

# **Code of Corporate Governance**

## **“MOTOR OIL (HELLAS) S.A.”**

### **DISCLAIMER**

*The code set out hereunder describes the “best practices” in the area of corporate governance followed by the Company with regard to fundamental aspects of its operation. In cases of future changes in the institutional and regulatory framework, the Company’s Board of Directors will revise/amend this code with a view to improving the methods of Company Corporate Governance and Control, with obvious benefits in terms of performance, attainment of Company objectives and the promotion of the interests of management, employees, shareholders, investors and creditors. The present code with the indication “January 2016” constitutes the fourth revision of the initial code approved by the Board of Directors of the Company in March 2011.*

### **A. BOARD OF DIRECTORS**

The Board of Directors is the Company’s highest administrative body and may comprise from eight (8) up to twelve (12) members elected by the Shareholders’ General Assembly for a one – year term. Members of the Board of Directors may be shareholders or not, as well as “MOTOR OIL (HELLAS) S.A.” executives. Board of Directors members may be re-elected indefinitely without restriction and may be freely recalled. Immediately after its election by the General Assembly, the Board is organized as a Body Corporate and appoints its Chairman, up to two (2) Vice-Chairmen and the Managing Director. Independent Board members are elected by the General Assembly of the Shareholders.

The Chairman presides over Board meetings and, in cases he is absent or cannot attend, he is substituted for by either one of the Vice-Chairmen, while when both the latter are absent or cannot attend, they are substituted for by any member appointed by the Board of Directors. The Chairman, the Vice-Chairmen and the Managing Director may always be re-elected.

According to the Company Memorandum & Articles of Association of “MOTOR OIL (HELLAS) S.A.”, the Board of Directors is entitled to deliberate on any affair, matter, deed or action pertaining to the administration of the Company in general or to the management of Company property, to represent the Company in all its relations and transactions with third parties and to take any action that exploits its goals, including the granting to third parties of Company guarantees on behalf of affiliated or related companies, with the exception of only those matters that, according to the provisions of the Law or the Company Memorandum & Articles of Association, fall within the jurisdiction of the General Assembly. The responsibility of all Board of Directors members for the management of “MOTOR OIL (HELLAS) S.A.” is limited to the carrying out of their duties and expires each year following the approval of the financial statements by the General Assembly and their discharge from any relevant liability.

### **Corporate Governance “Best Practice” followed by** **MOTOR OIL (HELLAS) S.A.**

The Company opts to maintain a Board with a number of Directors greater than the required minimum of 8 so that a wide array of knowledge, skills and expertise is represented at it and a balance, pursuant to the provisions of the legal framework and to the degree that this is feasible, between the number of executive and the number of non-executive members is secured.

Out of the eleven (11) Company Directors comprising the present Board, one is Chairman and Managing Director while another is Executive Vice-Chairman.

The choice of the Company to maintain a Board with a number of Directors closer to the top end of the membership range provided by its Articles of Association has proved beneficial over time as regards the efficient and uninterrupted operation of the BoD. Due to business developments and changes in the Company organization chart subsequent changes in the composition of the Board and/or re-definitions of the Directors' roles become necessary. The present Board consists of six (6) executive members and five (5) non-executive members – two (2) of which are independent.

Each time a change in the composition of the Board takes place, the BoD is re-organized as a body corporate and the Company's Approval Authorities and Signature Authorities are re-defined according to the provisions of the Internal Company Rules<sup>1</sup> that are also amended and adapted to the new circumstances.

The fact that the Chairman of the Board also carries out the duties of Managing Director does not influence the operation of the BoD since, as mentioned earlier, in cases he is absent or cannot attend a meeting, he is substituted for by the Vice-Chairman, while at the same time there are two Deputy Managing Directors that are executive members of the Board.

The opinion of the Chairman and Managing Director carries particular weight in relation to the nominations of the individuals proposed for election by the General Assembly as BoD members. The final decision on the election of the candidates as BoD members rests with the free judgement of the shareholders present and lawfully represented at the General Assembly.

## **B. EXECUTIVE MANAGEMENT & BoD REMUNERATION POLICY**

According to the Articles of Association of "MOTOR OIL (HELLAS) S.A.", the Board may assign the exercise of all or part of its authorities and duties, with the exception of those calling for collective action, to Committees established by the BoD.

