

# **DECLARATION**

## **MOL Group Corporate Governance Report in accordance with**

### **Budapest Stock Exchange Corporate Governance Recommendations**

MOL 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 generation of exceptional value for MOL's shareholders and people.

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 both stock exchanges each year.

MOL's corporate governance practice meets the requirements of the regulations of the Budapest Stock Exchange, the recommendations of the Hungarian Financial Supervisory Authority and the relevant regulations of the Capital Market Act. MOL also subjects its policies to regular review to ensure that they take account of continually evolving international best practice in this area. MOL's Corporate Governance Code containing the main corporate governance principles of the Company has been adopted in 2006 and has been updated in 2010. This Code summarises its approach to shareholders' rights, main governing bodies, remuneration and ethical issues. The Corporate Governance Code has been published on the homepage of the Company.

In 2011 MOL Group, the only Central & East European company to be in the running, has qualified for the SAM Gold Class based on its performance in the field of corporate sustainability. This was announced in The Sustainability Yearbook edited by SAM (Sustainable Asset Management) which conducts the performance research and analysis for the Dow Jones Sustainable Index. The 2,500 largest global companies, based on the Dow Jones Stock Market Index, are invited to undergo the research. The independent assessors examine the three dimensions of sustainability: long-term economic, social and environmental performance. Accordingly, the top 15% of companies from 58 business sectors are selected to appear in the Yearbook. MOL Group received the Bronze qualification in the last year, as well as being selected as the best "Sector Mover". All the good work performed last year enabled the company to enter the SAM Gold Class category. To qualify for the SAM Gold Class, the SAM Sector Leader must achieve a minimum total score of 75%. Peer group companies whose total scores are within 5% of the SAM Sector Leader also enter the SAM Gold Class. This year out of 113 global oil companies, 68 were examined in detail with 17 being selected to appear in the Yearbook of which 8 entered the Golden Class category. According to SAM's assessment, the Corporate Governance practice of MOL is outstanding, and its result is above the industry average. The evaluation criteria consisted several topics, e.g. board structure, corporate governance policies or transparency.

### **Board of Directors**

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

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

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

The principles, policies and goals take account of the Board's specific and unique relationship with MOL's shareholders, the executive management and the Company. The composition of the Board reflects this with the majority (eight of eleven members) made up of non-executive directors. At present, 8 members of the Board of Directors qualify as independent on the basis of its own set of criteria (based on NYSE and EU recommendations) and the declaration of directors.

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

Zsolt Hernádi, Chairman-CEO	non-independent
Dr. Sándor Csányi, Vice Chairman	independent
Mulham Al-Jarf	independent
Dr. Miklós Dobák	independent
Dr. Gábor Horváth	independent
Zsigmond Járai *	independent
József Molnár	non-independent
György Mosonyi	non-independent
Dr. László Parragh *	independent
Iain Paterson	independent
Dr. Martin Roman *	independent

\*Before Zsigmond Járai, Dr. László Parragh and Dr. Martin Roman, until 29 April 2010 László Akar, Miklós Kamarás and Dr. Ernő Kemenes were the members of the Board of Directors.

## Operation of the Board of Directors

The Board acts and makes resolutions as a collective body.

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

The Board Charter covers:

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

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

The Board of Directors prepares a formal evaluation of its own performance (the Committees evaluate their performance as well) and it reviews continuously its activity on a yearly basis.

## Report of the Board of Directors on its 2010 activities

In 2010, the Board of Directors held 6 meetings with an average attendance rate of 86%. Alongside regular agenda items, such as reports by the Committees' chairmen on the activities pursued since the last Board meeting, update on key strategic issues or an overview of capital market developments, the Board of Directors also individually evaluates the performance of each of the company's business units.

The Board of Directors respectively paid highlighted attention to the treatment of the significantly changed external environment, the financial, operation and efficiency improvement challenges regarding INA consolidation and the strategy update process. MOL continuously adjusts its operation to the external environment and became more international, more efficient and more upstream driven in the recent years. MOL not just remained committed to keep its financial stability but continued the key development projects, hereby established an outstanding position for the upturn period in each business division.

The Company's key task for the coming years is to maximize the value of its extended portfolio by harmonizing the operation and exploiting the synergies.

## Committees of the Board of Directors

The Board operates committees to increase the efficiency of the Board's operations, and to provide the appropriate professional background for decision making. These Committees have the right to approve preliminary resolutions concerning issues specified in the Decision-making and Authorities List, which sets out the division of authority and responsibility between the Board and the executive management.

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

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

The Board allocates responsibilities to the various Committees as follows:

### **Corporate Governance and Remuneration Committee:**

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

- Dr. Sándor Csányi – Chairman, 17 November 2000
- Zsolt Hernádi, 8 September 2000
- Dr. Gábor Horváth, 8 September 2000
- Dr. Martin Roman, 29 April 2010 \*
- Mulham Al-Jarf, 23 April 2008

\* Before Dr. Martin Roman until 29 April 2010 Miklós Kamarás was the member of the Corporate Governance and Remuneration Committee.

Responsibilities:

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

### **Finance and Risk Management Committee:**

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

- Dr. Miklós Dobák – Chairman, 25 October 2002
- Zsigmond Járai, 29 April 2010 \*
- Iain Paterson, 8 September 2000

\* Before Zsigmond Járai until 29 April 2010 Dr. Ernő Kemenes and László Akar were the members of the Finance and Risk Management Committee.

Responsibilities:

- review of financial and related reports,
- monitoring the efficiency of the internal audit system,
- review of planning, scope and results of the audit,
- oversight of the risk management,
- monitoring the liquidity position of the Company, the financial and operational risks as well as the methodology and strategy of management thereof, review the operation of Enterprise Risk Management (ERM) system,
- ensuring the independence and objectivity of the external auditor.

### **Sustainable Development Committee:**

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

- György Mosonyi – Chairman, 29 June 2006
- Dr. László Parragh, 29 April 2010
- Iain Paterson, 29 June 2006

\* Before Dr. László Parragh until 29 April 2010 Dr. Ernő Kemenes was the member of the Sustainable Development Committee.

