

# NOTES ON SUSTAINABILITY PERFORMANCE

## 1. CLIMATE CHANGE

*General aim: Manage risks and opportunities related to climate change*

### ACHIEVEMENTS:

- ▶ Energy efficiency projects, mainly in downstream operations, contributed significantly to avoiding CO<sub>2</sub> emissions, 49 thousand tonnes CO<sub>2</sub> saved compared to 2014
- ▶ An additional 212 thousand tonnes of CO<sub>2</sub> emissions avoided through EOR project in INA
- ▶ MOL Group joined the Zero Routine Flaring Initiative of the World Bank, and also recorded a slight decrease in flaring in E&P
- ▶ Jászberény Geothermal Exploration long-term testing preparations executed and on track
- ▶ We have mapped cellulosic feedstock and conversion technologies for non-edible materials to assess the potential for non-food-based renewable fuel production

### CHALLENGES:

- ▶ Develop pathways to low-carbon energy carriers within MOL Group
- ▶ Increase the share of low-carbon energy carriers in conventional fossil products

Climate change is a major issue and is impacting the business environment of MOL Group. From a long-term perspective, it involves risks which must be prepared for or mitigated, and opportunities from which MOL can benefit.

### RISKS

The management of climate change-related risks is part of the general risk management process of MOL Group. Risks are assessed based on a unified methodology and categorized according to severity and probability in heat maps at different organizational levels. The Board of Directors reviews risk responses and controls and defines mitigation activities on a regular basis. The Finance and Risk Management Committee (FRC) of the Board of Directors discusses risks and responsive measures to manage overall risk for MOL, including climate change-related risks.

Climate change-related risks are often less clear than other financial, regulatory or operational risks. The following areas are considered to represent the most significant climate change-related risks to MOL Group for the time horizon leading up to 2030: biofuels, alternative infrastructure, vehicle efficiency and e-mobility. The financial impact of each of these is estimated to fall within the range of USD 5-150 million per year. Potential reform of the European Union's emission trading scheme probably represents an even bigger financial risk.

### OPPORTUNITIES

The Climate Change Package – a set of EU regulations – will have a significant impact on the long-term demand for fossil fuels and energy. Besides defining obligations, it also opens up new business opportunities in the area of “clean fuel/energy”. On the long term, customer preferences will shift towards more environmental friendly products, which will impact the industry.

The following section of this report describes the activities MOL is initiating to create its future product portfolio and increase the energy efficiency of its operations.

#### 1.1 FUTURE PRODUCT PORTFOLIO

*Related objectives:*

- “Maximize the share of low-carbon products and services”
- “Start implementation of first geothermal project in Upstream”

In 2015, MOL Group continued implementing activities related to developing and deploying technologies that reduce its GHG footprint.

## **Refining Developments**

In 2015, MOL Group continued work which started in the previous year to evaluate the potential for increasing the share of low-carbon energy carriers in conventional fossil products. During the year, the EU updated regulations about biofuel blending (especially relating to non-edible and waste material streams) in line with our expectations. This will play an increasingly important role in the future. Emerging technologies are necessary for converting these feedstocks into advanced biofuels, and the successful integration of such new technologies or products into MOL Group's existing supply chains remains a key challenge for the years to come.

## **Non-food based renewable fuels**

To comply with the renewable energy targets for 2020 and beyond, and requirements relevant to indirect land use change (ILUC), several technological alternatives for processing GHG-efficient waste fats and oils were investigated. The main focus was on renewable diesel blending and production via hydrotreatment. The most promising options were examined using investment project plans. A decision about their implementation is expected during 2016 following the completion of a detailed technical and economic assessment.

From a long-term perspective, we have started to map the potential of cellulosic feedstock and the technological options for its conversion. Exploration of feedstock supply potential in the core region of MOL Group will be completed during 2016. On the conversion technology side we are analysing different options for biofuel production such as fast pyrolysis, gasification and various biochemical technologies. Many relationships have been established with recognized experts and consultants, as well as emerging technology providers to support the evaluation of the related technological processes. A proposal for solutions and decisions is expected in 2016.

Beyond investigating advanced biofuels, we have also paid special attention to monitoring trends relating to sustainable energy utilisation, such as efficient solutions for CO<sub>2</sub> utilization and renewable energy production and storage.

## **CO<sub>2</sub> conversion & utilization**

Until recently, the main emerging solutions to the problem of CO<sub>2</sub> emissions were limited to agricultural use or carbon capture and storage (CCS). Thinking ahead, MOL Group started to explore the field of CO<sub>2</sub> conversion technologies which may decrease the CO<sub>2</sub> footprint of the company. Areas investigated include the chemical bonding and modification of captured CO<sub>2</sub> which can then be converted into valuable products such as methanol and formic acid, a variety of plastics, etc.

## **Fuel economy**

Producing high quality fuels and also improving fuel economy was one of the primary goals of MOL Group in 2015. These innovative fuels provide economic benefits to our customers and also help avoid the emissions of significant amounts of carbon dioxide due to their improved combustion properties.

## **Chemically-stabilized rubber bitumen**

The introduction to market of MOL's environmentally-friendly grade of bitumen continued in 2015, with more than 400 tonnes sold last year. A recent study shows that the roads constructed from this product last 50% longer, have lower maintenance needs and emit 25-30% less carbon dioxide during their lifecycle compared to regular grades of bitumen. The study also emphasizes that rubber bitumen is not only of better quality than regular bitumen, but it is comparable to the premium grades of bitumen used in highway construction.

## **Geothermal Developments**

MOL Group is committed to investing in the utilization of geothermal energy as a renewable energy source. In this area there is a clear opportunity for the knowledge and technological expertise that has been accumulated within the Group to be leveraged. Additionally, the geological potential of this energy source in Central-Eastern Europe is favourable.

After winning a concession tender and signing a concession contract for the Jászberény Geothermal Exploration in H1 2014, CEGE Ltd initiated an exploration program. The official 2-year exploration period started in March 2015.

In December 2015, MOL Plc. became the 100% owner of CEGE Ltd by acquiring all the CEGE Ltd. shares from its Australian partner, Black Rock Energy (formerly Green Rock Energy).

In 2015, CEGE Ltd. completed the following components of the program of work:

- existing 3D seismic data about the area was purchased and re-evaluated
- a magnetotelluric survey was undertaken and the results were interpreted
- a production well was successfully drilled and a reservoir stimulation was initiated (successfully completed in January 2016)
- construction of surface facilities has commenced

The long-term well test is scheduled for H2 2016.

## Biofuel Sourcing

MOL Group does not produce biofuels, but two of its companies (MOL Plc. and Slovnaft) have minority shares in joint ventures that are involved in the production of biodiesel. These companies operate independently from MOL Group and are considered financial investments.

In 2015, MOL Plc. and Slovnaft a.s. purchased 450 million litres of biocomponents, similarly to previous years, for blending into petrol and diesel products.

MOL Group uses both first and second generation biofuels. These are produced from certified biological sources and waste feedstock, including used cooking oil which is collected through the filling station network of MOL Group.

The components of the biofuel purchased in 2015 comply with the requirements of the EU Renewable Energy Directive (RED). MOL Group companies (MOL Plc., Slovnaft a.s. and INA d.d.) comply with the European ISSC certification system as distributors. ISSC certifies the entire supply chain of bio-based feedstocks and renewables to ensure the application of strict ecological and social sustainability standards, greenhouse gas emissions savings and traceability through the supply chain.

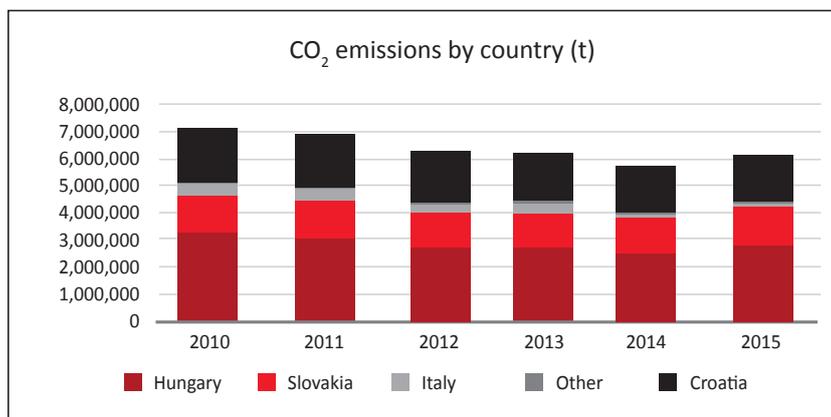
## 1.2. ENERGY EFFICIENCY AND GHG EMISSIONS

### GHG emissions

Related objective:

- “Ensure all sites move up one decile from current positions in their sectoral CO<sub>2</sub> benchmarks in Downstream”
- “Reduce CO<sub>2</sub> intensity of operations in Upstream by 30% by end of 2017 (in t CO<sub>2</sub>/toe)”

In 2015, the total direct CO<sub>2</sub> emissions of MOL Group amounted to 6.1 million tonnes of CO<sub>2</sub> equivalent. This is 5% more than in 2014, when emissions came to 5.79 million tonnes of CO<sub>2</sub> equivalent, but 15% lower compared to the 2010 baseline year (7.14 million tonnes). The single largest component of GHG emissions is carbon-dioxide (CO<sub>2</sub>), the emissions of which are shown in the chart below according to country.

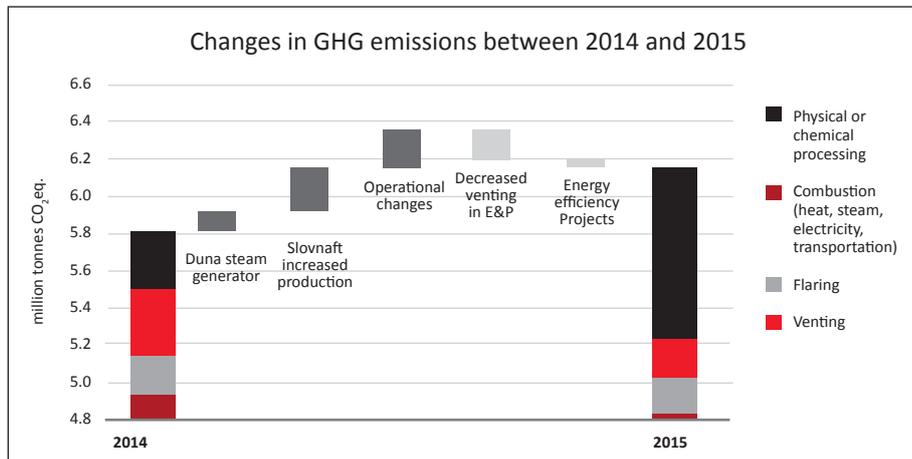


The overall increase in emissions is a result of several factors:

- The largest contribution to the increase is the fact that the Duna Refinery Steam Boiler Ltd became consolidated and operated by MOL Group in 2015, thereby contributing to direct emissions from this year onwards.
- At the same time, production (and hence emissions) at the refinery and petrochemicals units of Slovnaft returned to previous levels after major turnarounds in 2014.

The increase was partially offset by several projects:

- An energy-efficiency programme that resulted in a reduction of 49 thousand tonnes of CO<sub>2</sub> in 2015
- A decrease in E&P venting in Croatia as a result of the Enhance Oil Recovery project (a reduction of 212 thousand tonnes). The project was commissioned in October 2014, while 2015 was the first full year of operation. This project involves applying one of the so-called tertiary methods of enhancing oil recovery (CO<sub>2</sub> re-injection) to increase the quantity of recoverable oil and to permanently dispose of some of the CO<sub>2</sub> that is produced.



Refining and Petrochemical operations are the primary sources of the GHG emissions of MOL Group. We have been monitoring the GHG performance of our refining business since 2010 using the CONCAWE – Solomon CO<sub>2</sub> intensity indicator (CWT – Complexity Weighted Tonnes). In a similar manner, for our petrochemical business we employ an indicator of the production of high value chemicals (HVC). These indicators are production-based and they take into account the complexity of the installations.

For upstream business we monitor performance using the IOGP standard indicator – kg CO<sub>2</sub>/toe.

The results presented below indicate a slight increase in carbon intensity (3.55%) for the refining sector compared to 2011, and a 3% increase for the petrochemicals sector (these variations are mainly due to turnarounds and a change in the calculation methodology for Croatian operations that entered into effect in 2014).

CO<sub>2</sub> intensity (production-weighted average) of refineries and petrochemical sites of MOL Group [GRI EN16]

YEAR	2011	2012	2013	2014	2015	CHANGE 2011-2015 (%)
Refining (t CO <sub>2</sub> /kt of CWT)	36.64	36.43	35.59	35.54	37.94	3.55
Petchem (t CO <sub>2</sub> /t HVC)	1.032	1.031	1.020	1.020	1.040	3.0

Change in CO<sub>2</sub> intensity by refinery (t CO<sub>2</sub>/kt of CWT) and by petrochemical site (t CO<sub>2</sub>/t HVC) [GRI EN16]

SITE	REFINING					PETROCHEMICAL	
	DUNA REFINERY (MOL)	SLOVNAFT (SLOVNAFT)	MANTOVA (IES)	SISAK (INA)	RIJEKA (INA)	MOL PETROCHEMICALS	SPC
Change (%) 2010-2015	5.87	0.87	(100)	2.61	10.11	(4)	33

### Scope 3 GHG emissions

GHG that is emitted from the value chain of MOL Group, but the production of which is not related to the operations of the company is included under Scope 3 emissions. Such emissions are typically a result of the use of refinery products or natural gas by customers, or are generated by suppliers who provide services to MOL Group. MOL Group reports on scope 3 emissions in order to provide a context for its direct emissions, and to increase the transparency of its total footprint.