The Remuneration Committee is one of the two committees operating within the framework of the Board of Directors of "MOTOR OIL (HELLAS) S.A." to which the latter has assigned duties with regard to staffing and remuneration in order to ensure that executive management and Board members are compensated in a manner consistent with the Company's remuneration policy, the competition, the regulatory framework in place for labor issues and the interests of the shareholders.

The Company Articles of Association also provide that any compensation to the members of the Board for their services under this capacity is only allowed following a decision by the Annual Ordinary General Assembly of Company shareholders.

### **Corporate Governance "Best Practice" followed by MOTOR OIL (HELLAS) S.A.**

The operation of the Remuneration Committee at MOTOR OIL (HELLAS) S.A. dates back to 1996. The Committee consists of three (3) non-executive Board members of which two (2) are non –

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<sup>1</sup> Internal document functioning in a manner complementary to the provisions of the Articles of Association of the Company. It was compiled for first time in the context of the listing of MOTOR OIL shares on the Athens Exchange pursuant to the provisions of the Greek Corporate Governance Law 3016/2002. It is amended whenever the circumstances dictate so (i.e. changes in the Company organization chart, changes in the composition of the Board) and it is approved by the Company's Board.

executive independent. The non-executive Board member is Chairman of the Remuneration Committee.

The absolute level of executive management remuneration is determined as a function of a number of parameters such as the level of responsibility, seniority, performance and Company benefits. As a general policy the Company strives for the creation of a working environment that encourages long-term staying and provides incentives for business decision making oriented toward the maximization of shareholder value on a timely basis. Moreover, in 2010 the Company entered into a Directors and Officers Public Liability insurance contract for the protection of its personnel for any liability against third party damages.

Remuneration increases for the executive management team members who are also executive Board members fall within the general salary policy of the Company and are determined by the Remuneration Committee based on guidelines provided to it by the Board.

The effectiveness of the above practice regarding remuneration adopted by the Company is evident by the development of the aggregate compensation amount of the executive management of “MOTOR OIL (HELLAS) S.A.” for which the investment public becomes knowledgeable through the relevant note of the annual financial statements of each year.

The Company does not offer its employees and executive management additional bonuses on a regular basis and it does not implement an incentive policy in the form of stock options.

The compensation to the Directors for their services in their capacity as BoD members is paid following a decision by the Annual Ordinary General Assembly of Company shareholders and since the fiscal year 2003 it has remained unchanged to Euro 16,000 per annum for every executive and to Euro 19,000 per annum for every non-executive Board member. The compensation amount is not related to the number of meetings the Board convenes during the year.

Today, four (4) out of the six (6) executive Board members occupy a salaried position within the Company. The Chairman & Managing Director and the Executive Vice-Chairman do not receive any remuneration apart from the set compensation of Euro 16,000 per annum approved by the Annual Ordinary General Assembly of Company shareholders.

### **C. GENERAL ASSEMBLY MEETINGS – SHAREHOLDER/INVESTOR RELATIONS**

The General Assembly Meetings of “MOTOR OIL (HELLAS) S.A.” take place in accordance with the provisions of the Law 3884/2010 (Government Gazette A’ 168/24.9.2010). The General Assembly of the Shareholders is the Company’s highest authoritative body and is entitled to deliberate on every Company affair or matter. Specifically, the Company Articles of Association provide that the General Assembly is the only body corporate that is entitled to deliberate on issues such as, indicatively but not exhaustively, amendments to the Company Articles of Association, election of BoD members, any increase or decrease of the Company share capital, appointment of Certified Public Accountants, approval of annual financial statements and distribution of Company earnings, issuance of bonds and bond loans (in cases of common bond loans –non convertible that is - the responsibility may rest and on the Board of Directors provided the decision is taken with a majority of at least two thirds (2/3) of its total number of its members) . Participation in the General Assembly Meeting does not require the prior blocking of shares. Shareholder status is verified through a relevant certificate issued by “Hellenic Central Securities Depository” (HCSD) and by means of the electronic file listing all shareholders entitled to participate and vote at the General Assembly meeting which MOTOR OIL (HELLAS) S.A. receives from the HCSD.

The General Assembly is at a quorum and lawfully transacts its business on the issues on the agenda insofar as those present or represented at the meeting comprise at least 1/5 of the paid up share capital

of the Company. If such a quorum is not attained, a Repeat Meeting is convened within twenty days that is considered at quorum and lawfully transacts its business on the issues of the original agenda regardless of the percentage of attendees. Decisions on the items of the agenda require simple majority of those shareholders present or represented.