Responsibilities:

- control of the operation under long-term economic, environmental and social aspects,
- evaluation of objectives and results regarding sustainable development,
- supervision of the non-financial (sustainability) chapter and the audit process of the annual report,
- accountability for sustainability performance of business divisions and subsidiaries.

### **Report of the Corporate Governance and Remuneration Committee on its 2010 activities**

In 2010, the Corporate Governance and Remuneration Committee held 6 meetings with a 85% average attendance rate. 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.

### **Report of the Finance and Risk Management Committee on its 2010 activities**

In 2010, the Finance and Risk Management Committee held 5 meetings with a 100% average attendance rate. In addition to the regular items on the agenda, including the audit of all public financial reports, providing assistance with the auditor's work and the regular monitoring of internal audit, the Committee reviewed the major risk factors of the Company, considering the changed international financial position and the status reports on risk management actions attached to these factors. The Committee provides for duties of Slovnaft a.s Audit Committee.

### **Report of the Sustainable Development Committee on its 2010 activities**

In 2010, the Sustainable Development Committee held 4 meetings with a 100% attendance rate. The Committee evaluated the accomplishment of the actions in 2010, formed opinion on Sustainable Development Report and decided on 2011 directions and targets. The Committee considered with highlighted attention the achieved results of the Dow Jones Sustainability Evaluation and reports of business units.

### **Relationship between the Board and the Executive Management**

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

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

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

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

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

The Executive Board (EB) members are:

Zsolt Hernádi	Chairman-CEO (C-CEO)
György Mosonyi	Group Chief Executive Officer (GCEO)
József Molnár	Group Chief Financial Officer (GCFO)
Zoltán Áldott	Executive Vice President, Exploration and Production, President of the Management Board, INA d.d.
Ferenc Horváth	Executive Vice President, Refining and Marketing
József Simola	Executive Vice President, Corporate Centre
Oszkár Világi *	Chief Executive Officer, Slovnaft a.s.

\* From 1<sup>st</sup> April, 2010.

In 2010, the Executive Board held 46 meetings and discussed 11 issues on a meeting on average.

## Incentives provided for Board of Directors

To ensure uniformity and transparency, in addition to fixed remuneration, MOL operates an incentive scheme for directors, which supports commitment of the participants and by taking the Company's profitability into consideration can ensure that the interests of the participants in the compensation program can coincide with those of the shareholders.

The basis of the effective incentive scheme for directors was approved by the Annual General Meeting (AGM) on 23rd April 2009.

### Elements of the incentive scheme:

- **Profit sharing incentive system (based on value added methodology)**

From January 2009, the incentive system changed from convertible bond program to a value added, profit sharing incentive system.

The annual incentive of the Board Members will be determined according to an economic value added methodology. The Economic Value Added will recognize performance as a result on top of the cost of capital invested.

The incentive will consist of two parts: an absolute part (recognizing the performance only of the given year) and an incremental part (recognizing the performance of the given year compared to the average of the previous years).

The profit sharing based incentive system supports the commitment of the participants, thus the methodology will reward the Board Members for increasing shareholder value on long-term and as a sustainable improvement.

The new incentive system applies to non-executive and executive Board members as well.

- **Fixed remuneration:** In addition to the Profit sharing incentive as of 1st January 2009, directors are provided with the following fixed net remuneration, following each AGM:

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

### Other benefits

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) they travel to Hungary for.

## Incentive system for the top management

The incentive system for the top management from 2010 included the following elements:

1. Incentive (bonus)

The maximum bonus amount is 40-100% of the annual base salary, paid in cash on the basis of the evaluation following the AGM. The elements of the incentive system include:

- a) Corporate and division level key financial indicators (e.g. ROACE, operating cash-flow, lost time injury frequency, CAPEX efficiency, unit production, processing, operating, logistics costs, etc.).
- b) Particular individual targets related to the responsibilities of the particular manager in the given year.

## 2. Relative performance incentive

The basis of the relative incentive is 10% of the annual base wage, and is determined on the basis of rank of manager-specific performance ratings.

## 3. Complex long term managerial incentive system

The complex long term managerial system which changes and supplements the previous, solely stock option based system, has been implemented uniformly in the Company as of 1<sup>st</sup> January 2010.

Purpose of the new incentive system is the implementation of a new and outstanding, long-term incentive system for top managers which corresponds to the incentive system of the members of the Board of Directors and keeps management's long term interest in the increase of the MOL stock price.

Two incentives employed parallel in the new system:

50% Incentive based on option + 50% Profit-sharing incentive

Main characteristics of the two incentives:

### a) Incentive stock option

Purpose of the incentive: to create the long-term interest of MOL Group management in the increase of MOL stock price. The incentive stock option is a material incentive disbursed in cash, calculated based on call options concerning MOL shares; it is determined as a gross benefit. Cycle time: 5 year periods (2 year long waiting period and 3 year long redemption period) starting annually.

### b) Profit sharing incentive

The Profit-sharing incentive incites the long-term, sustainable increase of profitability, based on the value added methodology, thus ensuring that the interest of the participants of the incentive system corresponds with that of shareholders of MOL Plc .

The Profit-sharing incentive is a cash-paid annual net bonus calculated on the basis of the increase of the value added. (Value added: recognises a profit performance generated on top of the cost of capital invested).

Since the base of the determination of one unit of the profit-sharing incentive for the given year is the audited financial statement for the given year approved by the AGM (MOL Plc.), the incentive should be disbursed following the AGM (MOL Plc.) summoned to close the given year .

## Other Fringe Benefits

These include company cars (also used for private purposes), life insurance, accident insurance, travel insurance, liability insurance, and an annual medical check up.

## Supervisory Board

The Supervisory Board is responsible for monitoring and supervising the Board of Directors on behalf of the shareholders. In accordance with MOL's Articles of Association, the maximum number of members is nine (present membership is nine). In accordance with Company Law, 1/3 of the members shall be representatives of the employees, accordingly three members of the MOL Supervisory Board are employee representatives with the other six external persons appointed by the shareholders.

The members of the Supervisory Board and their independence status:

Dr. Mihály Kupa, Chairman	independent
Lajos Benedek	non-independent (employee representative)
John I. Charody	independent
Dr. Attila Chikán, Deputy Chairman	independent
Slavomír Hatina	independent
Attila Juhász	non-independent (employee representative)
Sándor Lámfalussy Prof	independent
József Kohán	non-independent (employee representative)
István Töröcskei *	independent

\* Before István Töröcskei, until 29 April 2010 István Vásárhelyi was the member of the Supervisory Board.

The chairman of the Supervisory Board will be the permanent invitee to the meetings of the Board of Directors and the Finance and Risk Management Committee.

Regular agenda points of the Supervisory Board include the quarterly report of the Board of Directors on company's operations and the reports of Internal Audit and Corporate Security. In addition, the Supervisory Board reviews the proposals for the Annual General Meeting. The Supervisory Board reviews its annual activity during the year.

In 2010 the Supervisory Board held 5 meetings with an 83% attendance rate.

### **Remuneration of the members of the Supervisory Board**

The General Meeting held on April 27, 2005 approved a new remuneration scheme for the Supervisory Board. Under the new scheme, the members of the Supervisory Board receive remuneration of EUR 3,000/month, while the Chairman of the Supervisory Board receives remuneration of EUR 4,000/month. In addition to this monthly fee, the Chairman of the Supervisory Board is entitled to receive EUR 1,500 for participation in each Board of Directors or Board Committee meeting, up to 15 times per annum.

### **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 opinion on the report as prescribed by the Accounting Act,
- proposal for the auditor and its remuneration,
- preparation of the agreement with the auditor,
- monitoring the compliance of the conflict of interest rules and professional requirements applicable to the auditor, co-operation with the auditor, and proposal to the Board of Directors or to the Supervisory Board on measures to be taken, if necessary,
- evaluation of the operation of the financial reporting system, proposal on necessary measures to be taken, and
- providing assistance to the operation of the Supervisory Board for the sake of supervision of the financial reporting system.

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

- John I. Charody, 27 April, 2006
- Dr. Attila Chikán 27 April, 2006
- Dr. Mihály Kupa 27 April, 2006

and in case of long-term incapacitation of any of the permanent members, Sándor Lámfalussy Prof.

### **Report of the Audit Committee on its 2010 activities**

In 2010, the Audit Committee held 5 meetings with an 87% average attendance rate. In addition to the regular items on the agenda, including the audit of all public financial reports, providing assistance with the auditor's work and the regular monitoring of Internal Audit, the Committee reviewed the major risk factors of the Company,

considering the changed international financial position and the status reports on risk management actions attached to these factors. The Committee continuously monitored the Company's financial position in particular with regard to the impacts caused by the crisis. The Committee reviewed the materials of the Annual General Meeting (i.e. financial reports, statements of the Auditor).

## **Integrated corporate risk management function**

It is an accentuated aim for Risk Management to deal with all of the external challenges (including new industry-specific taxes) in order to support the stable and sustainable financial position of MOL. Therefore it is a necessity to have an effective and comprehensive risk management as a prerequisite tool of good corporate governance. MOL Group can state that it has developed risk management function as an integral part of its corporate governance structure. This was confirmed by SAM Research AG again in its 2010 benchmarking report for Dow Jones Sustainability Index that ranked MOL's risk management as one of the best in class with 88% performance, 28 percentage points above the sector's average underlying MOL's well-defined responsibility for risk and crisis management, our extensive risk definitions, the applications of risk mapping, quantification, stress testing and sensitivity analysis for all financial and non-financial risks and our well-defined risk response strategy.

### **Multi-pillar system for managing a broad variety of risks**

Incorporation of the broadest variety of risks into one long-term, comprehensive and dynamic system is arranged by **Enterprise Risk Management (ERM)** on group level for all division. ERM integrates financial, market and operational risks along with a wide range of strategic and reputation risks. Following identification, different classes of risks are quantified using a unified methodology. The time horizon of the model emphasises long term view (according to strategic horizons): up to 10 years and even beyond, when analysing the variability of net present values. The ERM process identifies the most significant risks to the performance of the company (both on divisional and on group levels) and calls for a decision to be made regarding which risks should be retained and which should be mitigated and how. Some of the risks are managed centrally, while some are dealt with the divisions, overseen by nominated risk owners. Risk Management regularly controls the realization of these risk mitigation actions – in a form of quarterly required reports from the risk owners.

The main role of **Financial Risk Management (FRM)** as part of the ERM is to handle short-term, market related risks. Commodity price, FX and interest rate risks are measured by using a complex model based on the Monte Carlo simulation (which takes into account portfolio effects as well) and are managed – if necessary - with risk mitigation tools (such as swaps, forwards and options). This function concentrates on a 12-month time horizon. Reports on compliance with limits linked to strategic and financial objectives of the Group are compiled for the senior management on a monthly basis whereby mitigation action plans are proposed by Risk Management on an ad-hoc basis when required.

Transferring of excess operational risks is done by **Insurance Management (IM)**. It means purchase of insurance, which is an important risk mitigation tool used to cover the most relevant operational and liability exposures. The major insurance types are: Property Damage, Business Interruption, Liability, and Control of Well Insurance. Due to the peculiarity of the insurance business major tasks of this function are set around a yearly cycle (i.e. annual renewal of most insurance programs). Since insurance is managed through a joint program for the whole group (including MOL, INA, Slovnaft, TVK, IES and Slovnaft Petrochemicals), MOL Group is able to exploit considerable synergy effects.

**Business Continuity Management (BCM)** is the process of preparing for unexpected disruptions that have low probability for occurrence but high impact. Business Continuity Plans (BCP) and Crisis Management (CM) processes, Incident Management, Disaster Recovery and other risk control programs (like regular engineering reviews) are crucial in such a business like MOL Group's where operational risk exposure is significant as a result of the chemical and physical processes underlying most of the operations. The quality of both BCP and CM is often measured in financial terms when dealing with insurance agencies during policy placements and regular renewals, and consequently may decrease insurance costs..

Last year the whole oil and gas industry felt the aftermath of the oil spill in the Gulf of Mexico. In the meantime a red sludge flood in Hungary further increased the importance of operational safety and the liability issue towards environment and civil society. Both these events demonstrated that in spite of disposing insurance programs, operating risks have knock-on effect on a company's financial position and reputation. At MOL we made immediate steps in reconciling the status of operational risks in the Enterprise Risk Management (ERM) framework with current experiences and lessons learned. Together with that we re-validated our insurance program together with the Business Continuity Management (BCM) including Business Continuity Plans (BCP) that is supported by defined Crisis Management and Incident Management processes.