# Notes on Sustainability Performance

## Scope 3 GHG emissions by origin (t CO<sub>2</sub>) [GRI EN17]

EMITTED BY	SOURCE OF EMISSION	2012	2013	2014	2015
Customers	Use of purchased refinery products (t CO <sub>2</sub> )	50,305,352	51,060,438	48,486,612	50,571,763
Customers	Use of purchased natural gas (own production) (t CO <sub>2</sub> )	7,528,676	6,566,103	6,025,497	6,247,138
MOL Group	Business trips (t CO <sub>2</sub> )	3,943	4,414	2,984	2,508
Suppliers	Production of crude oil (purchased from external sources) (t CO <sub>2</sub> )	1,722,810	1,399,445	1,179,981	1,203,727
<b>Total</b>		<b>59,560,780</b>	<b>59,030,400</b>	<b>55,695,074</b>	<b>58,025,136</b>

Scope 3 emissions increased considerably in 2015 compared to 2014, mainly as the result of the increased volume of products sold to customers. Also, supplier-side GHG emissions increased as a result of increased crude processing.

Although accounting for a small share of total MOL Group emissions, business trip-related CO<sub>2</sub> emissions are also tracked and reported. These business travel related emissions decreased compared to 2014, and accounted for 2,508 tonnes of CO<sub>2</sub> equivalent in 2015.

### Gas leakages (flaring and venting)

Gas leakages described in this chapter cover losses that result from the flaring and venting of hydrocarbons during operations. Flaring refers to the controlled burning of unused hydrocarbons for technical or safety reasons. The gas flared in Exploration and Production is 'associated petroleum gas' (APG), while in Downstream flared gas is generated during the refining process and is flared for safety reasons. Oil and gas leakages are considered to be losses of valuable material that represent operational inefficiency.

Flaring is important from both an environmental and an operational efficiency point of view. In recognition of the importance of this topic, MOL Group in 2015 decided to join the Zero Routine Flaring Initiative of the World Bank.

The amount of gas flared during MOL Group's activities is shown in the tables below:

### Flaring in E&P activities in 2015 (for which MOL Group is operator) [GRI OG6]

FLARING IN UPSTREAM ACTIVITIES IN 2015	MOLE&P	INA E&P	PAKISTAN	RUSSIA (BAITEX, MATYUSHKINS-KAYA VERTICAL)	KURDISTAN REGION OF IRAQ	TOTAL
Flared hydrocarbon (tonnes)	5,080	8,065	7,308	424	1,964	22,842
CO <sub>2</sub> (tonnes)	10,850	22,072	21,230	1,373	8,690	64,215

In Exploration and Production the overall amount flared slightly decreased compared to previous years, albeit with significant differences by country. The most significant decrease occurred in Croatia where flaring was reduced by one third compared to the previous year. The reason is that increased quantities of hydrocarbons were burned in 2014 due to overhaul work and pipeline pigging, which did not occur in 2015. A decrease was also recorded for Russia due to reduced production from the Matyushkinskaya Vertical field. However, an increase was registered for the Kurdistan Region of Iraq due to increased activity, and for Pakistan, where a new gas processing facility (GPF) was commissioned, and due to several process events emergency safety flaring increased.

*Flaring in Downstream activities in 2014 [GRI OG6]*

FLARING IN DOWNSTREAM ACTIVITIES IN 2015	MOL	SLOVNAFT (REFINING + PETROCHEMICALS)	IES*	INA (RIJEKA+SISAK REFINERIES)	MOL PETROCHEMICALS	TOTAL
Flared hydrocarbon volumes (tonnes)	9,411	5,495	0	25,240	6,661	46,808
CO <sub>2</sub> (tonnes)	19,926	15,835	0	80,756	20,807	137,324

\*No refining operations in 2015

All downstream production is located in the EU, where flaring is used only for shutdowns, startup operations or in the case of emergencies, as per legal requirements.

In Downstream, the amount flared increased slightly from 44,265 tonnes in 2014 to 46,808 tonnes in 2015. Flaring activities stopped in IES (Italy) due to the closure of refining operations, and decreased by 34% in Slovnaft due to the lower level of maintenance activity. However, flaring increased at all other operational sites, primarily due to increases in production in 2015 compared to previous years.

### Energy Efficiency

*Related objective: "Decrease downstream production energy consumption by min. 5% by end of 2014"*

MOL group's core business, oil and gas production, is highly energy intensive. In 2015, under heavy market pressure on producing companies to thrive in an environment driven by low oil and gas prices, energy efficiency remained key to improving financial results and resilience. This, in turn, involved reducing GHG-emissions, which we continue to monitor and report on.

MOL Group over-achieved its objective by reducing energy consumption in Downstream production by 19% (from 106 mn GJ in 2010 to 86 mn GJ in 2014).

In 2015, one-off energy efficiency projects brought an estimated 49,000 tonnes of CO<sub>2</sub> savings and also resulted in HUF 1.5 billion of financial savings for the year.

Since 2011, annual reductions of 420,000 tonnes of CO<sub>2</sub> emissions and HUF 14 billion in costs (approx.) have been achieved through group-wide efforts to reduce the energy consumption of Upstream and Downstream operations.

In 2015, energy management systems were reinforced by the ISO 50001 certifications that were obtained for INA d.d, MOL Plc. and MOL Petrochemicals Plc., further deepening the integration and management of energy efficiency measures.

From the projects implemented in 2015, improvements were mainly made through the Next Downstream Program (NxDSP), the group-level strategic framework of the Downstream division, showing how important group-level engagement is for steering such measures. Steam works were at the centre of attention, with steam network maintenance, a decrease in heat losses at INA and heat exchanger cleaning at MOL resulting in the avoidance of 15,000 tonnes of CO<sub>2</sub> emissions. MOL Hungary further reduced its annual CO<sub>2</sub> emissions by 18,000 tonnes with the installation of Tunable Diode Laser (TDL) measurement technology at the Duna Refinery which analyses flue gas from fired heaters and ensures that they operate in a more efficient and much safer, nearly maintenance-free way.

In petrochemical operations, improving energy efficiency is the most effective way to reduce the company's direct carbon footprint, as well as cut the company's energy costs, since polyolefin production is also an energy-intensive process. The greatest savings from the operations of MOL Petrochemicals Plc. in 2015 were related to projects designed to reduce the amount of steam and electricity purchased from external sources. As a result, the projects are not accounted for in the figures above. In 2015, MOL Petrochemicals concluded the construction of the new Butadiene extraction unit. The unit will start producing a key component of synthetic rubber used in tires as of 2016. With the operation of this new unit, the CO<sub>2</sub> emissions of the old units of MOL Petrochemicals will be reduced by 46,000t of CO<sub>2</sub>/year from 2016 onwards. The CO<sub>2</sub> savings are achieved by substituting 61% of the natural gas used for heating with 5,900 tonnes of hydrogen released by the new unit. This reduction in emissions will not affect the overall emissions of MOL Petrochemicals and is not accounted for in the reported energy / CO<sub>2</sub> savings for 2015.

Exploration and Production activities are responsible for less than 10% of overall group-level consumption, while Downstream operations, and (mainly) refinery and petrochemical production account for more than 90% of group-level energy consumption (including both direct and indirect energy sources).

Besides pre-existing and already implemented projects, energy efficiency is also important in the case of research and development activities. An example of this is a new project which commenced in 2014 to replace traditional antistatic agents with another type with a higher melting point. In 2015, the laboratory phase of this project was in progress and will be continued into 2016. If the project is successful, it is expected to deliver energy savings per annum of 10,000 GJ (steam).

In addition to the most important business-related activities, minor improvements are continuously being made at MOL's other assets, such as the filling station network, office buildings and warehouses.

All business lines have implemented projects to support the meeting of targets. Among these we can mention:

- The refurbishment of some railway engines that are used in Hungarian operations has led to fuel savings of 8% and 60% lubricants.
- Several energy efficiency-related initiatives that were implemented for various office buildings in Hungary have reduced CO<sub>2</sub> emissions by 31.4 t per year (in 2015).
- In recent years, our filling station network was equipped with a total of 4,000 LED bulbs.

## 2. ENVIRONMENT

*General aim: Reduce environmental footprint*

### ACHIEVEMENTS:

- ▶ Water withdrawals decreased significantly. However, this is primarily a result of lower demand for cooling water at energy production facilities
- ▶ The waste recovery rate improved by 6% to 66% at a group level
- ▶ The total volume of hydrocarbons in spills of above 1 m<sup>3</sup> decreased to 16.9 m<sup>3</sup>

### CHALLENGES:

- ▶ Increases in air emissions both in the case of SO<sub>2</sub> and NO<sub>x</sub> as a result of increases in fuel consumption instead of natural gas
- ▶ Containment and further decrease in remediation liabilities across MOL Group
- ▶ Decreases in water withdrawals do not follow energy efficiency and operational changes

### 2.1 AIR EMISSIONS

*Related objective: "Decrease VOC emissions by implementing the LDAR methodology"*

MOL Group operates a wide range of oil and gas technologies and equipment and the industry itself is considered to be a significant source of volatile organic compounds (VOC). Taking this into account, MOL Group defined the specific objective of measuring and reducing VOC emissions in 2010 and has since continuously implemented a group-wide leak detection and repair (LDAR) program, together with a programme for improving the monitoring and reporting of such emissions.

The program has resulted in significant decreases of VOC over the past few years (at the individual site level) and in 2015 efforts continued with further improvements. For example, at our Hungarian logistics operations we created a comprehensive VOC emission inventory. The study took into account all the emissions from tanks and all fugitive emissions from leaking points, and, as a result, an ongoing program to reduce VOC emissions that arise from product handling has been put into place.

At our Slovak refinery the LDAR programme has been operational since 1998. Since then, VOC emissions have been reduced by 60%. In 2015, 8 production units were surveyed. In addition to this, in 2015 1,000 tonnes of hydrocarbon were recovered by the vapour recovery unit.

At the Italian site, the LDAR programme started in 2010, bringing significant benefits. For example, in 2015 VOC emissions were reduced by 69% as compared to 2014 (from 3.12 t/y in 2014 to 0.96 t/y in 2015), but this is also due to the site conversion programme.

Although at the units which are covered by the LDAR programme VOC emissions have significantly decreased, overall MOL Group emissions increased in 2015 by 89% as compared to 2010, as we continue to extend the scope of VOC measurements across the group, as explained above.

The industry is also a source of SO<sub>2</sub>, NO<sub>x</sub>, CO and Particulate Matter (PM) emissions and preventive measures have been taken to reduce the quantity of these as well. As a result of investments at production units, SO<sub>2</sub> emissions were lower by 53% and NO<sub>x</sub> emissions by 34% in 2015 compared to the 2010 baseline emission year. However, on an annual basis there has been a significant increase in both. The primary reason for this is that some units switched over to using fuel oil rather than natural gas due to the low price of oil.

PM emissions in 2015 were similar to those of 2010 (with a slight decrease of 2%), but a significant reduction was made compared to 2013 (36%). CO emissions have increased compared to the 2010 baseline by 44% but have decreased compared to 2013. The variation is mainly related to the result of the incorporation of air emission related data for Russian operations into group-level reporting in 2011, and air protection measures introduced at the same operations from 2012-2013. The CO emissions remain at almost the same level for the period 2014-2015.

*Total air emissions (excl. GHG) by type (tonnes) [GRI EN21]*

YEAR	2010	2011	2012	2013	2014	2015	CHANGE 2010-2015 (%)*
SO <sub>2</sub>	13,142	10,625	7,878	5,776	5,368	6,146	(53)
NO <sub>x</sub> (Nitrogen Oxides)	7,874	7,531	6,839	6,057	4,715	5,175	(34)
VOC (Volatile Organic Compound)	4,211	4,901	4,501	5,643	5,251	7,950	89
CO (Carbon Monoxide)	1,599	3,295	2,889	4,248	2,275	2,309	44
PM (Particulate Matter)	361	492	460	552	367	353	(2)
<b>TOTAL</b>	<b>27,187</b>	<b>26,844</b>	<b>22,567</b>	<b>22,276</b>	<b>17,976</b>	<b>21,933</b>	<b>(21)</b>

\*Y2015 data are compared to the baseline year for our strategy: 2010

As with previous years, we have continued to expand the air emission monitoring system to our exploration and production facilities situated outside of the European Union with a view to reducing our environmental impact and protecting local communities.