According to the Company Memorandum & Articles of Association, for decisions involving 1) change of nationality, 2) change of business activity, 3) increase in shareholder obligations, 4) increase of Company share capital, 5) decrease of Company share capital, 6) issuance of a convertible bond loan, 7) change in earnings distribution policy, 8) merger/split/extension of lifetime/dissolution of the Company, 9) amendment of the Company Articles of Association, the Assembly convenes lawfully insofar as present or represented in it are shareholders representing 2/3 of Company paid up share capital. In case such a quorum is not attained, a first Repeat General Assembly meeting is called that is considered being at quorum if 50% of the Company paid up share capital is represented in it. If neither this quorum is attained, a second Repeat General Assembly meeting is called that is considered being at quorum if 20% of Company paid up share capital is represented in it. Voting at General Assembly meetings takes place in an open/overt manner; nevertheless the General Assembly may opt for a secret vote prior to voting on any particular issue. Each share carries the right to one vote. The General Assembly makes its decisions on the basis of absolute majority of present and represented shareholders. Specifically on issues requiring increased quorum, the General Assembly decides on the basis of 2/3 majority of present and represented shareholders.

The Company's Corporate Announcements & Shareholder Office undertakes to carry out all tasks relating to the preparation of the General Assembly Meetings (publication of the invitation, sending/collection of transcripts of representation, receipt and editing of the electronic list of those shareholders entitled to participate and vote, updating the Company website and posting of comments by the Board of Directors on the agenda topics, posting on the Company website of minority rights according to article 39, § 2, 2a, 4 and 5 of Codified Law 2190/1920) as well as the update on the decisions of General Assembly Meetings (quorum at Meetings, vote outcomes per topic, electronic transmission of announcements to be posted onto the organized stock exchange market website and their posting onto the Company website, submission of Meeting minutes to the supervisory authorities).

### **Corporate Governance “Best Practice” followed by MOTOR OIL (HELLAS) S.A.**

MOTOR OIL (HELLAS) S.A. strives to serve its shareholders in the best possible manner in order to facilitate their widest possible attendance and representation at the General Assembly Meetings.

The quorum attained at the last five Annual Ordinary General Meetings (years 2011 – 2015) ranged between 67.55% and 73.70%. This fact has particular significance considering that the free float of the Company is approximately 51 %.

Contributing factors to the above developments have been, firstly, the adoption of the “Proxy Voting Form” that the Company is making available through its website and, secondly, the postal dispatch of the invitation to the General Assembly approximately one month prior to the day of the Meeting together with the Annual Financial Report provided in article 4 of Law 3556/2007 to those shareholders that hold at least 3,000 Company shares according to the electronic records received from the “HCSD” on the postage date.

Lacking a relevant provision in the Articles of Association of the Company, electronic or remote participation and voting at the General Assembly Meeting or a likely Repeat Meeting are not feasible. Likewise, due to a lack of any relevant provision in the Articles of Association, the Company does not

accept electronic acknowledgments of appointments of shareholder representatives and their cancellation.

The Chairman of the Board of Directors, the Vice-Chairman, the Chairman of the Audit Committee, one of the Deputy Managing Directors, the Internal Audit Manager, and the Certified Public Accountant are present at the Annual Ordinary General Meetings of company shareholders.

“MOTOR OIL (HELLAS) S.A.” always issues a timely announcement in Greek and in English informing the shareholders and the investment public on the decisions of General Assembly Meetings, as well as on any Company event that, according to the Athens Exchanges Rulebook and the regulatory framework governing the behavior of listed companies, needs to be acknowledged.

## **D. ACCOUNTABILITY & CONTROL**

### **I) FINANCIAL REPORTING**

As a company having its shares listed on the Athens Stock Exchange, “MOTOR OIL (HELLAS) S.A.” informs the investment public, the shareholders, the supervisory and regulatory authorities on the progress of its operations every fiscal year, as follows:

**Ia)** On an annual basis, through the Annual Financial Report provided in article 4 of the Law 3556/2007 on “transparency”. This report contains the following:

- The Annual Financial Statements on consolidated and stand alone basis prepared in accordance with the International Financial Reporting Standards
- The Annual Published (in the press) Figures and Information
- The Annual Report of the Board the content of which is defined in paragraphs 6 through 8 of article 4 of the Law 3556/2007
- The Declaration of the representatives of the Board of Directors of the Company pursuant to paragraph 2 case (c) of article 4 of the Law 3556/2007
- The Corporate Governance Statement the content of which is defined in article 2 paragraph 2 case (d) of the Law 3873/2010

The above annual financial report (in a unified text that includes the Auditor’s Report) is uploaded on the Company website. In addition, the Company makes available to all shareholders present at the Annual Ordinary General Assembly the Annual Financial Report in printed form in Greek and in English. A copy of the printed report is sent to anyone interested who enquires with the Company Corporate Announcements & Shareholders Office, while it is mailed, as already mentioned in the previous section on General Assembly Meetings, to those shareholders in possession of 3,000 Company shares or more.

**Ib)** On a semi-annual basis, through the Semi-Annual Financial Report provided in article 5 of the Law 3556/2007 “on transparency”. This report includes the following:

- The semi-annual financial statements on consolidated and stand alone basis prepared in accordance with the International Financial Reporting Standards
- The semi-annual published (in the press) figures and information prepared according to the Hellenic Capital Market Commission decision 4/507 /28.04.2009

- The semi-annual report of the Board the minimum content of which is defined in paragraph 6 of article 5 of the Law 3556/2007
- The Declaration of the representatives of the Board of Directors of the Company pursuant to paragraph 2 case (c) of article 5 of the Law 3556/2007

The above semi-annual financial report (in a unified text that includes the Auditor's Review Report) is uploaded on the Company website.

- Ic)** On a quarterly basis and, specifically the first and third quarters of every fiscal year, the Board of Directors approve the financial statements on consolidated and stand alone basis prepared in accordance with the International Financial Reporting Standards as well as the quarterly published (in the press) figures and information prepared according to the Hellenic Capital Market Commission Decision 4/507/28.04.2009.

The above quarterly financial statements are uploaded on the Company website.

**Corporate Governance “Best Practice” followed by  
MOTOR OIL (HELLAS) S.A.**

To ensure equal treatment of the investment public in relation to the dissemination of information concerning the progress of Company operations during each fiscal year, “MOTOR OIL (HELLAS) S.A.” adopts the following practices:

- The publication of the financial statements (quarterly, semi-annual, annual) takes place shortly following their approval by the Board of Directors (according to a relevant Hellenic Capital Market Commission recommendation which the Company Corporate Announcements & Shareholders Office brings to the attention of Board members immediately after their election).
- The financial statements (quarterly, semi-annual, annual) are published without any Company preview announcement of any form referring to estimates as to the anticipated development of key financial figures.
- The exact publication date of the financial statements (quarterly, semi-annual, annual) is communicated to the investment public through an official stock exchange announcement a few days in advance. Effort is made to match each year's publication dates to the respective publication dates of the previous calendar year.
- The teleconference takes place in the afternoon of the date of publication of the financial statements in order to allow for time to those interested in attending the conference to study the figures. Access to the teleconference is freely available to anyone interested.
- Due to the characteristics of the refining sector and the uncertainty associated with the development of the key industry parameters (price of crude oil, USD/Euro parity) no press release/commentary is offered with regard to Company financial figures each quarter (apart from the disclosures/notes included in the relevant financial statements); the only commentary is offered during the annual briefing to analysts which, pursuant to the Athens Exchanges Rulebook, takes place in the intervening period following the release of the Company Annual Financial Statements submitted electronically to the Athens Exchanges and the Hellenic Capital Market Commission and prior to the publication of the invitation to the Annual Ordinary General Assembly. This commentary concerns the Company financial figures of each fiscal year as a whole.

## II) INTERNAL CONTROL

Companies must ensure that their financial statements present a true and fair view of their assets, liabilities, financial position and financial results and, therefore, it is of the utmost importance to them to identify risk areas that may affect the process of preparation of their financial statements so as to take corrective measures and thereby ensure the accuracy of their content on a timely basis.

