

THE PRINCIPLES AND THE PROCEDURES OF BUSINESS ETHIC

This document, adopted by the Board of Directors of ČESKÁ RAFINÉRSKÁ, a.s. /hereinafter referred to as Company/ unifies the Company's principles regarding the business ethics and conflicts of interests.

It is the Company's intention and interest for its employees to adhere to the highest ethical standards when involved in the Company-related matters. The following text explains in summary to all employees of the Company, regardless of their job positions, the long term strategy of the Company pertaining to (i) gifts, benefits, representation expenses and payments made by or to the Company, (ii) potential conflicts of interests, and (iii) other matters.

The basis of the Business Ethics Principles and Procedures (hereinafter referred to as Principles) is for each employee to work for the Company honestly, in accordance with the legislation in force and in such a way that rules out any suspicions of personal gain of the employee.

PAYMENTS BY THE COMPANY

- 1) **Gifts, benefits and representation expenses may be provided to third parties on the costs and in the interest of the Company only if all of the below criteria are met:**
 - a. **they comply with the established business customs,**
 - b. **they are not of excessive value and cannot be construed as a bribe or a reward,**
 - c. **they are not in contradiction with the legislation in force or ethical standards,**
 - d. **revealing they have been provided will not put the Company, nor the employee into problems.**

Bookkeeping records and supporting documentation pertaining to gifts, benefits and representation expenses for third parties must be accurate, including a relevant clear text description. Any unbudgeted gifts, benefits or representation expenses that are not tax deductible must be approved by the Financial Section in advance.

Should any doubts arise regarding the compliance of any gift, benefit or representation expense provided on behalf of the Company with the law, it needs to be consulted with the Organization and Law Department prior to providing it.

Payments for speeding up administration proceedings are not permitted, unless they are in accordance with the law.

Procedures for approval of and recording any such payments must be set forth by the Financial Section Manager.

Bribing state/government officials in any form is prohibited.

- 2) **In connection with sales made by the Company, commissions, discounts, loans and contributions may only be provided in case accounting books contain the relevant sale inclusive of the commission, discount, loan or contribution. Such commissions, discounts, loans or contributions:**
 - a. **must have a legitimate relation to the value of the goods supplied or services rendered,**
 - b. **may only be provided to a specific trade company or a legal entity, to which the sales invoice has been issued or with which a contract has been concluded, however not to an individual natural person.**
 - c. **must be provided only in the country of business of such trade company or legal entity,**
 - d. **must be supported by a complete documentation clearly defining the nature and purpose of the transaction.**

Agreements on paying commissions, discounts, loans or contributions must be concluded in writing. If it is not feasible, the payment must be supported by an explanation report to be archived and assessed by the Organization and Law Department.

The purpose of this strategy, pertaining to payments or provisions of commissions, discounts, loans and contributions in connection with sales made by the Company, is to prevent illegal or unethical payments or creation of such environment where they could be made, even unintentionally. Nevertheless, unusual situations may occur, which may be in an obvious contradiction with one or more provisions of these Principles, however still acceptable in terms of the business point of view, and thus justifying an exception. In such case, it is a responsibility of the relevant employee concluding on behalf of the Company an agreement of providing a commission, discount, loan or contribution to request in advance a consent with concluding it from the Organization and Law Department and the Internal Audit Section and also to notify the Financial Section about details of the agreement to be concluded, as the Financial Section is responsible for proper accounting representation of the transaction in question. Under no circumstances may documents (or information in documents) be distorted and concealed in connection with the given transaction, nor may the amount be purposefully increased, including invoices and other documents.

If the Company is required to pay a commission, discount, loan or contribution to a third party, payment recipient or its bank in a different country than the place of business of this party, or in an unusual currency, the payment may only be made if the following criteria are met:

- nothing indicates that this constitutes or might constitute a breach or tax, foreign exchange or other legislation of the Czech Republic, nor any other illegal motives,
- the payment recipient must document in writing the way and place of the payment,
- it is legal from the Company's viewpoint.

This procedure is exceptional.

Commissions, discounts, loans or contributions, which are paid or provided by the Company in line with the standard business terms of the industry, catalogue prices or other usual standard practices, are considered entrenched in writing and thus they do not have to be documented by means of a written agreement or a report to be archived.

- 3) In connection with procurement of goods or services by the Company, including commissions pertaining to them, payments should only be made in the country of business of the seller or the vendor or in a country where the product has been delivered or the service rendered. All such payments should comply with the Company's principles and business practices.**

Payments for goods and services procured by the Company are subject to the same assessment as stated above in connection with payments of commissions, etc., with the exception of a situation when payments made in the country where the product has been delivered or the service rendered by the supplier are not by themselves considered subject to a special assessment or requirement and if circumstances do not indicate that the way of payment might be illegal or unethical.