## 2.2 WATER MANAGEMENT

*Related objective:*

- “Reduce total water withdrawals in Downstream Production by 5% (2010-2015)”
- “Improve water management techniques in water-stressed areas”

### Water withdrawals

The water used for different operational activities at MOL Group comes from various sources: it may be surface or groundwater, the municipal water supply, sea water, harvested rainwater or wastewater from production or other organizations.

MOL Group achieved its water-related targets. In 2015, MOL Group’s total water withdrawals amounted to 84.65 million m<sup>3</sup>, which represents a decrease of 8% compared to 2010 (91.96 million m<sup>3</sup>). The reduction is attributable to the yearly change in production capacity that is based on market demand, the closure of the Italian site, as well as numerous water-saving initiatives that have been implemented over the last 6 years.

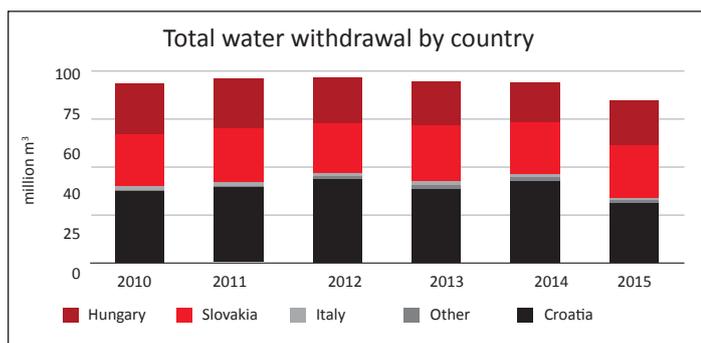
# Notes on Sustainability Performance

## Total water withdrawals by source (thousand m<sup>3</sup>) [GRI G4-EN8]

YEAR	2010	2011	2012	2013	2014	2015	CHANGE 2010-2015 (%)*
Municipal Water Supplies or Other Water Utilities	3,523	3,478	2,839	2,682	2,177	12,295	249
Surface Water Withdrawals	43,812	42,095	44,155	50,218	46,929	39,231	(10)
Ground Water Withdrawals	12,571	12,785	13,887	11,869	10,755	10,971	(13)
Rainwater Collected and Stored	565	487	16	-	188	158	(72)
Wastewater from Other Organizations	6,794	6,383	2,274	-	91	209	(97)
<b>Total fresh water withdrawals</b>	<b>67,267</b>	<b>65,230</b>	<b>63,173</b>	<b>64,769</b>	<b>60,140</b>	<b>62,866</b>	<b>(7)</b>
Non-fresh water withdrawals	24,700	30,700	33,589	29,749	33,990	21,790	(12)
<b>Total water withdrawals</b>	<b>91,967</b>	<b>95,930</b>	<b>96,762</b>	<b>94,518</b>	<b>94,130</b>	<b>84,655</b>	<b>(8)</b>

\*Y2015 data are compared to the baseline year for our strategy: 2010

The significant variability in the quantities of Municipal Water or Other Water Utilities and Surface Water withdrawals between 2015 and previous years is explained by the 2 month shut-down of the surface water supply system at one of our Croatian refineries when municipal water was used instead. At the same time, less non-fresh water was used at the same facility as electricity was purchased from a third party. Accordingly, less cooling water was needed.



In 2015, we continued to implement a variety of initiatives in order to keep the Group on track to improve its water withdrawal related targets:

- At the Ivancic Grad facility in Croatia, we implemented a project to replace old pipes and install a modern valve system. The effect was an immediate decrease of more than 50% in water withdrawals for the site (before the replacement, monthly consumption was in the range of 2,000 m<sup>3</sup>, while after project implementation this dropped to approximately 900 m<sup>3</sup>).
- At the Hajdúszoboszló site in Hungary, a new closed cooling system was put into operation, saving considerable amounts of water (66% in 2014). In addition to these savings, surface water withdrawals from the Eastern Main Channel were reduced to zero at this site in 2015.
- Due to the transformation project, a significant decrease of 26.2% (compared to 2014 data) for water withdrawals occurred at the Mantova site (from 1,207,521 m<sup>3</sup> in 2014 to 891,169 m<sup>3</sup> in 2015).

## Water discharges

Compared to previous years, the total amount of water discharged continues to decrease.

## Amount of contaminants (tonnes) [GRI G4-EN22]

YEAR	2010	2011	2012	2013	2014	2015	CHANGE 2010-2015 (%)*
Total Petroleum Hydrocarbons (TPH)	75	57	73	63	95	38	(49)
Chemical Oxygen Demand (COD)	2,376	2,094	1,743	1,712	1,647	1,514	(36)
Biological Oxygen Demand (BOD)	582	568	419	417	471	307	(47)
Solid Substances (SS)	1,055	1,038	688	609	873	765	(27)

\* Y2015 data are compared to the baseline year for our strategy: 2010

This decrease occurred due to the more efficient use of water resources and some technological improvement projects. For example, at the Slovakian refinery the quality of discharged water has constantly improved over the past few years which has led to lower environmental fees (60,000 euros less in 2015 than 2014), and at our Italian sites discharged water is now re-used for other purposes (e.g. in the firefighting system).

The significantly lower TPH values are due to the conversion of the Italian site from a refinery into a logistics depot, a new waste-water treatment plant at the gas-processing facility in Pakistan, and a change in the method of sampling at our Croatian operations (based on new legal requirements).

Efforts to improve the quality of discharge waters continue with the numerous projects started in 2015 - such as a water recycling project at the Hungarian refinery, improved sewage systems at logistics sites in Pécs and Szajol and at the Rijeka Refinery.

### Produced water

Significant quantities of produced water are managed by our exploration and production facilities. During 2015, over 11 million m<sup>3</sup> of water was produced (9.8 million m<sup>3</sup> in EU countries and 1.0 million m<sup>3</sup> in non-EU countries). In order to minimize MOL Group's impact, the company aims to re-inject, whenever feasible, the produced water.

Compared to 2014, the amount of produced water at our EU operations has remained almost constant (albeit has slightly increased), while in non-EU countries it has decreased due to smaller volumes of production.

At our EU operations produced water is re-injected, and projects for making improvements are continuously being implemented. For example, in Croatia at the Struzec formation (a water pumping plant) a reconstruction project is ongoing with a view to increasing efficiency.

In Pakistan (Makori West field) a water reinjection system with a capacity of 3,000 barrels per day continued to operate in 2015. A total of 1,200 barrels of produced water was re-injected, and the full capacity of the system will be reached in 2016.

#### *Quantity of produced water from Exploration & Production activities in 2015 (m<sup>3</sup>) [GRI OG5]*

	EU OPERATIONS	NONEU OPERATIONS	TOTAL MOL GROUP
Amount of produced water	9,833,135	1,015,306	10,848,441
Total amount of re-injected produced water	10,677,465	1,090,586	11,768,051

The proportion of re-injected water is higher than 100% because it covers the total amount re-injected. Water re-injection takes place at Exploration and Production sites to maintain underground pressure, and additional water is also injected to increase pressure.

### Water-stressed areas

Water scarcity refers to either a lack of water (quantity) or a lack of access to good quality (safe) water. MOL Group considers water scarcity to be a major issue and as such has been taking measures to decrease the water demand of its operations. Only a minor part of our operations are in water-stressed areas.

Our Central-Eastern European (CEE) exploration and production facilities are not located in water-scarce areas but we are continuously reducing our demand for water (see the water withdrawal reduction projects described above) and reducing water pollution.

We have taken action to assess the situation in more depth with our international operations which, according to external studies (such as water availability maps from the World Resource Institute), are situated in water-scarce areas (e.g. Pakistan and the Kurdistan Region of Iraq).

As a result, a detailed hydrological study of the Teri water basin (Pakistan) was carried out with the aim of assessing available water resources and the potential impact of our operations. The study concluded that, due to local circumstances, our operations are not disturbing the water balance, but as a precautionary measure we have taken steps to protect water sources. These measures include periodical analysis of the quality of ground water through monitoring wells, ongoing implementation of the Water Conservation Action Plan developed in 2014, and the use of treated effluent water for gardening purposes.

A study which was conducted at the end of 2014 addressed increasing water shortages and examined how to balance competition between industrial usage and the needs of local communities. By successfully assessing its water footprint, Kalegran B.V. (Kurdistan region of Iraq) has made a commitment to tackling the water shortage challenge and identifying innovative solutions for sustainable water management.

Even though the Kurdistan region of Iraq has been identified as a water scarce area at the global scale, it was found that our operations in Akri Bijell block are not having a negative impact on water recharge patterns in the region. Nevertheless, several activities have been orchestrated in order to tackle access to water, as this was found to be one of the primary concerns of local communities. Since in 2015 MOL Group operations in Akri Bijell Block were suspended, no further activities were carried out after 2014.

## Unconventional Exploration and Production

Unconventional exploration techniques such as fracking have revolutionised the energy industry but prompted environmental and community concern. One of the main concerns is that fracking uses huge amounts of water that must be transported to the fracking site at significant environmental cost. Another important concern is that potentially carcinogenic chemicals may escape and contaminate groundwater around the fracking site. The third and most important concern is that the fracking process can cause small earth tremors.

MOL Group is not directly involved in unconventional exploration, but, realizing the sensitivity of the issue, has defined a set of environmental standards for responsibly undertaking limited fracking activities to enhance the production of conventional fields.

These requirements encompass stakeholder concerns, water / land-use and protection, well-integrity, the use of chemicals and other risks which may be anticipated from specific risk studies. MOL and its subsidiary INA have successfully undertaken fracking on a few pre-existing wells during which all risks were managed during the entire life-cycle of the activities, from contracting to completion of the production wells.

## 2.3 WASTE MANAGEMENT, SPILLS AND SITE REMEDIATION

### Waste management

*Related objective: "Increase the proportion of recovered waste (remediation waste excl.) by 5% by the end of 2015 (baseline: 2010)"*

At MOL Group we are continuously seeking to decrease our environmental footprint by reducing the amount of waste we generate and developing treatment, recycling and recovery solutions. Due to the complexity of operations, our waste streams and types are also very diverse. The company's operations produce a wide range of solid and liquid wastes (including oily sludge, waste chemicals and spent catalysts, etc.). The total amount of waste generated in 2015 increased by 62% compared to 2010. The trend was influenced by significant quantities of non-hazardous waste generated by large investment/demolition projects, as follows:

- At our Hungarian operations, the total amount of waste increased by about 25% due to various construction/demolition projects, but compared to 2014, the amount recycled increased by 40%.
- A similar situation occurred with the Slovakian refinery where the quantity of waste increased due to investment activities and the general revision of production units.

Despite the overall increase in quantity, in 2015 the waste recovery rate improved at the MOL Group-level by 25% (compared to 2010) which means we outperformed in this regard.

*Waste generation and treatment (tonnes) [GRI G4-EN23]\**

YEAR	2010	2011	2012	2013	2014	2015**	CHANGE 2010-2015 (%)***
Hazardous Waste	92,918	89,895	82,331	60,528	80,866	97,720	0
Non-hazardous Waste	77,604	68,783	80,891	185,528	170,970	183,686	137
<b>Total Waste Generated</b>	<b>170,522</b>	<b>158,678</b>	<b>163,222</b>	<b>246,056</b>	<b>251,836</b>	<b>276,406</b>	<b>62</b>
Waste Disposed/Landfilled	80,202	74,656	76,867	86,574	102,413	94,197	17
Waste Reused/Recycled	90,320	84,023	86,355	159,482	149,423	182,209	102
<b>Total Waste Disposed and Recovered</b>	<b>170,522</b>	<b>158,679</b>	<b>163,222</b>	<b>246,056</b>	<b>251,836</b>	<b>276,406</b>	<b>62</b>
Ratio of reused/recycled Waste	53%	53%	53%	65%	59%	66%	25

\*Data for the waste included above include operational, remediation and construction waste.

\*\*In 2015, a new, more granular data collection process was introduced.

\*\*\*Y2015 data are compared to the baseline year for our strategy: 2010

Several initiatives have impacted MOL Group's waste generation and waste recycling figures. These include the following:

- The reverse osmosis equipment installed at the Slovakian Refinery has reduced waste from the waste water treatment plant by 3,500 tonnes.
- Also in Slovakia during 2011 – 2015, 15,839 t of spent catalyst was produced, for which a disposal method was employed that ensured a 98.4% recycling rate.
- The campaign for the collection of used household cooking oil (using the retail network in three countries – Slovakia, Hungary and Romania) continued in 2015. In Romania, 35 new service stations have entered the programme, and in Slovakia we have increased the number of collection point from 15 stations to 88. As a result, the total quantity of oil that was collected in Slovakia increased from 3 t in 2014 to 9 t in 2015, and quantities also increased in Romania and Hungary by approximately 30%. Accordingly, a total of 228.6 t of cooking oil was collected in 2015, which represents an increase of 41% compared with 2014 when 161.7 tonnes of used cooking oil were collected.
- In Croatia, we have continued the writing-off process for various chemicals from exploration and production activities. As such, the quantity of hazardous waste that was produced remained at a high level.
- In Pakistan, a total of 3,362 tonnes of oil-based mud was treated through a bioremediation process. Treated mud is re-used as a filling material for road construction.

