meeting notice on the company's website. According to the Articles of Association of the Company, the participation at the General Meeting via electronic communication devices is not possible.

1.2.4. Did the Company determine the place and time of General Meetings initiated by shareholders by taking the initiating shareholders' proposal into account?

Yes

**No**

Explanation: No such General Meeting took place.

1.2.5. Does the voting procedure used by the Company ensure a clear, unambiguous and fast determination of voting results, and in the case of electronic voting, also the validity and reliability of the results?

Yes

**No**

Explanation:

1.3.1.1. Were the Board of Directors/Governing Board and the Supervisory Board represented at the General Meeting?

Yes

**No**

Explanation:

1.3.1.2. In the event the Board of Directors/Governing Board and the Supervisory Board was absent, was it disclosed by the Chairman of the General Meeting before discussion of the agenda began?

**Yes**

**No**

Explanation:

1.3.2.1. The Articles of Association of the Company does not preclude any individuals from receiving an invitation to the General Meetings of the Company at the initiative of the Chairman of the Board of Directors/Governing Board and being granted the right to express their opinion and to add comments there if that person's presence and expert opinion is presumed to be necessary or help provide information to the shareholders and help the General Meeting make decisions.(Answer Yes, if not)

**Yes**

**No**

Explanation:

1.3.2.2. The Articles of Association of the Company does not preclude any individual from receiving an invitation to the General Meetings of the Company at the initiative of shareholders requesting to supplement the agenda items of the General Meeting and from being granted the right to express their opinion and to add comments there. (Answer Yes, if not)

**Yes**

**No**

Explanation:

1.3.6. Does the annual report of the Company prepared as specified in the Accounting Act contain a brief, easy-to-understand and illustrative summary for shareholders, including all material information related to the Company's annual operation?

**Yes**

**No**

Explanation:

1.4.1. In line with Section 1.4.1, did the Company pay dividend within 10 working days to those of its shareholders who had submitted all the necessary information and documents?

**Yes**

**No**

Explanation: The dividend is 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.

1.6.11. Did the Company publish its information in English as well, in line with the provisions of Section 1.6.11?

**Yes**

**No**

Explanation:

1.6.12. Did the Company inform its investors about its operation, financial situation and assets on a regular basis, but at least quarterly?

**Yes**

**No**

Explanation:

2.9.1. Does the Company have in place internal procedures regarding the use of external advisors and outsourced activities?

**Yes**

**No**

Explanation: