

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

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

In 2015 the Supervisory Board held 5 meetings with a 91% attendance rate.

Remuneration of the members of the Supervisory Board

Until May 1, 2015 the members of the Supervisory Board received remuneration of EUR gross 3,000/month, while the Chairman of the Supervisory Board received remuneration of EUR gross 4,000/month. From May 1, 2015 members receive EUR gross 4,000/month, while the Chairman receives EUR gross 6,000/month. In addition to this monthly fee, the Chairman of the Supervisory Board is entitled to receive gross EUR 1,500 for participation in each Board of Directors or Board Committee meeting, up to 15 times per annum. The Chairman of the Audit Committee is entitled to receive gross EUR 1,500 for participation in Board Committee meeting, up to 15 times per annum.

Besides the monthly remuneration the both Chairman of the Supervisory Board and the members are entitled to receive further EUR 1,500 for each extraordinary meeting that is held in addition to the scheduled annual meetings. This remuneration is provided maximum two times a year.

Other benefits

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

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 super-

vising the financial report regime, in selecting an auditor and in working with the auditor;

- ▶ 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 appointment (professional backgrounds of members are available on Company homepage):

- ▶ Dr. Attila Chikán - Chairman, 27 April, 2006
- ▶ John I. Charody, 27 April, 2006
- ▶ István Töröcskei 1 May, 2011*
- ▶ Dr.sc. Žarko Primorac (as alternate member) – acting from 29 April, 2015**

* István Töröcskei's mandate expired on 28 April, 2015

** As mandate of István Töröcskei expired on 28 April, 2015, Dr.sc. Žarko Primorac, as alternate Audit Committee member, has been invited to the Audit Committee until the AGM elects a new permanent Audit Committee member.

Report of the Audit Committee on its 2015 activities

In 2015, the Audit Committee held 5 meetings with a 100% average attendance rate. In addition to the regular items on the agenda, including the audit of all public financial reports, providing assistance 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 position 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).

INTEGRATED CORPORATE RISK MANAGEMENT FUNCTION

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

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

The main risk drivers of the Group are the following:

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

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

Main risk management tools

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

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

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

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

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

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

Decision-making support of capital allocation

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