



## **GENERAL MEETING OF SHAREHOLDERS OF UNIPETROL, a.s.**

### **Report on the Audit Committee's Activities**

Dear Shareholders,

On behalf of the Audit Committee of UNIPETROL, a.s., compliant with the provisions of Section 18.3 of the Articles of Association of UNIPETROL, a.s., I hereby submit to you the report on the activities of the Audit Committee of UNIPETROL, a.s.

Compliant with the Act No. 93/2009 Coll. ('the Auditors Act'), and the Articles of Association of UNIPETROL, a.s. the Audit Committee was established and is composed of three members, two of whom are fully independent (including the chairman), as appointed by the General Meeting.

Mr. Urban was appointed with the effect as of 2 June 2015, Mr. Haggis and Mr. Warpechowski were re-appointed with the effect as of 25 June 2016. On 20 July 2016, Mr. Haggis was elected as chairman and Mr. Warpechowski as vice-chairman of the Audit Committee. On 21 September 2016, the Audit Committee revised the Rules of Procedure of the Audit Committee as the governance framework for its operations in order to ensure compliance with the Auditors Act and Regulation (EU) No 537/2014 of the European Parliament and of the Council of Europe from 16 April 2014 on specific requirements regarding the statutory audit of public-interest entities.

In 2016 the Audit Committee has met on twelve occasions regularly throughout the year, significantly more often than the minimum frequency foreseen in the Rules of Procedure of the Audit Committee. During these meetings the Audit Committee has been informed and actively participated in the discussions on the issues related in particular to the performance of the statutory audit and internal audit activities.

The Audit Committee has reviewed and discussed quarterly financial statements and the annual audited financial statements. It has been regularly informed about the activities of the Internal Audit Department and the implementation of the 2016 Internal Audit Plan and has discussed the significant findings from the audits of the following areas of the business:

- Personnel safety;
- IT security;
- CAPEX;
- Wet stock losses management;
- Maintenance and spare parts;
- Payments management;
- Credit limit management;
- Fuel wholesale;
- Monomers' sales and pricing;
- Railway transportation;
- Electricity sales.

It has monitored closely the implementation of recommendations proposed by internal audit and agreed by management as a result of the audits.

Additionally and more specifically, the Audit Committee:

- Reviewed and made recommendations with regard to the Risk Map and risk management procedures of the UNIPETROL Group, particularly in the context of the Internal Audit Plan for 2017;
- Reviewed and discussed the progress in implementing the Enterprise Risk Management (ERM) System;
- At the specific request of the Supervisory Board, reviewed the allegations made by a qualified shareholder related to the acquisition of SPOLANA a.s. paying particular attention to disclosure, taking into account the related party nature of this transaction.
- Prepared and approved a procedure for the statutory auditor selection process and actively participated in such a selection process in order to satisfy the legal requirements, which now impose this obligation directly on the Audit Committee.

At its meeting on 19 December 2016 the Audit Committee has approved the Internal Audit Plan for 2017 for UNIPETROL, a.s. and its fully-owned subsidiaries.

The Audit Committee and its individual members have been in contact with the external auditors, KPMG Česká republika Audit s.r.o. The planning of the audit was discussed with the auditor as were issues raised by the auditor following the interim work performed. A call with the auditors was arranged prior to the publication of the quarterly financial report for Q4/16.

At its meeting on 9 March 2017 at which representatives of the statutory auditor were present, the Audit Committee has reviewed and discussed all significant issues regarding the annual audited separate financial statements of UNIPETROL, a.s. and the annual audited consolidated financial statements of UNIPETROL Group as at 31 December 2016. On the basis of the Auditors' Reports on separate and consolidated financial statements as of 31 December 2016 and the Auditors opinion contained therein, and having discussed those reports with the Auditor and all relevant parties, the Audit Committee confirms that the financial statements have been prepared in line with legal requirements and that the Committee has unanimously approved the UNIPETROL, a.s. – consolidated and separate financial results in accordance with International Financial Reporting Standards as adopted by the European Union for the year 2016. The Audit Committee also evaluated and confirmed the independence of the statutory auditor and auditing company and that the provision of auxiliary services by the statutory auditor was in accordance with all relevant legislation.

The Audit Committee will be preparing and submitting a report to the Czech Chamber of Auditors on its activities for the period from 23 June 2016 to 7 June 2017 (being the period between annual general meetings). This is in line with new legislation governing Audit Committee responsibilities. The report will be submitted by 6 July 2017.

With regard to the selection process of an auditor for the next accounting periods and in accordance with its responsibilities mandated by Article 43 (2) and Article 44a (1) letter (d) of the Act on Auditors and Article 16 (2) of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, the Audit Committee

launched a public tender process in February 2017. It had previously established transparent procedures for the organization of the tender and evaluation of offers. After a comprehensive assessment of submitted offers and meetings with three potential candidates, two offers were selected in accordance with the previously agreed evaluation criteria, those achieving the two highest overall ratings, namely Deloitte Audit s.r.o. and BDO Audit s.r.o. Following its meeting on 31 March 2017, the Audit Committee recommended these two offers to the Supervisory Board and confirmed its preference for the appointment of Deloitte Audit s.r.o. as the Company auditor for 2017 and 2018, as this offer achieved the highest score in the evaluation process. Deloitte Audit s.r.o. is a renowned company, specializing in audit work and with a proven ability of performing audits effectively with a high quality of service. It also possesses considerable experience and sufficient knowledge of the refinery and petrochemicals sector and auditing of listed companies. The Supervisory Board is responsible for providing the shareholders at a general meeting with a recommendation regarding selection of an auditor.

Dear shareholders, thank you for your attention.

The Chairman of the Audit Committee  
UNIPETROL, a.s.

27 April 2017