## **External auditors**

The MOL Group was audited by Ernst & Young in both 2010 and 2009, excluding INA Group and Energopetrol (audited by Deloitte in both years) and the operating company of the Fedorovsky Block and (audited by

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

Ernst & Young also provided other services to MOL Plc. Summary of the fees paid to the auditors in 2010 and 2009 are as follows (HUF mn):

	2010	2009
Audit fee for MOL plc (including audit fee for interim financial statements)	156	156
Audit fee for subsidiaries	427	425
Other non-audit services	73	10
Tax advisory services	90	40
Total	746	631

Other non-audit services in 2010 included primarily the comfort letter issued with respect to the issuance of MOL's EUR 750M bond and various due diligence and valuation services. The Board of Directors does not believe that non-audit services provided by Ernst & Young compromised their independence as auditors.

## Relationship with the shareholders, insider trading

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 the Annual Report and Accounts and the quarterly results reports, as well as other public announcements made through the Budapest Stock Exchange (primary exchange) and the Warsaw Stock Exchange. Regular and extraordinary announcements are published on PSZÁF (Hungarian Financial Supervisory Authority) publication site and on MOL's homepage. 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 shareholders and holders of MOL's Global Depository Receipts. 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.

In 2010 MOL participated in 8 roadshows and investor conferences (3 US and 5 European) having over 220 meetings with potential and existing shareholders. A 2 day Investor and Analyst day was organised in Croatia (Pula), where our key financial investors and analysts participated. 8 top managers hold presentations on MOL Group's growth opportunities focusing on the key projects of upstream and downstream divisions. An offshore platform visit to an exploration and a production platform were organised for the participants as well. In 2010, MOL issued EUR 750 million fixed rate note and participated on a European roadshow afterwards.

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 Annual report). Extensive information is also made available on MOL's website ([www.mol.hu](http://www.mol.hu)), which has a dedicated section for shareholders and the financial community.

MOL Group is committed to the fair marketing of publicly-traded securities. Insider dealing in securities is regarded as a criminal offence in most of the countries in which MOL Group carries out business. Therefore, we require not only full compliance with relevant laws, but also the avoidance of even the appearance of insider securities trading and consultancy.

MOL Group requests from its employees, in line with the laws and MOL's insider trading regulation, that they:

- should not buy or sell shares in MOL Group or any other company while in possession of insider information.
- should not disclose insider information to anyone outside the company, without prior approval.
- should be careful, even with other MOL Group employees, should disclose insider information to a co-worker if they have permission to do so and to the extent it is necessary to do their job.
- should protect insider information from accidental disclosure.

## **Exercise of shareholders' rights, general meeting participation**

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

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

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

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

In accordance with the Company Act 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, and may submit resolution proposals with respect to the points of the agenda. The conditions to participate in the general meeting are published in the invitation to the general meeting. Invitations to the general meeting are published on company homepage according to the Articles of Association. The ordinary general meeting is usually held in late April, in line with the current regulation.

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

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

## 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 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.

### Level of compliance with the Recommendations

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

R 1.1.1 The Managing Body ensured that shareholders received access to information in time to enable them to exercise their rights.

Yes (Complies)

No (Please explain)

R 1.1.2 The company applies the "one share - one vote" principle.

Yes (Complies)

No (Please explain)

*"B" series share is a voting preference share held by Hungarian State Holding Company presently. Par value of "A" series shares is HUF 1,000, while the par value of "C" series shares is HUF 1,001, but the rights attached to these shares, taking into account the different par value, are identical. Currently all "C" series shares are held by MOL.*

*According to the Articles of Associations, no shareholder or shareholder group 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. This voting limitation was approved by a general meeting held in 1995 and since that time all of our investors purchased shares knowing this limitation.*

R 1.2.8 The company ensures that shareholders must meet the same requirements in order to attend at the general meeting.

Yes (Complies)

No (Please explain)

R 1.2.9 Items on the general meeting agenda only include subjects which are correctly detailed and summarized clearly and unambiguously.

Yes (Complies)

No (Please explain)

The proposals included the suggestions of the Supervisory Board and a detailed explanation of the effects of the decision.

Yes (Complies)

No (Please explain)

*The proposals included the explanation of the effects of the decision. Though the Supervisory Board analyses all proposals, which fall within the exclusive scope of authority of the Company's General Meeting, it submits written report only on the proposal on the annual report and the distribution of the profit after taxation.*

R 1.2.10 Shareholders' comments on and supplements to the items on the agenda were published at least two days prior to the general meeting.

Yes (Complies)

No (Please explain)

*In 2010, there were no shareholders' comments on the items on the agenda before the AGM.*

R 1.3.8 Comments on the items of the agenda were made available to shareholders simultaneously with registration at the latest.

Yes (Complies)

No (Please explain)

Written comments made on the items on the agenda were published two working days prior to the general meeting.

Yes (Complies)

No (Please explain)

*In 2010, there were no shareholders' comments on the items on the agenda before the AGM.*

R 1.3.10 The election and dismissal of executives took place individually and by separate resolutions.

Yes (Complies)

No (Please explain)

R 2.1.1 The responsibilities of the Managing Body include those laid out in 2.1.1.

Yes (Complies)

No (Please explain)

R 2.3.1 The Managing Body held meetings regularly, at times designated in advance.

Yes (Complies)

No (Please explain)

The Supervisory Board held meetings regularly, at times designated in advance.

Yes (Complies)

No (Please explain)

The rules of procedure of the Managing Body provide for unscheduled meetings and decision-making through electronic communications channels.

Yes (Complies)

No (Please explain)

The rules of procedure of the Supervisory Board provide for unscheduled meetings and decision-making through electronic communications channels.

Yes (Complies)

No (Please explain)

R 2.5.1 The Management Board of the company has a sufficient number of independent members to ensure the impartiality of the board.

Yes (Complies)

No (Please explain)

R 2.5.4 At regular intervals (in connection with the CG Report) the Managing Body requested a confirmation of their independent status from those members considered independent.