The Group's environmental standards define its policy related to managing drilling mud and include regulations about mud selection, waste minimisation, recycling and responsible disposal. Data relevant to this topic are presented below.

*Drilling mud produced in 2015 (tonnes) [GRI OG7]*

	EU OPERATIONS	NON EU OPERATIONS	TOTAL MOL GROUP
Hazardous waste from aqueous (water-based) drilling mud and cuttings	532	1,479	2,011
Hazardous waste from non-aqueous drilling mud and cuttings	0	3,360	3,360
Non-hazardous waste from aqueous drilling mud and cuttings	34,909	133	35,042

*Drilling mud treatment in 2015 (tonnes) [GRI OG7]*

	EU OPERATIONS	NON EU OPERATIONS	TOTAL MOL GROUP
Aqueous (water-based) drilling mud and cuttings – waste for deep well injection, onshore disposal	5,428	1,612	7,040
Aqueous (water-based) drilling mud and cuttings – recovered, recycled	30,924	0	30,924
Aqueous (water-based) drilling mud and cuttings – offshore disposal	0	0	0
Non-aqueous drilling mud and cuttings – waste for deep well injection, onshore disposal	0	0	0
Non-aqueous drilling mud and cuttings – recovered, recycled	0	3,360	3,360
Non-aqueous drilling mud and cuttings – offshore disposal	0	0	0

Recollecting and processing waste oil at our own facilities brings considerable financial and environmental benefits. In order to increase recollection, we further encouraged the recollection of these types of wastes in 2015. This waste is treated at our own waste management facilities, producing significant amounts of steam or the flux oil needed for bitumen production.

From 2015 we started to centrally collect and report on the quantities of hazardous wastes that are exported/imported due to our operations. As for some of the waste streams there are no proper treatment facilities at the local level, limited amounts of very specific wastes (e.g. refinery catalysts/tank sludge) are exported for treatment to Germany or Austria. The total amount of hazardous waste exported for treatment reached 3,930 tonnes.

## Spills

MOL Group is aware of the impact that spills can have on the environment and communities, so taking spill prevention measures into account is a priority when we design and operate our facilities. Regular maintenance and inspection campaigns are conducted and emergency response plans are in place and are constantly updated for each of our sites. When we detect a spill, all the necessary measures are immediately taken to restore the pre-spill status of the affected areas.

In 2015, a total of 6 spills to environment (of more than 1 m<sup>3</sup> hydrocarbon content) with a total hydrocarbon volume of 16.9 m<sup>3</sup> were recorded across MOL Group. This number does not include spills related to road accidents that happened off-site. This represents an increase in number compared to the 5 spills registered in 2014.

On the other hand, there has been a significant reduction in terms of total hydrocarbon losses compared to the 193.5 m<sup>3</sup> registered in 2014. The main reason for this decrease is that in 2014 there were 2 major spills at our Croatian operations with a total hydrocarbon spillage of 170 m<sup>3</sup>. In 2015, there were no such major events.

The two largest spills were recorded at our Croatian and Slovak operational sites. The first one, a spill of 6m<sup>3</sup>, happened on the section of the crude pipeline that links the Sisak Refinery and Janaf and was due to corrosion, while the second spill (4.9 m<sup>3</sup>) happened due to an operational failure inside the Slovnaft Refinery. The other 4 spills were of a volume of between 1 - 2 m<sup>3</sup> and were due to corrosion (2), mechanical failure (1) and an attempt at theft (1). All the spills are considered to have had limited environmental impact and affected no communities. The total cost of remediation activities for all 6 spills was 93,490 euros.

MOL Group did not operate any off-shore installations in 2015 (MOL Group only participated in offshore exploration or production activities through joint ventures as non-operating member). However, MOL Group still aims to ensure that measures are in place to protect marine ecosystems in the vicinity of operations that are located near the coast (e.g. in Croatia at the Rijeka Refinery or the UK's North Sea).

## Remediation

A group-wide remediation programme that addresses historical pollution continued to be implemented in 2015.

During the year remediation work was carried out at 187 locations at our Hungarian operations, while at 12 sites work was concluded (this may be compared with baseline year of 2011 when remediation work was concluded for a total of 32 sites). In 2015, approximately HUF 1,191.6 million (USD 4.26 million) was spent on the management of environmental damage.

At Slovak operational sites, remediation programmes continued at 6 locations – 4 logistic sites and 2 retail stations. At one of the logistics sites, the remediation works were successfully concluded and post-monitoring activities have now started. Total spending on remediation programmes in 2015 was HUF 47 million (USD 0.17 million) compared with HUF 732 million (USD 2.48 million) in 2014.

At Rijeka Refinery, remediation work has been carried out on an ongoing basis since 1993. The remediation programme is designed to achieve three objectives: protect the sea and the coastal area, continuously eliminate historical pollution from underground sources, and monitor on a daily basis underground pollution (in 2015, 5 new monitoring wells were installed in high-risk areas). Remediation-related costs at our Croatian operations in 2015 were HUF 744.79 million (USD 2.66 million).

Remediation projects continued being implemented at Italian operations too. In 2015, a total of HUF 124 million (USD 0.44 million) was planned for remediation work, but only HUF 76.99 million (USD 0.27 million) was spent as one of the projects did not start due to external factors. The pump and treat hydraulic protection system at the Mantova site has been optimized in order to ensure enhanced protection of the most sensitive areas.

Concerning international exploration and production sites, over 21 ha of land in Russia was restored to its original state at the Matyushkinskaya Vertical fields and 37 ha in Baitex. Also, 25 drilling mud pits were eliminated from the Baitex field.

Remediation and environmental liabilities are of particular importance when operational sites are abandoned. MOL Group focuses on optimizing operations that also affect its own assets. In 2015, no major site was abandoned. Moreover, in international exploration and production areas no operational sites were opened or closed.

## 2.4 BIODIVERSITY

*Related objective: "Implement Biodiversity Action Plans for all critical operation sites"*

MOL Group recognizes that it must operate safely and responsibly in order to protect the natural environment and local communities. Hence, we apply stringent standards to help reduce any impacts our operations may have, particularly in critical habitats which are areas that are rich in biodiversity or under protection. We conduct biodiversity-related studies (as part of environmental impact assessments) for any new major projects or large expansions to existing operations.

MOL Group's exposure to biodiversity risks is not very significant. In 2014, a group-wide assessment was conducted to identify potentially sensitive areas which should be the focus of future efforts. In total, 162 sites were surveyed.

According to the survey, only 8 sites are in biodiversity-critical areas (6 Upstream and 2 Downstream), while 35 Upstream operations are located close to or within Natura 2000 sites (European nature conservation areas). Two of the Upstream operations are situated in water-stressed areas (see chapter on Water management) while one can be found in a water-protected landscape.

In continuation of the 2014 efforts to map all our operations that are close to or in protected areas, in 2015 we developed biodiversity action plans for all exploration and production sites that are awarded this status.

Working with biodiversity experts and local communities to protect biodiversity was also a focus of work during 2015:

- In Hungary we developed awareness-raising projects in partnership with the Órségi National Park, Hortobágy National Park, Kiskunsági National Park and the Körös-Maros National Park. Activities included printing various brochures and participating in various events, etc.
- In Slovakia we continued to collaborate with SOS Bird Life Slovakia, and we jointly implemented a habitat management program on Samorin Bird Island (on the Danube River). Almost 40 employees from Slovnaft helped professional environmentalists from SOS Bird Life Slovakia to clean the island and prepare the area for nesting birds. This bird island is home to the largest colony of Mediterranean Gulls in Central Europe (over 250 breeding pairs), and the island's surrounding is the most important wintering site in Central Europe for several duck species.
- In Pakistan, we have continued to cooperate with the Margala Hills National Park Administration and more than 1,000 large-size plants have been planted. Additionally, in TAL block 100 artificial bird nests and salt licks for wildlife have been installed.

## 2.5 HSE COMPLIANCE

In 2015, MOL Group paid penalties for Health, Safety and Environment-related breaches of rules in 11 cases, resulting in total penalties of HUF 21.0 million (USD 75.1 thousand). The largest single penalty (HUF 11 mn) was given to INA d.d. due to non-compliance with waste management regulations and administration during site reconstruction. The Russian subsidiary Matyuskinskaya Vertical was charged HUF 6.8mn for burning associated petroleum gas. Other penalties involved minor costs and are in most cases related to administrative issues such as incorrect site documentation.

### 3. HEALTH AND SAFETY

General aim: Ensure operational HSE excellence

**ACHIEVEMENTS:**

- ▶ In 2015, all of MOL Group’s maintenance single service companies obtained the internationally-acclaimed Safety Checklist Contractors (SCC) certificate
- ▶ The number of serious (Tier1) process safety events decreased by 25% compared to 2014
- ▶ No lost-time injury was recorded during 1.5 and 2.4 million man-hours worked during construction projects for the Butadiene Extraction Unit of MOL Petrochemicals Plc. (former TVK) and LDPE-4 Unit at Slovnaft Refinery (respectively)

**CHALLENGES:**

- ▶ Multiple contractor fatalities occurred in international upstream operation in Pakistan
- ▶ Need to decrease road safety incidents
- ▶ Identify a sufficient number of SCC-certified contractors for all high HSE risk activities
- ▶ Avoid slips & trips: the primary cause of personal injury

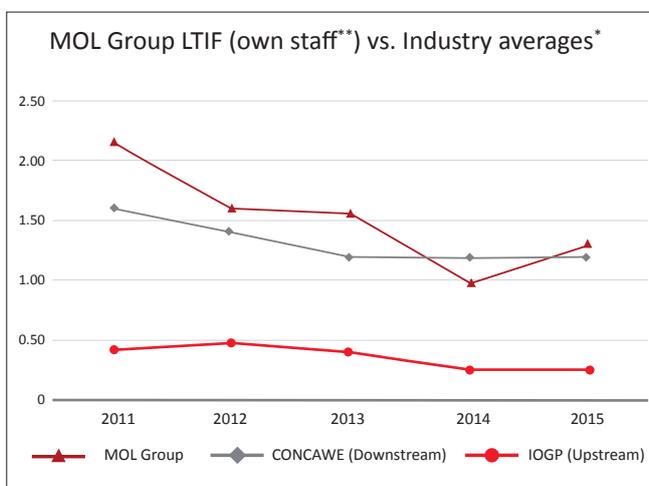
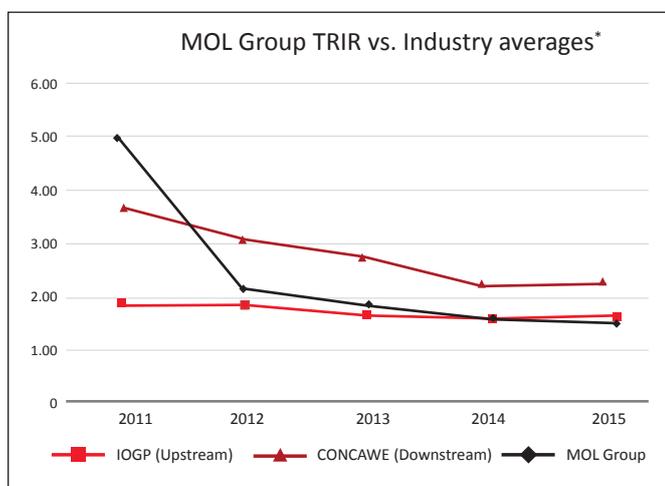
#### 3.1 PERSONAL SAFETY

**Workforce Safety performance**

Related objective: “Implement programs that aim for zero incidents”

Our objective is to be in the top quartile of Oil and Gas companies in terms of our safety performance by 2020. In 2015, we recorded the lowest-ever number of personal injuries among our employees and contractors combined, both in terms of Lost-time (100) and Non-Lost-time (39) injuries (excluding first-aid cases). Regarding additional indicators, MOL Group started applying the Total recordable injury rate (TRIR) in 2014 as a key leading indicator of personal safety for own and contracted personnel in order to aggregate any workplace injury that needed medical attention (this indicator also includes non-lost-time injuries and thus is wider in scope than the LTIF, described below). This year the number of TRIs for our own and contracted personnel dropped by almost 14%, thus the TRIR for the entire group’s own and contracted activities combined shows a slight improvement (1.44) compared to last year’s performance (1.50), and our Downstream and Upstream businesses performed better than both the IOGP and CONCAWE 2014 industry average.

The other important indicator of our safety performance is the frequency of lost-time injuries (LTIF). In terms of our own staff LTIF, the continuous improvements we have made (since 2010) are coming to a halt, as in 2015 INA Group registered a significant increase in their frequency, while MOL Group’s LTIF performance slightly increased from last year resulting in more than 25% increase in MOL Group’s overall performance.



\* Benchmarks for 2015 are the same as for 2014 since new data was not available at the time the report was drafted

\*\*Including fuel station staff

The LTIF country breakdown indicates significant increases in some countries in 2015 after four years of safety performance improvements.