RECEIVED GIFTS

- 1) Employees shall not, in connection with their work for the Company, solicit any gifts, benefits, services, contributions or loans, nor accept them for themselves or for others without a legitimate business purpose. Further, they shall not solicit loans other than standard loans and for market rates, nor accept them from a person or trade organization, which is involved in a business cooperation with the Company or strives to cooperate or is a competitor of the Company. When applying this strategy:**
- a. employees may accept for themselves or their family members common presents, usually connected with established business practices,**

- b. strict ethical attitude is expected regarding gifts, services, discounts or presents of any kind from vendors,**
- c. it is absolutely unacceptable to accept a cash gift or a cash equivalent (e.g. shares or other forms or cashable securities) in any amount.**

Under certain circumstances, a refusal to accept gifts, benefits, etc. in a value significantly exceeding usual business practices may result in embarrassing situations. Steps of employees who accept such valuable gifts, benefits, etc. out of courtesy and keep them for their personal use /another option is handing them over to the Company, donating to a charity, etc./ must be in each individual case discussed with the given employee's supervisor. In case the employee is allowed to keep such gift, benefit, etc., his/her supervisor shall record his/her consent and archive it for potential review by the Internal Audit Section or by the Company's auditor.

Handling such accepted gift, benefit, etc. must be, in each individual case, discussed through the supervisor with the Internal Audit Section, possibly with the Organization and Law Department.

CONFLICTS OF INTEREST

- 1) Employees should prevent any situation, which would cause a conflict between their personal interests and the Company's interests. Like in all other areas of their duties, employees working with customers, vendors, competitors or any person involved in a business cooperation with the Company or striving for such cooperation shall act in the best interest of the Company, so as to rule out speculations regarding personal preferences or benefits. Every employee should, without hesitation and to the fullest extent, inform in writing the Company's management and his/her supervisor about a situation, which could result or results in a conflict of interests, in particular in cases:**
 - a. when the employee owns, or is aware that his/her family member owns a significant financial stake in any entity that is involved in a business cooperation with the Company or strives for such cooperation, or is a competitor of the Company,**
 - b. when the employee has a position in the Board of Directors or the Supervisory Board, position of the director, official, partner, advisor, manager or technical employee of any entity, which is involved in a business cooperation with the Company or strives for such cooperation, or is a competitor of the Company,**
 - c. when the employee acts as a proxy, spotter, agent or for the benefit of a third party in transactions involving, even potentially, the Company or its interests,**
 - d. of any situation or circumstance, including family or other personal relations, which could discourage the employee from acting in the best interests of the Company.**

All information provided to the Company's management under the requirements of these Principles will be considered confidential, except for the extent necessary to protect the Company's interests.

In case an employee, based on the above principles, discovers situations that could result in, or that result in a conflict of interests and reports it, the Company's management shall assess this conflict. The outcome of the assessment must be in writing. The situation should also be taken into consideration when assigning new duties to the given employee. Every existing or potential conflict of interests must be reported immediately, i.e. when the conflict occurs at latest, and must be reported by the employee also afterwards at annual business ethics evaluations, as long as the existing or potential conflict of interests persists.

If the conflict of interests is considered unacceptable, the Company's management must resolve the given issue immediately.

If the situation is not considered an existing or potential conflict of interests, the Company shall notify the employee about it in writing. Unless a change of circumstances occurs, the employee is not bound to report this situation at the next annual evaluation of external interests and conflicts of interests.

In terms of conflicts of interests, the definition of “close persons” applies, which is stated in the act no. 40/1964 Coll., the Civic Code, as amended.

The key to assessing a conflict of interests is whether a duty of an employee when working for the Company or duties of his/her staff require making decisions, which could be influenced by the conflict of interests. The consideration includes, inter alia, whether it is or is not true that:

- an external interest is in conflict with the Company, position or location of the employee,
- the employee holds a position where he/she can influence the decision making or the course of the given matter,
- the employee has access to information of the Company that can potentially be misused,
- revealing such facts could harm the Company.

INSIDER INFORMATION

1) The employee shall not:

- a. **without the appropriate authorization, provide or make accessible to anybody who is not an employee of the Company, or to another employee of the Company who does not need such information, data or information of a confidential nature obtained during his/her employment in the Company,**
- b. **use non-public information obtained during his/her employment in the Company (including information on customers, vendors or competitors) to achieve profit for himself/herself or for a third party. This concerns utilizing the benefits of having such information at (1) trading or providing information to others for the purposes of trading securities, or (2) acquiring assets of any kind, including land.**

Unauthorized use of confidential inside information can be significantly reduced by applying strict controls and by restricting access to such information. Employees handling confidential inside information who may not have sufficient knowledge to understand legal and commercial consequences and contexts regarding the misuse of such information should be periodically informed by the management of the relevant division of the Company about the Company's principles and about potential legal recourses, which result or may result from misusing confidential inside information.

POLITICAL CONTRIBUTIONS

1) Employees shall not provide any financial contributions, assets or services of the Company to any domestic or foreign political party.

Employees shall not be, directly or indirectly, pushed in any form or way to provide any political contribution or to take part in supporting any political party or a political candidacy of any individual.