Yes (Complies)

No (Please explain)

R 2.5.5 At regular intervals (in connection with the CG Report) the Supervisory Board requested a confirmation of their independent status from those members considered independent.

Yes (Complies)

No (Please explain)

R 2.5.7 The company disclosed on its website the guidelines on the independence of the Managing Body and the Supervisory Board, as well as the criteria applied for assessing independence.

Yes (Complies)

No (Please explain)

R 2.6.1 Members of the Managing Body informed the Managing Body (Supervisory Board/Audit Committee) if they (or any other person in a close relationship to them) had a significant personal stake in a transaction of the company (or the company's subsidiary).

Yes (Complies)

No (Please explain)

R 2.6.2 Transactions between board and executive management members (and persons in close relationship to them) and the company (or its subsidiary) were conducted according to general rules of practice of the company, but with stricter transparency rules in place.

Yes (Complies)

No (Please explain)

Transactions which according to 2.6.2, fell outside the normal course of the company's business, and their terms and conditions were approved by the Supervisory Board (Audit Committee).

Yes (Complies)

No (Please explain)

*According to MOL's practice, these transactions are approved by the Board of Directors, with the simultaneous notification to the chairman of the Supervisory Board (who is the chairman of the Audit Committee as well).*

- R 2.6.3 Board members informed the Supervisory Board/Audit Committee if they received an offer of Board membership or an offer of an executive management position in a company which is not part of the company group.

Yes (Complies)

No (Please explain)

*Board members declare at the time of their appointment, if they have Board membership or an executive management position in a company which is not part of the company group. According to the charter of the Board of Directors, a member of the Board of Directors informs the Board of Directors, if he/she receives an offer of Board membership or an offer of an executive management position in a company which is not part of the company group. Chairman of the Supervisory Board participates in Board meetings as permanent invitee.*

- R 2.6.4 The Managing Body established its guidelines on information flow within the company and the handling of insider information, and monitored compliance with those guidelines.

Yes (Complies)

No (Please explain)

The Managing Body established its guidelines regarding insiders' trading in securities and monitored compliance with those guidelines.

Yes (Complies)

No (Please explain)

- R 2.7.1 The Managing Body formulated remuneration guidelines regarding the evaluation and remuneration of the work of the Managing Body, the Supervisory Board and the executive management.

Yes (Complies)

No (Please explain)

The Supervisory Board formed an opinion on the remuneration guidelines.

Yes (Complies)

No (Please explain)

The guidelines regarding the remuneration for the Managing Body and the Supervisory Board and the changes in those guidelines were approved by the general meeting, as a separate item on the agenda.

Yes (Complies)

No (Please explain)

- R 2.7.2 The Managing Body prepared an evaluation of the work it carried out in the given business year.

Yes (Complies)

No (Please explain)

The Supervisory Board prepared an evaluation of the work it carried out in the given business year.

Yes (Complies)

No (Please explain)

- R 2.7.3 It is the responsibility of the Managing Body to monitor the performance of and determine the remuneration for the executive management.

Yes (Complies)

No (Please explain)

The frameworks of benefits due to members of the executive management that do not represent normal practice, and the changes in those benefits were approved by the general meeting as a separate agenda item.

Yes (Complies)

No (Please explain)

- R 2.7.4 The structure of share-incentive schemes were approved by the general meeting.

Yes (Complies)

No (Please explain)

Prior to the decision by the general meeting on share-incentive schemes, shareholders received detailed information (at least according to those contained in 2.7.4).

Yes (Complies)

No (Please explain)

R 2.7.7 The Remuneration Statement was prepared by the company and submitted to the general meeting.

Yes (Complies) No (Please explain)

*The company provides detailed information on the remuneration principles of the Board of Directors, Supervisory Board and management in the corporate governance chapter of the annual report. It also publishes the cumulated sum of key management compensation as part of the annual financial statements, as well as the remuneration as paid in cash and non-cash for the members of the Board of Directors and Supervisory Board per person is published simultaneously with the annual general meeting announcement.*

The Remuneration Statement includes information about the remuneration of individual members of the Managing Body, the Supervisory Board, and the executive management.

Yes (Complies) No (Please explain)

*The company provides detailed information on the remuneration principles of the Board of Directors, Supervisory Board and management in the corporate governance chapter of the annual report. It also publishes the cumulated sum of key management compensation as part of the annual financial statements, as well as the remuneration as paid in cash and non-cash for the members of the Board of Directors and Supervisory Board per person is published simultaneously with the annual general meeting announcement.*

R 2.8.1 The Managing Body or the committee operated by it is responsible for monitoring and controlling the company's entire risk management.

Yes (Complies) No (Please explain)

The Managing Body requests information on the efficiency of risk management procedures at regular intervals.

Yes (Complies) No (Please explain)

The Managing Body took the necessary steps to identify the major risk areas.

Yes (Complies) No (Please explain)

R 2.8.3 The Managing Body formulated the principles regarding the system of internal controls.

Yes (Complies) No (Please explain)

The system of internal controls established by the executive management guarantees the management of risks affecting the activities of the company, and the achievement of the company's performance and profit targets.

Yes (Complies) No (Please explain)

R 2.8.4 When developing the system of internal controls, the Managing Body took into consideration the viewpoints included in 2.8.4

Yes (Complies) No (Please explain)

R 2.8.5 It is the duty and responsibility of the executive management to develop and maintain the system of internal controls.

Yes (Complies) No (Please explain)

R 2.8.6 The company created an independent Internal Audit function which reports to the Audit Committee.

Yes (Complies) No (Please explain)

The Internal Audit reported at least once to the Audit Committee on the operation of risk management, internal control mechanisms and corporate governance functions.

Yes (Complies) No (Please explain)

R 2.8.7 The internal audit activity is carried out by the Internal Audit function based on authorisation from the Audit Committee.

Yes (Complies) No (Please explain)

*The Internal Audit reports to the Financial and Risk Management Committee, with the simultaneous notification to the Audit Committee. The Audit Committee carries out works set in the Company Act.*

As an organisation, the Internal Audit function is independent from the executive management.