*MOL Group own staff LTIF (including filling station staff) by countries in 2015*

COUNTRIES	HUNGARY	SLOVAKIA	CROATIA	OTHER EUROPE	E&P INTERNATIONAL
2015	0.94	0.33	2.2	1.24	0

In parallel, we regret to report the sad loss of one of our own and five of our contractors' employees. These unfortunate incidents resulted in an increase in MOL Group's Fatal Accident Rate (FAR) to 6.23, which is higher than the IOGP (1.03) and CONCAWE (1.38) benchmark figures. In 2015, all work-related fatalities which occurred were related to road transportation activities, and all contractor fatalities occurred in relation to hazardous material (HAZMAT) road transportation (including shipping, loading and unloading activities).

In October 2015, a serious incident occurred at MOL Group's Pakistani operations when four contractor employees suffered serious burn injuries and later lost their lives after hospitalization. A gas vapour explosion occurred while a road tanker (browser) was being loaded at one of the well sites where simultaneous operations (construction, test production with liquid HAZMAT loading and transportation) were in progress. The subsequent investigation ascertained that several MOL Group international and local technical and HSE standards and Life Saving Rules had been violated. This incident resulted in a meticulous assessment of the entire local OpCo's (MOL Pakistan) management systems.

### **Workforce Safety Programs**

The heart of MOL Group's safety program is called Life Saving Rules (LSR). This is an industry-standard program which focuses on the most important safety rules, the violation of which is likely to result in serious injury or fatality. In 2015, to make compliance with the Life Saving Rules easier, we launched various safety programs at MOL Group companies and operating companies such as Fall protection, Lock-out/Tag-out (LOTO), Stop card and Job safety analysis (JSA) with Last-minute risk assessment (LMRA), with multi-year implementation. After a thorough analysis of all the incidents which resulted in personal injury at MOL Group, we initiated a group-wide campaign and local pilot project on the risks of "slips, trips & falls (at the same height)" hazards for both administrative (office) and operational staff under the slogan "Various sites, same hazards".

Site inspections continued in 2015 with a view to verifying our own workers' HSE commitment and safe operating practices. We identified a number of violations of Life Saving Rules and some non-compliance issues (other than LSR) and instigated different consequences for rule-breakers.

MOL Group launched an HSE Leadership Engagement Program in four countries in which we operate, starting with an anonymous assessment of the safety cultures of both management and shop-floor (blue-collar) workers. This was continued with HSE Leadership Engagement training for the TOP150 managers and leaders of MOL Group in order to develop and improve HSE culture and leadership.

Important achievements at MOL Group operational sites include the following:

At Slovnaft Refinery the LDPE-4 construction project was completed in Q4 2015. During project implementation an average of 500 (and at peak times, 900) workers from 11 countries were on site at the same time. More than 2.4 million working man-hours were recorded (of which more than 1.2 million hours in 2015) with zero lost-time injuries (LTI). In 2015 during construction of the new Butadiene Extraction Unit of MOL Petrochemicals Plc. total man-hours worked nearly reached 1.5 million with no LTI. At the peak of project implementation 600 personnel were working on the construction installing a total of 12,000 tonnes of concrete, 2,100 tonnes of (reinforcing) steel and 18,000 metres of pipes.

### **Road Safety**

In 2015, the high number of road accidents (both personal and HAZMAT transportation; 110 vs. 106, respectively) was a major issue, even though the distance driven dropped by more than 7 percent. All MOL Group own employees (1) and contractor (5) fatalities occurred in connection with road transportation (including the shipping, loading and unloading of HAZMAT).

In 2015, MOL Group launched a comprehensive Road Safety Program for own and contractor employees. The program focused on two major areas: 1) road transportation, and 2) personal cars. The Road Transportation Program involved light and heavy duty vehicles, including hazardous materials, with a focus on safe truck driving via Truck Drivers' Safety Fundamentals.

# Notes on Sustainability Performance

The Employees' Road Safety program is endorsed by a high-level MOL Group manager who suffered a serious road accident in 2014. This program was developed for personal drivers and entails defensive driving training – the training is compulsory for frequent drivers, and optionally available to all drivers who use cars for business purposes.

Apart from the fatal accidents, MOL Pakistan significantly decreased the number of HAZMAT road transportation accidents from 20 to 9, with no off-site fatalities. This was due to special measures such as a strict check-list-based inspection of tankers, and implementation of a Logistics Management System (LMS) via a newly established Logistics department.

MOL Plc. prepared its first Highway Code e-learning training and mandatory exam for individuals who drive cars for company purposes. The aim of the new online training is to keep MOL employees updated about current regulations and safe driving practices.

INA's Road Safety Program continued in 2015 with a focus on training personnel and extending the program to other INA subsidiaries. A number of INA and STSI employees were trained in practical safe driving. A safety inspection system for vehicles for personal transportation and minibuses dedicated to emergency response and evacuation was introduced at Kalegran in the Kurdistan Region of Iraq.

The GPS tracking of fleet vehicles started in 2015 at IES with the aim of monitoring the driving behaviour of each driver. In May 2015, sales representatives and executive employees participated in a road safety training event organized at the Bonora international circuit.

MOL Serbia organized a Road Safety Campaign which involved distributing flyers at service stations during the high traffic season in the summer with tips about safe driving. Additionally, MOL Serbia, in co-operation with authorities, organized an activity called "Every step safe and easy" in the "Little Prince" day-care centre for a total of 134 children.

Since 2010 there have been significant improvements in road accident rates (the number of road accidents per 1 million driven kilometres) of other means of transportation at both INA Group and MOL Group. In 2015, however, INA witnessed a slight increase in this indicator, while MOL Group performance continued to improve on a yearly basis.

## **Contractor Safety**

### *Related objective:*

- "Improve contractor HSE management program"
- "Introduce comprehensive supplier risk assessment and have prequalification for at least 80% of the critical suppliers in each subsidiary"

Given the nature of the industry, one of the most significant challenges in the supply chain is to manage the health, safety and environment (HSE)-related risks of the investment and maintenance works performed by contractor companies. Accordingly, MOL Group applies the same standards to contractors as it does for its own operations.

In 2015, the lost-time injury frequency of our contractors improved. In total, we recorded 21 contractor lost-time and 13 non-lost-time injuries which both are 46% lower than for the previous year. However, this LTI number includes the above-mentioned fatalities, as well.

Key controls for improving the HSE performance of our contractors include prequalification audits, a detailed HSE Appendix for contracts, compulsory 24/7 HSE supervision by the main contractor in case of large complex projects, a HSE Plan, Job Safety Analysis for critical works, strict enforcement of Life Saving Rules, regular site inspections, and post evaluation of HSE performance. To minimize risks through the entire value chain, only two levels of subcontractors are allowed.

Consideration of HSE starts as early as the stage of selection of suppliers. In 2015, the following steps were undertaken:

- Development of a new, comprehensive and integrated vendor management solution (a platform for financial, legal, ethics and HSE pre-screening and initial risk assessment)
- During the technical evaluation of bids, companies with a high post-evaluation score and specific HSE certificates could obtain extra points (worth up to 5%).
- In the future it is planned that only companies with an SCC/VCA certificate (Safety Checklist for Contractors) will be contracted for high HSE risk activities in all European, on-shore operations. To demonstrate their commitment to live up to this requirement, by the end of 2015 all maintenance single service companies of MOL Group (Petrolszolg Kft. in Hungary, SMAO in Slovakia and STSI in Croatia, altogether employing ca. 2,200 employees) obtained this certificate. SCC is a safety framework that focuses on the risks and challenges of contractor work and also includes an employee certification scheme (in Hungary 750 workers and supervisors attended a 2-day training event).

- In 2015, a total of 348 contracts for high HSE risk activities (with a total value of EUR 587 mn) were signed and 348 companies were audited for prequalification to make sure they comply with the technical and HSE requirements of projects.
- As part of the strategic sustainability plan, in Hungary a total of 3 supplier sustainability audits were conducted. The companies which were visited agreed to implement corrective activities that go beyond the field of HSE.

Number of HSE supplier pre-qualification audits by significant regions in 2015 [GRI G4-LA14 G4-EN32]

NUMBER OF HSE SUPPLIER PRE-QUALIFICATION AUDITS	HUNGARY	SLOVAKIA	CROATIA	ITALY	E&P INTERNATIONAL	TOTAL
2015	187	21	11	5	124	348

During the completion of a project, several measures are applied to minimize the risk of any HSE incidents:

- Supplier Forums are organised to inform contractors about actual topics and prepare them for upcoming projects such as refinery turnarounds.
- MOL Group internal regulation requires each main MOL contractor to guarantee 24/7 HSE supervision during work (in the case of high-risk, complex projects).
- Every on-site contractor is obliged to participate in basic HSE induction training and pass a test once a year.

At the group level, a total of 10,659 site inspections were performed to manage the HSE performance of contractors. In the case of almost 2,000 audits in which instances of non-compliances were found, corrective activities were initiated and penalties were imposed, where applicable. In 29 cases workers were banned from the site, and in 131 cases written warnings were sent out. In 2015, no contracts were terminated because of HSE breaches.

Safety programs have been implemented for contractors as well, including Job Safety Analysis, Stop Card system and/or the Last Minute Risk Assessment. In Slovnaft, a new system was launched which means that near misses, unsafe acts and conditions can now be reported in SMS format through an easy-to-remember phone number.

### 3.2 HEALTH PROTECTION AND PROMOTION

#### Occupational Health

*Related objective: "Implement programs to ensure a healthy workplace"*

In 2015, similarly to previous years, no occupational illnesses were recorded across the entire MOL Group. Having a healthy workplace is critical to MOL Group's success. We aim to operate a number of local programs in order to protect employees' health, to ensure that appropriate medical responses and treatment are given, to manage stress and to encourage employees to lead a healthy lifestyle by minding their work-life balance.

In addition, in 2015 MOL Group became a signatory party to the Safe Water, Sanitation and Hygiene at the Workplace (WASH) initiative and hence pledges to provide access to safe water, sanitation and hygiene at the workplace at an appropriate standard for all employees at all premises.

In 2015, a comprehensive health protection and promotion gap analysis was conducted across MOL Group operations. The scope of the analysis included industrial hygiene risk assessment, fitness-for-duty medical evaluations, medical emergency processes, ergonomics and rehabilitation in order to estimate pre-existing gaps and to facilitate the design of action plans for their elimination through a process of harmonization.

In general, annual fitness-for-duty medical evaluations are based on the above workplace risk assessment and are therefore even stricter than the relevant country regulations.

We have intensified our efforts to introduce measures to completely eliminate even the possibility that employees are exposed to carcinogenic chemicals. For example, a comprehensive prevention strategy was implemented at the Danube Refinery. Our cytogenetic program – a leading monitoring program in the Oil and Gas industry – also continued to be implemented at MOL Plc. A total of 110 employees were examined.

Regular biological monitoring continued for MOL Plc. operational unit workers, for Slovnaft risk category 3 Employees (who are at risk of carcinogenic compound exposure during daily activities), and for 198 employees at Petrolszolg Ltd. 1 overexposure was found in the latter group.

During 2015, INA d.d. (Croatia) sent 130 employees with different medical statuses (employed at different positions) to a ten-day Medically Programmed Active Vacation (MPAV) at SPA TOPUSKO which is renowned for the beneficial effects of its thermal water.

Qualitative health risk assessments were carried out through the "Special assessment of work place environment" framework in Russia and in the Central Processing Facility (CPF) and Gas Processing Facility (GPF) in Pakistan. No staff with potential occupational diseases were identified. Additional ambient air sampling for Hydrocarbons (BTEX), noise and vibration monitoring was carried out at potential sites for different MOL Group operations.

A stress Management Campaign was simultaneously launched at the Branch Office and at CPF of MOL Pakistan in 2015.

## **Workplace Health Promotion**

At MOL Plc. (Hungary) more than 7,100 employees participated approximately 21,000 times in different Workplace Health Promotion programs in 2015, especially at medical screenings, movement-based activities and vaccinations. At Petrolszolg mobile massage and gym projects continued with a total of nearly 1,900 visits.

78 employees of MOL Plc. participated in the 30th Budapest Wizzair Half-marathon, while 27 employees from MOL Slovenia participated in the 3 biggest marathon events in Slovenia (Radenci, Maribor and Ljubljana). Their registration fee was covered by the STEP program for the first time.

At INA (Croatia) the aim of the "Running - challenge of the 21st century" campaign was to promote and educate employees about the positive effects of sporting activities on human health, and to encourage them and their families to stay active. All INA employees have access to the "Ask our Doctors" service which enables them to send questions related to occupational health matters and health in general to contracted company occupational medicine specialists, or to arrange a personal visit.

A preventive Health Care Programme was launched at the branch office (BO), as well as at CPF/GPF of MOL Pakistan where awareness-raising sessions were held at both locations. Selected employees were evaluated for GCT (Glucose, Triglycerides and Cholesterol), BMI, Blood Pressure and Vitamin D levels.

At BaiTex in Russia, all employees are encouraged and supported to engage in sporting activity such as playing volleyball (men) or visiting the ice palace and gym (women). BaiTex's volleyball team participated in the 'Festival of Working Sport' in Buguruslan.