### **Corporate Governance “Best Practice” followed by MOTOR OIL (HELLAS) S.A.**

“MOTOR OIL (HELLAS) S.A.” uses a professional and highly advanced software for financial reporting to the management of the Company as well as to external users. Comprehensive Income and Financial Position Statements along with other relevant analyses are reported to the management of the Company on a monthly basis and are consolidated for management and statutory reporting purposes according to the International Financial Reporting Standards and pertaining regulations on a quarterly basis. Both management and statutory reports include all necessary information pertinent to an up-to-date internal control system, including analyses of sales, costs/expenses, operating profit and other details. All management reports include current period data which are compared to the budget approved by the Board of Directors and to Last Year’s respective reporting period used as a reference. All statutory quarterly and year end financial statements are prepared in accordance with the International Financial Reporting Standards, include all necessary statements and disclosures according to the International Financial Reporting Standards, they are reviewed by the Audit Committee and they are approved by the Board of Directors.

As a standard practice, in December of each calendar year the General Managers and top management of “MOTOR OIL (HELLAS) S.A.” submit to the Board of Directors for approval the Budget for the next year as well as the 5-year Business Plan. Moreover, in May of each calendar year, the General Managers and top management of the Company submit to the Board of Directors the accountability report on the previous year.

## III) AUDIT COMMITTEE and EXTERNAL AUDITORS

The Audit Committee members are appointed by the Annual Ordinary General Assembly of Company shareholders as provided by the Law 3693/2008. The Board of Directors proposal to the General Assembly concerning the appointment of a Certified Public Accountant or Auditing Firm is made following an Audit Committee recommendation.

The responsibilities of the Audit Committee, according to the Law 3693/2008, indicatively but not exhaustively, include:

- monitoring the financial reporting process
- monitoring the effective operation of the Internal Control and Risk Management systems
- monitoring the proper operation of the Internal Audit Department
- monitoring the process of statutory audit of the stand alone and consolidated financial statements
- monitoring issues relating to maintenance of objectivity and independence of the Certified Public Accountant.

The Audit Committee supports considerably the Board of Directors to fulfil its duties being the recipient of all reports on the audits performed by the Internal Audit Department of the Company while the Certified Public Accountant or the Auditing Firm also reports to the Audit Committee every issue relating to the process and the results of the statutory audit submitting a special report on any weakness of the internal control system, particularly pointing to weaknesses on the procedures relating to the financial reporting and the preparation of the financial statements.

### **Corporate Governance “Best Practice” followed by MOTOR OIL (HELLAS) S.A.**

The operation of the Audit Committee at MOTOR OIL (HELLAS) S.A. dates back to 1996. The Committee consists of three (3) non-executive Board members of which two (2) are non – executive independent. The non-executive Board member is Chairman of the Audit Committee.

The supervision and appraisal of the auditing work performed by the Internal Audit Department and by the Certified Public Accountant has been assigned by the Board of Directors of the Company to the Audit Committee.

The Internal Audit Department of “MOTOR OIL (HELLAS) S.A.” has a personnel headcount of eleven (11) employees and its operation dates back to 1990. In December of each calendar year the Internal Audit Manager presents to the Audit Committee the proposed audit plan for the coming year. The audit plan evolves through an analysis of various Company operational areas, which, based on the degree of risk, economic substance, complexity of function, and probability of economic loss, are deemed eligible to be subjected to audit. For certain Company operations an audit is conducted on a regular basis regardless whether a necessity occurs based on the methodology described previously. The audit plan is approved by the Audit Committee.

The Internal Audit Department conducts several audits each year (indicatively, fiscal 2011: 18 audits, fiscal 2012: 15 audits, fiscal 2013: 18 audits, fiscal 2014: 18 audits, fiscal 2015: 9 audits) based on the regulatory framework in place, the decisions of the Hellenic Capital Market Commission, and the audit plan approved every December. The reports are sent to the Chairman of the Board, the Vice-Chairman, the members of the Audit Committee and the two (2) Deputy Managing Directors.

The Certified Public Accountant issues the Auditor’s Review Report for the semi-annual financial statements and the Auditor’s Report for the annual financial statements of the Company in the context of his audit duties.

The Audit Committee meets at least two (2) times a year with the Certified Public Accountant who, in addition, submits to the Committee and the Board of Directors at least once (1) a year a “Management Letter Points Report” in case he identifies weaknesses in the Company’s internal control system making recommendations for their elimination.

The Audit Committee gathers the recommendations of all audits performed by the Internal Audit Department as well as the Certified Public Accountant and notifies the Board of Directors in order to proceed with any corrective action deemed necessary.