Yes (Complies) No (Please explain)

R 2.8.8 The Internal Audit schedule was approved by the Managing Body (Supervisory Board) based on the recommendation of the Audit Committee.

Yes (Complies) No (Please explain)

R 2.8.9 The Managing Body prepared its report for shareholders on the operation of internal controls.

Yes (Complies) No (Please explain)

The Managing Body developed its procedures regarding the receipt, processing of reports on the operation of internal controls, and the preparation of its own report.

Yes (Complies) No (Please explain)

R 2.8.11 The Managing Body identified the most important deficiencies or flow in the system of internal controls, and reviewed and re-evaluated the relevant activities.

Yes (Complies) No (Please explain)

R 2.9.2 The Managing Body, the Supervisory Board and the Audit Committee were notified in all cases when an assignment given to the auditor may have resulted in significant additional expense, caused a conflict of interest, or affected normal business practices significantly in any other way.

Yes (Complies) No (Please explain)

R 2.9.3 The Managing Body informed the Supervisory Board of any assignment given to the external auditor or an external advisor in connection with any event which held significant bearing on the operations of the company.

Yes (Complies) No (Please explain)

The Managing Body pre-determined in a resolution what circumstances constitute "significant bearing".

Yes (Complies) No (Please explain)

R 3.1.6 On its website, the company disclosed duties delegated to the Audit Committee, the Nomination Committee and the Remuneration Committee, as well as the committees' targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).

Yes (Complies) No (Please explain)

R 3.2.1 The Audit Committee monitored the efficiency of risk management, the operation of internal controls, and the activity of the Internal Audit.

Yes (Complies) No (Please explain)

R 3.2.3 The Audit Committee received accurate and detailed information on the work schedule of the Internal Auditor and the independent auditor, and received the auditor's report on problems discovered during the audit.

Yes (Complies) No (Please explain)

R 3.2.4 The Audit Committee requested the new candidate for the position of auditor to submit the disclosure statement according to 3.2.4

Yes (Complies) No (Please explain)

R 3.3.1 There is a Nomination Committee operating at the company.

Yes (Complies) No (Please explain)

*The Corporate Governance and Remuneration Committee manages issues related to the composition of the Board of Directors and the Supervisory Board. Therefore at the following questions on Nomination Committee, MOL makes declaration on the Corporate Governance and Remuneration Committee.*

R 3.3.2 The Nomination Committee provided for the preparation of personnel changes.

Yes (Complies)

No (Please explain)

The Nomination Committee reviewed the procedures regarding the election and appointment of members of the executive management.

Yes (Complies)

No (Please explain)

The Nomination Committee evaluated the activity of board and executive management members.

Yes (Complies)

No (Please explain)

The Nomination Committee examined all the proposals regarding the nomination of board members which were submitted by shareholders or the Managing Body.

Yes (Complies)

No (Please explain)

R 3.4.1 There is a Remuneration Committee operating at the company.

Yes (Complies)

No (Please explain)

*The works of the Remuneration Committee are carried out by the Corporate Governance and Remuneration Committee. Therefore at the following questions on Remuneration Committee, MOL makes declaration on the Corporate Governance and Remuneration Committee.*

R 3.4.2 The Remuneration Committee made a proposal for the system of remuneration for the boards and the executive management (individual levels and the structure of remuneration), and carries out its monitoring.

Yes (Complies)

No (Please explain)

R 3.4.3 The remuneration of the executive management was approved by the Managing Body based on the recommendation of the Remuneration Committee.

Yes (Complies)

No (Please explain)

The remuneration of the Managing Body was approved by the general meeting based on the recommendation of the Remuneration Committee.

Yes (Complies)

No (Please explain)

The Remuneration Committee also monitored the share option, cost reimbursement and other benefits in the remuneration system.

Yes (Complies)

No (Please explain)

R 3.4.4 The Remuneration Committee made proposals regarding remuneration guidelines and the remuneration of individual persons.

Yes (Complies)

No (Please explain)

The Remuneration Committee reviewed the terms and conditions of contracts concluded with the members of the executive management.

Yes (Complies)

No (Please explain)

The Remuneration Committee ascertained whether the company fulfilled its disclosure obligations regarding remuneration issues.

Yes (Complies)

No (Please explain)

R 3.4.7 The majority of the members of the Remuneration Committee are independent.