## **3.3 PROCESS SAFETY AND RISK ASSESSMENT**

### **Process Safety Management**

*Related objectives: "Strengthen facility safety, improve rating in benchmarks"*

The main goal of process safety management (PSM) is to establish and operate an efficient management system which ensures the prevention of technology-related process incidents and protects people, assets and environment against harm. Implementation of the Process Safety Management system in MOL Group started in 2006. Our PSM-related goal is to continuously decrease the number and severity of process incidents and be in the top 25 percentile of CONCAWE and IOGP benchmarks.

In 2015, there were 41 TIER1-2 Process Safety Events (PSEs) at MOL Group which is a decrease of 4 events compared to 2014. Although the number of events was lower than previous years, the consequences of these events were more severe than they have ever been in MOL Group's history.

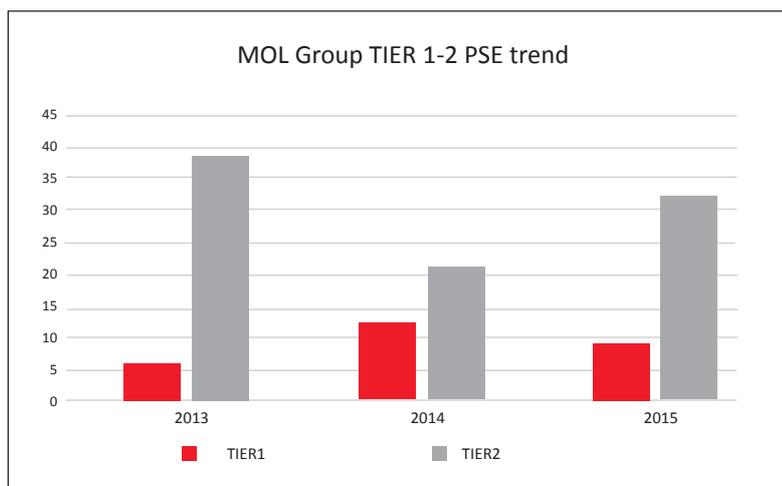
*Number of TIER 1-2 process safety events in MOL Group companies in 2015 [GRI G4-LA14]*

2015 PROCESS SAFETY EVENTS (PSE)	MOL GROUP	HUNGARY (MOL+TVK)	SLOVAKIA (SLOVNAFT)	CROATIA (INA)	ITALY (IES)	UPSTREAM INTERNATIONAL
PSET TIER 1	9	2	1	4	0	2
PSET TIER 2	32	17	8	4	0	3
<b>PSET TIER 1+2</b>	<b>41</b>	<b>19</b>	<b>9</b>	<b>8</b>	<b>0</b>	<b>5</b>

The financial cost to MOL Group of TIER 1 process safety events was approximately 9 mn USD in 2015 – of which indirect losses due to business interruptions represent 90% of the cost.

The MOL Group TIER 1-2 process safety events trend is shown in the following chart:

\*Note: TIER 1 category events are more serious from a consequence point-of-view than TIER 2 category events. Categorization is based on API RP 754.



Top Management commitment especially that of MOL Group’s CEO towards PSM, was demonstrated during PSM implementation status visits at 3 locations (MOL and Slovnaft Production, INA Croatia).

In 2014, we started the tradition of organizing an annual PSM best practice sharing workshop. In 2015, this workshop was held in October. It was a great opportunity to share and understand good/best practices in process safety from Downstream and Upstream business sectors, as well as from the non-MOL Group invitee, Česká Rafinerska (Czech Republic).

The efficiency and level of PSM system implementation is continuously monitored and measured. To measure the level of implementation we use PSM Cross audits (based on an annual audit plan) where implementation of selected PSM elements are compared with predefined audit questionnaires.

In 2015, there were 17 cross audits and the overall evaluation of PSM implementation shows an improvement, especially in Process Safety Information, Management of Change and Emergency Planning and Response elements. For these elements the scores were over 90%. Implementation of all elements requires a systematic approach and continuous effort to keep the system functional.

Besides internal audits, in 2015 an external company (AON Risk Solutions) also performed 2 external assessments of implemented safety related processes and technical solutions. One of the assessments was done at MOL Petrochemicals site in Hungary. The result of the assessment was a risk rating which categorized the risks analysed as ‘Standard’ compared to similar facilities elsewhere in the world.

Local implementation of PSM-related programs was continuously followed-up at the Group PSM Forum, where businesses had to report on local activities. In 2015, the main focus was placed on Mechanical Integrity by launching the UPTIME program. UPTIME is designed to increase reliability and significantly reduce the number of unplanned shutdowns in Downstream. The importance of the project was proved by the UPTIME survey which shows that employees are strongly engaged with the program.

Significant improvements were also made with regard to the Management of Change process, especially in MOL Plc. and Slovnaft, and in Fire Hazard Analysis which was prepared or updated in MOL, Slovnaft and MOL Pakistan.

## Emergency response and crisis management

Emergency and crisis preparedness has clear business relevance to the Oil and Gas industry, and improving and maintaining emergency response capabilities is crucially important.

In 2015, MOL Group initiated several new projects to increase the emergency and crisis response capabilities of MOL Group in 2015. Accordingly, we increased the involvement of all affected and interested business and functional stakeholders by reviewing their roles in potential crisis situations. In parallel, we raised awareness of process preparation. We also deeply examined events which represent a potential threat to MOL Group operations.

FER Fire Brigade and Service Ltd. (a MOL Hungary Subsidiary) organized the 8<sup>th</sup> International Conference for Fire Brigades in the High Hazard Industry in Budapest. This conference is organized every second year and offers a great chance for international professionals to explore the latest developments in this field.

## 4. HUMAN CAPITAL

*General aim: "Building capability and enhancing organizational performance at times of turbulent change"*

### ACHIEVEMENTS:

- ▶ Group E&P and Group HR implemented a Technical Career Ladder (TCL) across the E&P community in 2015 and allocated 940 petro-technical professionals (PTPs) to 7 TCL levels through 14 Job Families
- ▶ MOL Group won the Getenergy 2015 Award in the category of 'Education Partnership' for partnering with the University of Engineering & Technology (UET) of Peshawar
- ▶ MOL Group won Workforce Optimas Awards in the category of Global Outlook for a change in the compensation and benefits model in MOL Pakistan that efficiently reduced staff turnover
- ▶ MOL Group's Intensity leadership program developed 489 leaders and attained an overall course satisfaction rate of 83%
- ▶ 186 graduates joined MOL Group as Growww 2015 program participants in 11 countries, with 36% of positions offered to women, which is above the industry's gender split average

### CHALLENGES:

- ▶ A scarcity of mid-level careers on the market is shrinking the available skills pool
- ▶ Increasing speed of change, industry downturns and market volatility affect the talent pool

### 4.1 ATTRACTING EMPLOYEES

*Related objectives:*

- *"Talent acquisition approach tailored to attracting young professionals with geosciences and engineering background in order to secure talent pipeline for Exploration & Production"*
- *"Implement programs to ensure early engagement of the young generation who are seeking a way into the Oil and Gas industry"*

The entire Oil and Gas industry is in the middle of a human resources transition. The scarcity of mid-level careers on the market combined with a high percent of retirees has shrunk the available skill pool. Furthermore, the appearance of Generation Y on the global labour market means that employers must meet different expectations. MOL Group has built a talent acquisition and recruitment strategy to attract and hire talented graduates to fill technical and managerial positions from the bottom-up.

The pillars of MOL Group's talent acquisition strategy are the secondary school programs Junior Freshhh and MyMentor, Freshhh and the UPPP international student competitions and the graduate recruitment and development program Growww. The secondary school programs support the early engagement of the young generation in natural sciences. The Freshhh program promotes the attractiveness and complexity of the Oil and Gas industry and the overall international activities of MOL Group. UPPP is the dedicated Exploration & Production international talent acquisition program of the company. The best performing students have the chance to start their careers at MOL Group via the newly established 18-month UPPP Technical Placement Program. This program offers state-of-the-art talent development including business and technical curricula, MOL Group HQ exposure and on-site experience in the E&P operations of MOL Group. The Growww graduate recruitment and development

program, launched in 2007, provides graduates with a unique opportunity to start their career in a global company and to build work experience through training, on-the-job assignments and mentoring from the best professionals in various Oil and Gas disciplines in an intercultural working environment.

Further to the programs mentioned earlier, MOL Group is investing heavily into its social media strategy and presence to appear as an attractive and desired employer on the global market.

MOL Group's programs and efforts are increasingly internationally recognized. In 2015, the company won 3 prestigious international awards related to its talent acquisition programs:

- HR Distinction Award in Employer Branding
- Getenergy Awards 2015 (Education Partnership category)
- Global HR award at HRO Today Europe Forum (1<sup>st</sup> place in Innovation in HR Technology)

## **Educational Partnerships**

### *Secondary schools*

To start attracting and engaging young talents at an early stage in the Oil and Gas industry, and to encourage them to choose a STEM-based (science, technology, engineering and mathematics) long-term career path, MOL Group companies maintain close, ongoing contact with secondary grammar schools and vocational schools.

In 2015, the 'MyMentor' program continued and 12 professors were selected out of 560 nominations in Hungary, Croatia and Slovakia. Junior Freshhh was launched for the second time in Croatia, the third time in Slovakia and for the sixth time in Hungary. A total of almost 1,200 teams registered from the 3 countries of Hungary, Croatia and Slovakia in 2015. MOL Group companies also maintain partnerships with relevant vocational schools to ensure that blue-collar talent continues to flow.

### *University concept and partnerships*

MOL Group is committed to helping maintain the long-term talent pipeline. As a result, the company nurtures and seeks out strategic partnerships with universities and faculties from relevant fields.

For example, MOL Group instigated a successful collaboration between MOL Pakistan and the University of Engineering & Technology (UET) Peshawar, which is the largest engineering university in the province in which MOL Pakistan operates. To date, the university has provided MOL Pakistan with nearly 70 graduate engineers, thus helping to meet growing business needs and playing its role as a true strategic partner. Through this partnership, MOL Group won the Getenergy 2015 Award in the category of education partnership announced on June 15th in London.

MOL, INA and Slovnaft have an ongoing, long-term cooperation with local universities that provide Oil and Gas-industry relevant education, and MOL Group sponsors international student associations (e.g. BEST) and professional events that are organized for students.

## **Talent acquisition programs**

Freshhh is MOL Group's innovative online university student competition that targets potential future MOL Group employees from across the globe. The most talented students have the opportunity to secure direct entry into MOL Group's Growww graduate selection process. Since the competition started in 2007, more than 20,000 students have participated. In 2015, a record number (2,210) of three-member teams from 70 countries have applied to enter the competition.

In 2015, 1,114 three-member teams applied for the UPPP talent acquisition program from 45 countries, ranging from the UK and Central Europe to the Middle East. Based on an evaluation by the jury, the top three teams won a total of 25,000 euros. From the 2014 competition, 9 young talents started their careers in the 18-month UPPP EDU Technical Placement Program during 2015 and received a best-in-class professional and business education to ensure their rapid development.

In terms of the Growww programme in 2015, 186 new Growwwers joined MOL Group in 25 companies from 11 countries. The proportion of female Growwwers is 36%, which is well above MOL Group's and the industry's gender split average. More than 1,700 graduates have joined MOL Group through the Growww program since 2007.

## 4.2 RETAINING AND REWARDING EMPLOYEES

### Related objective:

- “Boost pay for performance culture of MOL Group by providing a competitive and motivational reward scheme that encourages outstanding business results”
- “Integrated Annual People Cycle incorporates performance and career management, resulting in a structured approach to development and succession planning”

In 2015, the market environment was globally less favourable in the Oil and Gas industry. As a result, MOL Group’s total headcount decreased by 6% compared to 2014. However, this decrease is the result of a series of long-term activities which were undertaken in line with business objectives. The major reasons for the decline include the ongoing optimization program at INA Group and its subsidiaries, changes in the operating models of retail service stations on selected markets, the outsourcing of transactional activities in support functions and a change in the scope of consolidated companies.

### Competitive compensation

MOL Group compensation schemes are designed to reinforce a merit-based culture by clearly motivating employees to continuously raise the performance bar for great results. MOL Group aligns and harmonizes compensation across the Group in companies with similar business profiles by applying tailored remuneration strategies, taking into consideration the local company’s available financial resources and market position.

To implement the above-described principles, MOL Group uses the international Total Remuneration approach which involves structuring major compensation elements, including the Annual Base Salary, Short- and Long Term Incentives and Benefits that together represent MOL Group’s compensation strategy.

The cornerstone of the compensation and benefits architecture is the international HAY job systematisation methodology. Since 2014, when single and transparent group-level job evaluation methodology and grading guidelines were introduced, MOL Group has created a consistent job systematization and compensation structure through which companies apply the same remuneration principles. By end of 2015, MOL Group had achieved 100% HAY coverage at its companies.