These Principles do not affect the right of directors, employees and representatives of the Company to make private personal political contributions to a party, committee, or a candidate of their choice, if the contribution is made purely from their personal resources or from the personal time of the given individual and was not in any way, directly or indirectly, compensated by the Company.

ACCOUNTING STANDARDS AND DOCUMENTATION

1) All bookkeeping and accounting (financial) records shall be kept in a manner that:

- a. **clearly described and identifies the true nature of business transactions, assets, liabilities or fixed assets,**

- b. correctly and timely classifies and records data in the accounting books in line with the generally adopted accounting principles.**
- 2) No accounting (financial) record, entry or document shall be falsified, intentionally incomplete or withheld.**

The Company has created standards and procedures of internal controls and audits, so as to ensure protection and correct use of the Company's assets and to ensure accuracy and reliability of the accounting (financial) records and reports. Employees participate in the responsibility to maintain and adhere to the required internal controls.

Incorrect bookkeeping and documentation and fraudulent financial reporting are not only contrary to the Company's strategy, they also constitute a violation of provisions of the Accountancy Act, possibly also other acts or regulations. Such violations represent risks of sanctions against the Company. This concerns, for example, intentionally incorrect classification of amounts between operating and capital expenditures, intentional accelerating or deferring costs or revenues in the current period, intentionally incorrect classification or unmarketable stocks as products and intentional faking of travel and expense reports.

ANNUAL REPORTS ON ADHERING TO THE ETHICS

- 1) Every director shall annually fill in and submit to the Chief Executive Officer:**
 - a. confirmation of personal adherence to the Principles during the previous year,**
 - b. statement containing all his/her existing and potential conflicts of interests defined in the part 3 of the Principles, or**
 - c. statement that the Principles have been adhered to.**
- 2) As far as his/her division is concerned, each director shall fill in and submit to the Chief Executive Officer (a) a brief description of each known breach of these Principles during the previous year and steps that have been taken to prevent recurrence, or (b) if no breach has occurred, a statement that the Principles have been adhered to. Breaches include:**
 - a. unethical acts that could lead to a dismissal, recourse or resignation of an employee,**
 - b. deviations from the provisions of the parts A through F of the Principles,**
- 3) Each director is responsible for his/her whole division. The director must state that his/her division adhered to all parts of the Principles or describe exceptions.**
- 4) Prior to the year-end, selected employees shall be given a statement "Adherence to the Business Ethics Principles and Procedures" along with a request to confirm having adhered to them. The recipients should be at least:**
 - a. Sections Managers and Department Heads,**
 - b. buyers or other persons who are authorized to approve purchase orders or to approve payments related to procuring materials and services,**
 - c. persons who are in a position where they can significantly influence (i) decisions on purchasing materials or services, (ii) conditions of the purchase, or (iii) selection of the vendor, including those who can direct the purchase towards a particular vendor by means of specifications of the proposal or vendor, technical advice or status in the Company,**
 - d. persons who set or influence prices of provided services or assets of the Company (including discounts, credit notes, credits, etc.),**
 - e. persons who select or significantly influence the selection of distributors, dealers, licensees, brokers, advisors or representatives of the Company,**
 - f. persons (including secretaries and other support personnel) who have access to significant confidential information of the Company, such as:**

- materially financial information, in particular such that would enable to profit from trading securities and financial outlook regarding real estate,
- maintenance of appropriately organized files documenting interim volunteer disclosures, circulation of the “Adherence to the Business Ethics Principles and Procedures” statements as per the rules described above, and any other written information obtained in connection with conflicts of interests and adhering to the Principles.

5) **Once per year, a letter on behalf of the Chief Executive Officer shall be sent to all business partners of the Company, in which the Company shall declare its commitment to adhere to the business ethics principles and also call upon the business partners to present their standpoints regarding the attitude of the Company’s employees, should it show signs of unethical behavior.**

6) **Based on the above, the Internal Audit Section shall produce the annual report of adhering to the business ethics principles and procedures for the Board of Directors of the Company.**

STRICTLY ADHERING TO THESE PRINCIPLES SHALL PROTECT THE COMPANY AND ITS EMPLOYEES FROM RISKS, CRITIQUES, DISPUTES OR TROUBLES, WHICH COULD RESULT FROM ALLEGED OR ACTUAL CONFLICTS OF INTERESTS OR UNETHICAL ACTS. EMPLOYEES SHOULD REPORT OBVIOUS BREACHES OF THIS POLICY THROUGH THEIR SUPERVISORS OR, IF THEY PREFER THIS OPTION, DIRECTLY TO THE INTERNAL AUDIT SECTION OR THE COMPANY’S MANAGEMENT. THE COMPANY SHALL IN SUCH CASE ADHERE TO THE PRINCIPLE OF PROTECTING THE EMPLOYEE’S PERSONALITY. ANONYMOUS REPORTS ARE NOT RULED OUT EITHER.