- |  |                       |                     |
|--|-----------------------|---------------------|
|  | <u>Yes (Complies)</u> | No (Please explain) |
|--|-----------------------|---------------------|
- R 3.5.1 The Managing Body disclosed its reasons for combining the Remuneration and Nomination Committees.
- |  |                       |                            |
|--|-----------------------|----------------------------|
|  | <u>Yes (Complies)</u> | <u>No (Please explain)</u> |
|--|-----------------------|----------------------------|
- Since 2003, MOL's corporate governance practice has been rated by several international corporate governance rating and advisory firm. None of the rating firms have commented the combination of the remuneration and nomination committee functions.*
- R 3.5.2 The Managing Body carried out the duties of the Remuneration and Nomination Committees and disclosed its reasons for doing so.
- |  |                       |                            |
|--|-----------------------|----------------------------|
|  | <u>Yes (Complies)</u> | <u>No (Please explain)</u> |
|--|-----------------------|----------------------------|
- The duties of the Remuneration and Nomination Committees were carried out by the Corporate Governance and Remuneration Committee.*
- R 4.1.1 In its disclosure guidelines, the Managing Body established those principles and procedures which ensure that all relevant information about the operations of the company and circumstances influencing its share price are disclosed and made available accurately, in a timely fashion and in full.
- |  |                       |                     |
|--|-----------------------|---------------------|
|  | <u>Yes (Complies)</u> | No (Please explain) |
|--|-----------------------|---------------------|
- R 4.1.2 The company ensured in its disclosure activities that all shareholders and market participants were treated equally.
- |  |                       |                     |
|--|-----------------------|---------------------|
|  | <u>Yes (Complies)</u> | No (Please explain) |
|--|-----------------------|---------------------|
- R 4.1.3 The company's disclosure guidelines include the procedures governing electronic, on-line disclosure.
- |  |                       |                     |
|--|-----------------------|---------------------|
|  | <u>Yes (Complies)</u> | No (Please explain) |
|--|-----------------------|---------------------|
- The company develops its website taking into consideration disclosure guidelines and the provision of information to investors.
- |  |                       |                     |
|--|-----------------------|---------------------|
|  | <u>Yes (Complies)</u> | No (Please explain) |
|--|-----------------------|---------------------|
- R 4.1.4 The Managing Body assessed the efficiency of disclosure processes.
- |  |                       |                     |
|--|-----------------------|---------------------|
|  | <u>Yes (Complies)</u> | No (Please explain) |
|--|-----------------------|---------------------|
- R 4.1.5 The company published its corporate events calendar on its website.
- |  |                       |                     |
|--|-----------------------|---------------------|
|  | <u>Yes (Complies)</u> | No (Please explain) |
|--|-----------------------|---------------------|
- R 4.1.6 In the annual report and on the website of the company, the public was informed about the company's corporate strategy, its main business activities, business ethics and its policies regarding other stakeholders.
- |  |                       |                     |
|--|-----------------------|---------------------|
|  | <u>Yes (Complies)</u> | No (Please explain) |
|--|-----------------------|---------------------|
- R 4.1.8 In the annual report the Managing Body disclosed the character and size of any other assignments given by the company or its subsidiaries to the auditing firm responsible for auditing the financial statements.
- |  |                       |                     |
|--|-----------------------|---------------------|
|  | <u>Yes (Complies)</u> | No (Please explain) |
|--|-----------------------|---------------------|
- R 4.1.9 In the annual report and on the website the company discloses information on the professional career of the members of the Managing Body, the Supervisory Board and the executive management.
- |  |                       |                     |
|--|-----------------------|---------------------|
|  | <u>Yes (Complies)</u> | No (Please explain) |
|--|-----------------------|---------------------|
- R 4.1.10 The company provided information on the internal organisation and operation of the Managing Body and the Supervisory Board and on the criteria considered when evaluating the work of the Managing Body, the executive management and the individual members thereof.
- |  |                       |                     |
|--|-----------------------|---------------------|
|  | <u>Yes (Complies)</u> | No (Please explain) |
|--|-----------------------|---------------------|

*The company provided information on the internal organisation and operation of the Managing Body and the Supervisory Board and on the criteria considered when evaluating the work of the Managing Body, the executive management. However, there was no information on the criteria considered when evaluating individual members.*

R 4.1.11 In the annual report and in the Remuneration Statement on the company's website, the company informed the public about the applied remuneration guidelines, including the remuneration and fees provided for members of the Managing Body, the Supervisory Board and the executive management.

Yes (Complies)

No (Please explain)

*The company provides detailed information on the remuneration principles of the Board of Directors, Supervisory Board and management in the corporate governance chapter of the annual report. It also publishes the cumulated sum of key management compensation as part of the annual financial statements, as well as the remuneration as paid in cash and non-cash for the members of the Board of Directors and Supervisory Board per person is published simultaneously with the annual general meeting announcement.*

R 4.1.12 The Managing Body disclosed its risk management guidelines, including the system of internal controls, the applied risk management principles and basic rules, as well as information about major risks.

Yes (Complies)

No (Please explain)

R 4.1.13 In order to provide market participants with information, the company publishes its report on corporate governance at the same time that it publishes its annual report.

Yes (Complies)

No (Please explain)

R 4.1.14 The company discloses its guidelines governing insiders' trading in the company's securities on its website.

Yes (Complies)

No (Please explain)

The company published in the annual report and on its website ownership in the company's securities held by the members of the Managing Body, the Supervisory Board and the executive management, as well as any interests held in share-incentive schemes.

Yes (Complies)

No (Please explain)

R 4.1.15 In the annual report and on its website, the company disclosed any relationship between members of the Managing Body and the executive management with a third party, which might have an influence on the operations of the company.

Yes (Complies)

No (Please explain)

## Level of compliance with the Suggestions

The company should indicate whether the relevant suggestion of the CGR is applied or not ( Yes / No )

S 1.1.3 The company has an investor relations department.

Yes No

S 1.2.1 The company published on its website the summary document regarding the conducting of the general meeting and the exercise of shareholders' rights to vote (including voting via proxy)

Yes No

S 1.2.2 The company's articles of association are available on the company's website.

Yes No

S 1.2.3 The company disclosed on its website information according to 1.2.3 (on the record date of corporate events).

Yes No

S 1.2.4 Information and documents according to 1.2.4 regarding general meetings (invitations, proposals, draft resolutions, resolutions, minutes) were published on the company's website.

Yes No

S 1.2.5 The general meeting of the company was held in a way that ensured the greatest possible shareholder participation.

Yes No

S 1.2.6 Additions to the agenda were published within 5 days of receipt, in the same manner as the publication of the original invitation for the general meeting.

Yes No

*In 2010, there were no shareholders' comments on the items on the agenda before the AGM.*

S 1.2.7 The voting procedure applied by the company ensured unambiguous, clear and fast decision making by shareholders.

Yes No

S 1.2.11 At the shareholders' request, the company also provided information on the general meeting electronically.

Yes No

S 1.3.1 The identity of the chairman of the general meeting was approved by the company's general meeting prior to the discussion of the items on the agenda.

Yes No

S 1.3.2 The Managing Body and the Supervisory Board were represented at the general meeting.

Yes No

S 1.3.3 The company's articles of association render possible that at the initiation of the chairman of the Managing Body or the shareholders of the company, a third party be invited to the company's general meeting and be granted the right of participation in the discussion of the relevant items on the agenda.

Yes No

S 1.3.4 The company did not prevent shareholders attending the general meeting from exercising their rights to request information, make comments and proposals, and did not set any pre-requisites to do so.

Yes No

*The company has not made any further requirements above those set by the law.*

S 1.3.5 The company published on its website within three days its answers to those questions which it was unable to answer satisfactorily at the general meeting. Where the company declined to give an answer it published its reasons for doing so.

Yes No

*The company answered the questions related to the items of the agenda during the general meeting.*

S 1.3.6 The chairman of the general meeting and the company ensured that in answering the questions raised at the general meeting, national laws and regulations of the Stock Exchange pertaining to disclosure were complied with.