Ratio of corporate minimum wage to local minimum wage at significant (more than 100 employee) operating locations (%) [GRI G4-EC5]

COUNTRY (MAIN COMPANY)	2015
Austria (Roth Heizöle GmbH)*	119%
Bosnia Herzegovina (Energopetrol d.d.)	105%
Czech Republic (MOL Česká republika, s.r.o.)	245%
Croatia (INA d.d.)	133%
Hungary (MOL Plc.)	137%
Italy (IES S.p.A.)**	118%
Pakistan (MOL Pakistan Ltd.)	563%
Romania (MOL Romania PP s.r.l.)	151%
Russia (BaiTex LLC)	206%
Serbia (MOL Serbia d.o.o.)	223%
Slovakia (Slovnaft a.s.)	148%
Slovenia (MOL Slovenija d.o.o.)	100%

\* ratio is calculated based on industrial (Trading) Collective Agreement, min. wage data for Austria

\*\* ratio is calculated based on industrial (Oil) Collective Agreement, min. wage data for Italy

MOL Group uses strict guidelines about equal employee compensation regardless of gender, age and nationality. Group-level compensation policies are transparent and are published in group and local regulations that are made accessible to all employees. Company-level rules are also defined by Collective Agreements (CA).

## **Short and long term incentives**

The strategy behind MOL Group remuneration is to incentivise employees through a combination of short-term and long-term initiatives.

The aim of the MOL Short Term Incentive system is to focus participants on achieving challenging financial, operational and individual performance goals which reflect the delivery of key annual business priorities within the framework of MOL Group's long-term strategy.

The purpose of the Long Term Incentive system is to drive and reward the delivery of sustainable value creation and to ensure that there is complete alignment between MOL Group senior & top management and the strategic interests of shareholders. The Long Term Incentive system consists of two elements: a Stock Option Plan and a Performance Share Plan.

## **Employee wellbeing and benefits**

MOL Group cares for a constantly changing and diverse, multigenerational workforce whose benefit and wellbeing needs are being met through a wide range of programs, benefits and initiatives that affect the most important dimensions of their lives, including health & wellbeing, financial wellbeing, workplace environment and social care.

Investments in employee wellbeing are contributing to keeping employees engaged, helping them reach their full potential, and keeping them productive and innovative.

To ensure that there is a wide range of health & wellbeing options to choose from, MOL Group increases the value of its Total Remuneration using competitive benefit schemes. When basic benefit elements are defined, local legislation, the tax environment and competitiveness on local markets are evaluated, together with overall group-level consistency.

Besides local benefit and wellbeing programs, MOL Group covers employees with life and accident insurance in more than 50 companies, providing one-off payments to employees in the case of 'term life' and accidental events, with 24 hour worldwide coverage.

## **Annual People Cycle (APC)**

The Annual People Cycle programme at MOL Group aims to foster a culture of high-performance and ensure that individual targets are aligned with the group's strategic goals.

The process covers performance management and career and development planning and ensures that these are planned and executed in a more accurate, credible, fair, consistent and transparent way.

In 2015, the process was thoroughly reviewed, further streamlined and simplified in order to ensure tighter alignment with business needs and adaptability to a changing environment.

By introducing the mid-year review step in 2015, the cycle has become an on-going process of target setting and target achievement review and adjustment, when needed, to reflect the changing environment and needs, development, discussions and receipt of feedback. This process facilitates an effective conversation about performance that is critical for organizations in order for them to be able to rapidly react and adapt to changing business requirements.

Through the introduction of the new Annual People Cycle IT platform, managers now save 45% of the time they formerly spent administering the process and can use this time implementing the high-quality program and providing feedback on an ongoing basis.

MOL's Managerial Performance Management System aligns three target elements and their evaluation: corporate, divisional and individual targets. Besides key financial indicators, sustainable development, health, safety, environment and HR-related targets are also considered and are consistently cascaded down the organisation from top management to lower managerial levels.

Our Employee Performance Management System (EPMS) ties corporate targets to individual performance through a differentiated employee bonus pay-out, in line with the outcomes of performance evaluation.

MOL Group is working to extend EPMS, with the goal of covering all of the companies within the Group.

# Notes on Sustainability Performance

Career Management system (CMS) & Development processes enable the organization to develop and retain identified talent. During People Review Meetings, talent is reviewed and development plans and career paths are defined.

As part of improving the process at MOL Plc., in 9 operational companies (covering cca. 1,000 employees), a technical system has been rolled out which further supports high-quality process accomplishment.

At INA, after the first EPMS cycle - based on business needs and feedback - the process was revised and adjustments made with effect from 1<sup>st</sup> January 2016 in order to ensure enhanced business results and the existence of an appropriate incentive system.

As of 2016, the EPMS process has been implemented at 5 additional companies (covering cca. 1,600 employees).

*Employees covered by a predefined and standardized performance appraisal process (%) [GRI G4-LA11]*

EMPLOYEE CATEGORY	2010	2011	2012	2013	2014	2015
Executive/ Top management	100%	100%	100%	100%	100%	100%
Middle/ General management	100%	100%	100%	100%	100%	100%
First Line Management/ Supervisor	100%	85%	85%	100%	100%	100%
Specialist groups	78%	48%	64%	64%	70%	72%
Employees (below HAY18)	73%	40%	41%	42%	51%	54%

*Number of participants in career management system and development processes [GRI G4-LA11]*

APC PROCESS	NO. OF PARTICIPANTS PER YEAR				
	2011	2012	2013	2014	2015
CMS&Development	1,320	1,535	2,000	2,100	2,100

## Employee engagement

Employee engagement is a strategic part of a healthy and productive workplace and a priority for sustaining and promoting our human capital and business strategy. We deploy biannually an employee engagement survey (the Roundtable Survey) in most of our companies within MOL Group and many of our locations worldwide. Between two survey cycles we also conduct a 'Pulse Check' with several focus groups in order to evaluate the overall success of the action plans and to define additional opportunities for improvement.

In 2015, we reduced the number of questions by almost 50% and we now provide the option to respond to the survey using different methods, from an online version to mobile phones. Approximately 50 companies participated in the survey from 16 countries across the Group. The overall group response rate was 80%; a significant increase of 18% compared to the overall response rate for the previous survey cycle.

*Employee engagement survey results (%)*

EMPLOYEE ENGAGEMENT RESULTS	2008	2010	2012/13	2015
Coverage	90	90	96	85
Response rate	50	64	62	80
Engagement level	67	70	47*	45

\* The engagement methodology changed in 2012 due to the engagement of a new service provider. As a result, the engagement data in the table do not show the trend for engagement from 2010 to 2012 since the basis of calculation is different. Compared to 2010 results, the difference is a 2% point decrease.

Employee engagement decreased by 2 percentage points in the 2015 survey, which is due to, among others, organisational changes prompted by volatile market conditions at the time of the survey, even if response rate was particularly high (80%).

At a regional level there are many activities being implemented to increase the overall level of engagement. Some of the best practices are described below.

At MOL Plc. the MOL Hungary Program was one of the first steps we undertook to establish the basis of a common language in

order to contribute to employee engagement, to increase the credibility of management and to support employee well-being. As the result of the MOL Leadership Codex, 4 focus areas were defined that measure managers' leadership skills and ways of working. The Leadership Codex included 20 workshops for managers (about 200 participants), 25 shift leader workshops (about 250 participants), and 360-degree evaluations of managers.

During 2015, INA focused on developing champions as change agents. As a result, the Leading Positive Organizational Change program was launched. This is an initiative for empowering champions with the skills they need to prepare the process of change, to implement change and to motivate and manage people during the change process. Also, several team workshops were organized in order to increase employee participation in action plan design by using a specific methodological process of team/individual change management. After the workshops, action plans were created and implemented during 2015.

### 4.3 DEVELOPMENT OF HUMAN CAPITAL

*Related objectives: "Build leadership capabilities, fill technical competency development gaps and have a global leadership competency framework"*

To respond to the increasing speed of change and inevitable market volatility, MOL Group adapts its people development practices in order to remain agile and stay ahead of the change curve.

*Training and development data for MOL Group [GRI G4-LA9]*

MOL GROUP TRAINING DATA			
	2013	2014	2015
Average training time per employee (hours)	22	24	34
Average cost of training per employee (th HUF)	57	76	114
<b>Average hours of training per employee group (hours)</b>			
Top Management (HAY 24 and above)	19	52	53
Middle Management (HAY 21 to 23)	34	53	77
First Line Management (HAY 18 to 20)	40	52	69
Expert (HAY 14 to 17)	37	38	61
Executor (HAY 13 and below)	20	21	19
<b>Average training cost per employee group (th HUF)</b>			
Top Management (HAY 24 and above)	464	1,107	1,433
Middle Management (HAY 21 to 23)	287	854	1,426
First Line Management (HAY 18 to 20)	207	368	483
Expert (HAY 14 to 17)	127	200	161
Executor (HAY 13 and below)	42	61	42

#### Learning and development objectives

MOL Group values, promotes and facilitates employee skills development as a key driver for meeting its strategic goals. In 2015, MOL Group rolled out mission-critical global people development programs to support the strategic transformation of MOL Group. These learning interventions focused on two subjects:

1. Strengthening technical capabilities. To meet the Oil and Gas industrial challenges of the 21<sup>st</sup> century, professionals at all levels need to acquire fresh sets of skills.
2. Building leadership capabilities. Besides equipping the current leaders with the necessary new skill sets, MOL Group is building its next generation of global leaders via its unique talent programs

## Technical capacity building

MOL Group HR has identified ways to manage human resources through industry downturns and market volatility in a way that mitigates risks to personnel and enhances organizational strength and performance over time.

To clarify roles, work and key competence requirements in most critical technical jobs, MOL Group has introduced and is continuously expanding its Technical Competency Management system. The system defines competency expectations according to job roles. It grants access to training in line with the outcomes of competency assessments and tracks progress against learning objectives.

To build sustainable internal capabilities and transfer knowledge in critical roles, MOL Group introduced a Technical Career Ladder in its E&P business for core petrotechnical jobs for the first time in 2015. MOL Group has also created a targeted high-impact learning program for its petrotechnical early-career talent pool to accelerate their development.

### *Employees enrolled in Technical Competency Measurement (number of people)*

	2011	2012	2013	2014	2015
Exploration & Production	630	650	750	850	1,100
Downstream	230	500	750	950	950
HSE	-	30	30	300	300
<b>Total</b>	<b>860</b>	<b>1,180</b>	<b>1,530</b>	<b>2,100</b>	<b>2,350</b>

## E&P HR Workstream

Further to the above, in June 2014 E&P and HR started a Technical Capability Building program to provide every petro-technical employee with a structured career path and a targeted development program. After the design phase in 2014, the focus in 2015 was on implementation across the E&P community. The different elements of the program have been developed and implemented with the involvement of the technical E&P community, the most important achievements for 2015 being:

- Determining 4 Disciplines and 14 Job Families
- Defining 7 clear and consistent Technical Career Ladder (TCL) levels
- Developing 34 competence models and learning curricula during more than 150 workshops and 50 SMEs
- Allocating 940 petro-technical professionals (PTPs) a Technical Career Ladder (through completion of technical self- and cross-assessments)
- Starting the Mentor Program and nominating 36 Mentors for 106 Mentees
- Involving 33 UPPPers and Growwwers in the UPPP EDU program

The three most significant, tangible achievements are related to:

- The reallocation of cca. 106 PTPs to the appropriate level of their career ladder
- Assigning to each PTP a tailor-made two-year Individual Development Plan
- Approval of the 2016-2017 technical training budget

The implementation period for the E&P HR Workstream finished in 2015; from now on all these activities will be part of the annual cycle and a component of regular work.

## Leadership development

MOL Group maintains its focus on its leadership population in order to equip them with the knowledge and skills they need to achieve the group's business objectives and secure its future, even in extreme market conditions.

After the success of LEAD I. (MOL's leadership education program for the Group's top talents), we launched a second generation of LEAD in 2015 in partnership with the regionally acknowledged Cotrugli School of Business (Croatia) and the globally-renowned Thunderbird Global School of Management (USA). LEAD is organized around three nested leadership talent pools.

LEAD I. proved to be of great assistance in strengthening the Group's management. 47% of the participants were promoted within 2 years of the start of the program.

MOL Group's modular leadership development program, INTENSITY (run in co-operation with Management Centre Europe (MCE), the largest provider of talent development programs in Europe and the Middle East) has proven to be successful based on the first year's experience. During the first year (2015) MOL Group developed 489 leaders and successors in the program through 48 courses, and attained an overall course satisfaction rate of 83%.

As a reward for this achievement, INTENSITY won the Leadership Excellence Award for 'Best Use of Classroom Training' offered by HR.com based on feedback from INTENSITY participants.

#### Downstream division-specific programs

**HOST Program:** MOL Group decided to better utilise its continuously developing service station network across the CEE region. MOL Group Retail wanted to do this by differentiating itself significantly from its traditional fuel retail competition. To this end, Retail defined its strategy in 2014 and created a fundamentally new concept that puts the customer experience at the forefront.

The "Attendant to HOST" Programme targets cultural change and the transition of staff behaviour from inward-looking to more customer-focused. After the tendering procedure, the procurement process will be closed in Q1 2016 when we plan to launch the next phase of the project with an external partner.