Yes No

S 1.3.7 The company published a press release and held a press conference on the decisions passed at the general meeting.

Yes No

S 1.3.11 The company's general meeting decided on the different amendments of the articles of association in separate resolutions.

Yes No

S 1.3.12 The minutes of the general meeting containing the resolutions, the presentation of draft resolutions, as well as the most important questions and answers regarding the draft resolutions were published by the company within 30 days of the general meeting.

Yes No

S 1.4.1 The dividend was paid within 10 days to those shareholders who had provided all the necessary information and documentation.

Yes No

*The dividend was paid on the starting day of dividend payment to those shareholders who had provided all the necessary information and documentation. Following this date, dividend is paid monthly to those shareholders providing the necessary documentation.*

S 1.4.2 The company disclosed its policy regarding anti-takeover devices.

Yes No

S 2.1.2 The rules of procedure define the composition of the Managing Body and all procedures and protocols for the preparation and holding of meetings, the drafting of resolutions and other related matters.

Yes No

S 2.2.1 The rules of procedure and the work schedule of the Supervisory Board gives a detailed description of its operation and duties, as well as procedures and processes which the Supervisory Board followed.

Yes No

S 2.3.2 Board members had access to the proposals of a given meeting at least five days prior to the board meeting.

Yes No

S 2.3.3 The rules of procedure regulate the regular or occasional participation at board meetings of persons who are not members of the boards.

Yes No

S 2.4.1 The election of the members of the Managing Body took place in a transparent way, information on candidates was made public at least five days prior to the general meeting.

	<u>Yes</u>	No
S 2.4.2	The composition of boards and the number of members complies with the principles specified in 2.4.2	
	<u>Yes</u>	No
S 2.4.3	Newly elected, non-executive board members were able to familiarize themselves with the structure and operations of the company, as well as their duties as board members through a tailored induction programme.	
	<u>Yes</u>	No
S 2.5.2	The separation of the responsibilities of the Chairman of the Managing Body from those of the Chief Executive Officer has been outlined in the basic documents of the company.	
	<u>Yes</u>	No
S 2.5.3	The company has published a statement about the means it uses to ensure that the Managing Body gives an objective assessment of the executive management's work where the functions of Chairman and CEO are combined.	
	Yes	<u>No</u>
	<i>[However, the operation of the management is assessed by the Corporate Governance and Remuneration Committee. The chairman and the majority of committee members are independent.]</i>	
S 2.5.6	The company's Supervisory Board has no member who held a position in the Managing Body or the executive management of the company in the three years prior to his nomination.	
	<u>Yes</u>	No
S 2.7.5	The development of the remuneration system of the Managing Body, the Supervisory Board and the executive management serves the strategic interests of the company and thereby those of the shareholders.	
	<u>Yes</u>	No
S 2.7.6	In the case of members of the Supervisory Board, the company applies a fixed amount of remuneration and does not apply a remuneration component related to the share price.	
	<u>Yes</u>	No
S 2.8.2	The Managing Body developed its risk management policy and regulations with the cooperation of those executives who are responsible for the design, maintenance and control of risk management procedures and their integration into the company's daily operations.	
	<u>Yes</u>	No
S 2.8.10	When evaluating the system of internal controls, the Managing Body took into consideration the aspects mentioned in 2.8.10	
	<u>Yes</u>	No
S 2.8.12	The company's auditor assessed and evaluated the company's risk management systems and the risk management activity of the executive management, and submitted its report on the matter to the Audit Committee.	
	Yes	<u>No</u>
	<i>The company's auditor receives regular information on the risk management system and the risk management operations, and it can follow and monitor these activities. During the audit process the audit reviews and analyses the risk management system and the efficiency of the risk management operations for its own purposes, but it does not issue a report on such audits to any external party (e.g. Audit Committee).</i>	
S 2.9.1	The rules of procedure of the Managing Body, the Supervisory Board and the committees cover the procedure to be followed when employing an external advisor.	
	<u>Yes</u>	No

S 2.9.4 The Managing Body may invite the company's auditor to participate in those meetings where it debates general meeting agenda items.

Yes No

S 2.9.5 The company's Internal Audit function co-operated with the auditor in order to help it successfully carry out the audit.

Yes No

S 3.1.2 The chairmen of the Audit Committee, Nomination Committee, Remuneration Committee (and any other committees operating at the company) regularly inform the Managing Body about the meetings of the committee, and the committees prepared at least one report for the Managing Body and the Supervisory Board in the given business year.

Yes No

S 3.1.4 The company's committees are made up of members who have the capabilities, professional expertise and experience required to perform their duties.

Yes No

S 3.1.5 The rules of procedure of committees operating at the company include those aspects detailed in 3.1.5

Yes No

S 3.2.2 The members of the Audit Committee were fully informed about the accounting, financial and operational peculiarities of the company.

Yes No

S 3.3.3 The Nomination Committee prepared at least one evaluation for the chairman of the Managing Body on the operation of the Managing Body and the work and suitability of the members of the Managing Body.

Yes No

*There was an evaluation on the operation of the Board of Directors and some (but not each) individual members in 2010.*

S 3.3.4 The majority of the members of the Nomination Committee are independent.

Yes No

S 3.3.5 The rules of procedure of the Nomination Committee includes those details contained in 3.3.5

Yes No

S 3.4.5 The Remuneration Committee prepared the Remuneration Statement.

Yes No

*The company provides detailed information on the remuneration principles of the Board of Directors, Supervisory Board and management in the corporate governance chapter of the annual report. It also publishes the cumulated sum of key management compensation as part of the annual financial statements, as well as the remuneration as paid in cash and non-cash for the members of the Board of Directors and Supervisory Board per person is published simultaneously with the annual general meeting announcement.*

S 3.4.6 The Remuneration Committee exclusively consists of non-executive members of the Managing Body.

Yes No

S 4.1.4 The disclosure guidelines of the company at least extend to those details contained in 4.1.4

Yes No

The Managing Body informed shareholders in the annual report on the findings of the investigation into the efficiency of disclosure procedures.

Yes

No

S 4.1.7 The company's financial reports followed IFRS guidelines.

Yes

No

S 4.1.16 The company also prepares and releases its disclosures in English.

Yes

No