**PIMS Academy 2015:** in co-operation with the Hungarian University of Pannonia, MOL Group re-launched an accredited post-graduate course in September 2015. The program (organized every second year) helps educate specialists to be able to deal with the complex challenges of Oil and Gas supply chain business activities by providing them with solid knowledge about professional, market-leading software.

**Production Rotation:** MOL Group's Production Rotation Program is a great opportunity for experts working at DS Production sites across the Group to work & learn for 1-2 months at a site other than their current workplace. In 2015, nearly 30 employees participated in the programme.

## 4.4 COMMITMENT TO FAIR EMPLOYMENT

*Related objective: "Enhance responsible employer practices to ensure the engagement and diversity of the workforce"*

### Employee relations

MOL Group is supportive of the freedom of association and collective bargaining, and is committed to continuously improving social dialogue. In 2015, according to a weighted-average calculation based on data provided by MOL's European Work Council, more than half of all employees were represented by trade unions in companies where such representation is possible (94.9% of all employees).

*Trade unions and collective bargaining agreements (%) [GRI G4-I1]*

	2011	2012	2013	2014	2015
Employees covered by trade unions	95	95	96	94	95
Employees covered by collective bargaining agreements	95	92	90	89	92

One example of such employee representation is the New Europe Program which was extended in 2015 for the period 2016-2020. This agreement between MOL Group and the European Works Council has been in place since 2006, providing a framework for the key activities that contribute to the sustainable and responsible operating of MOL Group.

The Program focuses on six areas (Social Dialogue, Talent Acquisition and Management, Capability Development, Reward and Recognition, Diversity and Inclusion, Health Protection and Promotion, Occupational and Process Safety), and, in line with the key directions elaborated for each area, it defines measures which should be implemented for the benefit of employees between 2016 and 2020.

The European Works Council represents employees at the group level. The European Works Council contains members from all major subsidiaries. Employee representatives (one third of all members) on MOL's supervisory board are delegated by MOL Plc's Works Council.

At MOL Plc. (Hungary) employee representatives are invited to Collective Agreement (CA) negotiations, professional discussions about CA-related issues and a process of commenting related to the activities of employer and works councils meetings (on a monthly basis).

In 2015, a total of 51 sessions took place with the objective of promoting information-sharing. Further to this, 35 meetings took place which involved discussions and/or negotiation about specific topics.

The Works Council (WC) of INA, Plc. in Croatia was established in 2011 and has 25 members. The employer engages in ongoing dialogue with the Works Council in the following areas: consultation, presentation of company business plans, participation in employee assemblies organized by the Works Council (2 assemblies were held in 2015) and the provision of support to facilitate Works Council operations and trade union (TU) activities in accordance with the law and the collective agreements. 22 meetings were held with social partners (WC & TUs). 15 meetings with TUs which resulted in agreement about 2 social clauses for workers were held. All INA employees have the chance to join a trade union. At INA, Plc. 5 trade unions are active: the Oil Industries Trade Union INAŠ, the Oil Industry Union - SING, the Autonomous Trade Union of Workers in Energy, Chemistry and Non-Metal Industry of Croatia - EKN, the Croatian Drivers' Trade Union - SHV, and the New Solidarity Trade Union - SNS.

34 meetings were held between Slovnaft (Slovakia) and trade union representatives in 2015. Slovnaft undertakes to respect the right of any employee to be a member of a trade union.

The topic of the health and safety of employees is an integral part of the agreements and discussions which are held with trade unions. More examples from different MOL Group companies can be found in subchapter Health Protection and Promotion above.

## Diversity and inclusion

Diversity & Inclusion (D&I) is an important pillar and key driver of MOL Group's overall Human Capital platform and is crucial for sustaining the strength of international growth. MOL Group's Diversity & Inclusion vision is to build a stronger company by fostering an inclusive culture that leverages diversity as a competitive advantage. With strong support across the business, MOL Group is committed to promoting a culture of diversity and to creating an environment that allows the global workforce of diverse backgrounds, experiences and perspectives to contribute to collaboratively achieving results without boundaries. MOL Group fosters equal opportunities for all employees and job applicants, irrespective of race, colour, religion, gender, national origin or age.

MOL Group's Diversity & Inclusion strategy addresses 3 key elements: internationalization, the retention of young talents and knowledge transfer between generations.

Internationalization is clearly visible at MOL Group's HQ, where 14% of all employees (representing 29 nationalities), are non-Hungarian. Moreover, more than 280 employees are working on international assignments. Meanwhile, the proportion of female Growww program participants is at around 36%.

To support the second pillar of the diversity strategy, the MOL Group Diversity employee value proposition was created to attract and retain young talent (Generation Y). One significant achievement is the Flexible Working Arrangements Program that was launched to improve business efficiency and leverage productivity and individual innovation while promoting employees' work-life balance through the provision of flexible working opportunities. Part-time employment is also increasing. The technical career ladder for the E&P workforce was also introduced, as described in the section on Development above.

### *Part-time employment at MOL Group*

	2010	2011	2012	2013	2014	2015
Part-time employees (number of people)	191	261	293	263	282	380
Proportion of part-time employees to total workforce (%)	0.59%	0.83%	0.99%	0.91%	1.03%	1.46%

MOL's Women Leadership Network was initiated to strengthen the communication, collaboration and professional networking of MOL's female leaders, and to promote knowledge transfer between different generations. Approximately 60 female leaders across MOL Group participated in a group-level event dedicated to this network in July 2015.

To further support our Diversity & Inclusion strategy, a comprehensive framework was developed to help generate new initiatives on an ongoing basis during 2015 and 2016. Preparations had already commenced in 2015 for creating employee networks such as the D&I Champions Network and Employee Resource Groups (for example, the Young Employee Network, and the Multicultural Network, etc.) to bring people together. Also, a brand new program – FEMME: the Female Engineers MOL Program Me - was initiated to address the key challenges which women face in the Oil and Gas industry.

In 2015, INA partnered with MAMFORCE to pursue certification in the Mamforce basic standard. This standard is awarded to organizations that recognize the needs of their employees and that manage to organize work and working environment while respecting the principle of maintaining a balance between a professional and private life, along with the equal growth and development of each employee.

MOL Group is committed to ensuring equal opportunities in recruitment, career development, promotion, training and reward processes for all employees.

In Hungary, the employee representation bodies and the Company signed MOL Plc.'s 3rd Equal Opportunity Plan in 2015 (for the period 2015- 2017). Equal Opportunity Plans with similar content have been also signed and made public by our affiliate companies MOL Petrochemicals and Petrolszolg Ltd.

In terms of rehabilitation procedures, MOL Group pays special attention to employees whose ability to work has changed and those with disabilities. If the ability to work any of MOL's employees is reduced, then the Company will always investigate further employment options. MOL operates a rehabilitation committee to support this process.

On the one hand, MOL has assessed the positions at MOL Plc. which can be filled by employees with disabilities. Additionally, new recruitment channels for employees with disabilities have been identified and can now be used. On the other hand, we also track the number of employees with a reduced working capability to be able to provide better opportunities for these employees. Since legal definitions of reduced work capability vary by country, we use our own internal definition. Our aim is to be able to provide employment for everyone, which is a challenging goal in an industry where employees often do heavy physical work. In 2015, 545 people with reduced work capability were employed throughout MOL Group, which represents 2.3% compared to total headcount. At MOL Plc. 12 disabled people were employed in 2015, which resulted in HUF 9.8 million savings on the rehabilitation contribution the company would have to pay otherwise.

## 5. COMMUNITIES

*General aim: Enhance trust and credibility among stakeholders*

### ACHIEVEMENTS:

- ▶ In 2015, MOL Group supported social investment projects with 0.27% of its EBITDA, or 1.9 billion HUF in absolute terms (excluding leveraged donations derived from tax-base decreasing donation instruments)
- ▶ 80% of MOL Group member companies had issued Local Operative Regulations about social engagement by the end of 2015
- ▶ The London Benchmarking Group (LBG) social investment measurement model was deployed in international upstream operations

### CHALLENGES:

- ▶ Managing community concerns and introducing local grievance management systems to an increasing number of sites
- ▶ Establishing a long-term strategy together with local communities and not-for-profit organizations in operational areas outside Europe

### 5.1 COMMUNITY RELATIONSHIPS

*Related objectives:*

- “Develop a group-level social engagement plan”
- “All countries to have an annually updated social engagement plan, implementing key pillars of engagement”

By 2015, we had managed to deploy our social engagement plan to 80% of all companies within MOL Group. Most of the countries where MOL Group operates are now covered.

## **Community engagement**

Community engagement is all about hearing the voice of communities which live in the vicinity of operational areas, understanding their needs, social and environmental concerns and priorities and forming partnerships that increase the prosperity and sustainability of the communities, as well as support the reliable business operations of the company.

MOL Group and its member companies engage with local stakeholders in several different ways. The most common is through site-level relationships, public hearings and joint activities. General operation-related concerns are usually related to operating technologies (e.g. seismic measures, or investment projects that have environmental effects such as noise, emissions, or immissions). Naturally, we maintain ongoing communication with authorities and official bodies related to the regulatory environment and our license to operate. Responses, comments and suggestions acquired through consultations and dialogue with the opinion leaders and representatives of main interest groups are used as a valuable source of information in activity planning. In addition, we also have some special ways of engaging which are designed to shape people's attitudes and ways of thinking about how sustainability can be promoted.

At the end of 2014, MOL Group issued new internal regulations about social engagement to provide group-level guidance about principles and practices related to engagement with local communities and the process of identifying and involving stakeholders. This covers interactions with local community stakeholders, including opinion leaders, municipalities, associations, non-profit organisations and foundations during standard business operations. 80% of MOL Group member companies had already issued respective local regulations by the end of 2015.

Activities deriving from the implementation of the regulation are used to create individual company/site/operation-level Social Engagement strategies and plans, and as of December 2015, these will be reported on an annual basis to the Sustainable Development Committee of the Board of Directors of MOL Group.

As an element of community interaction, we also focus on managing grievances. MOL Group considers each grievance notification from a community to be significant. Both in Pakistan and in the Kurdistan Region of Iraq MOL Group has local procedures in place for grievance management. To receive and manage grievances from both internal and external stakeholders we also operate an online grievance management system through which anybody can submit an ethical notification. One of the most frequent causes of local grievance is the environmental concern of local communities. In 2015, 42 grievances related to environmental issues were received by our operational sites.

## **Non-European Operations**

In international upstream operations, relationships in the industry with local communities, governments and partners alike are fundamental to fulfilling MOL Group's mission. Maintaining a continuous flow of information is the cornerstone of any cooperative efforts between a company and the local community, and is ensured by Community Relationship Officers wherever needed. Community Relationship Officers are MOL Group employees from the indigenous population. These individuals are the primary contact points for local communities. Anyone can freely contact them any time regarding business activities, and they also survey the need for social investment activities. Community Relationship Officers also play a crucial role in selecting from requests for support by the local population, while adhering to central, corporate objectives.

## **European Operations**

In the Central-Eastern European region, we are capitalizing on existing relationships with municipalities and governments. The most important operational sites of MOL Group in Europe are facilities with up to 50 years of history. Our relationship with the communities that surround our facilities is well-established and its management is part of daily operations.

Slovnaft focuses on increasing awareness of local stakeholders. As part of its commitment to transparent operations (in the form of Slovnaft's 2014 "Responsible neighbour" campaign) a survey was carried out into what disturbs the people who live around the Bratislava refinery, and what can be done in order to minimise negative impacts. As a result of this survey, a new SMS/email notification system will be implemented in 2016 to strengthen the flow of information about operations to the people in the Slovakian capital.

INA is systematically working on recognising the specific needs of local communities so as to develop and expand partnership-type relations based on mutual understanding and support. Communication to communities occurs through public debates that are regularly held in the process of environmental impact assessments and the obtaining of environmental permits.

## 5.2 SOCIAL INVESTMENTS

*Related objectives: “Develop a comprehensive and effective social investment management system, including local social investment plans, with measurable targets in each country of operation”*

In 2015, MOL Group supported social investment projects with 0.27%<sup>1</sup> of its EBITDA.

*Donations, in-kind giving and volunteering at MOL Group [GRI EC8]*

SOCIAL INVESTMENTS BY COUNTRY*	UNIT	HUNGARY	ROMANIA	SLOVAKIA	CROATIA	ITALY	INTER-NATIONAL UPSTREAM	TOTAL
Donations in cash**	HUF million	675.2	176.0	177.9	168.7	1.9	601.1	1,800.8
In-kind giving (product/services)	HUF million	18.1	0.0	5.6	10.6	0.0	0.0	34.3
Leverage	HUF million	2,212.9	-	-	-	-	-	2,212.9

\* including companies with approved Corporate Giving Plans

\*\*excluding the value of volunteering

Social responsibility objectives are designed to improve social and environmental conditions and contribute to the long-term socio-economic development of communities, rather than simply funding community investment projects.

To achieve meaningful change, business interests are aligned both with overarching societal and environmental considerations and are in harmony with the long-term priorities of local communities.

Social investment priority areas for MOL Group are the following:

- Education: MOL seeks to facilitate access to basic and secondary education in areas where such infrastructure is not assured. Investing into local human capital benefits both business and society.
- Healthcare: our goal is to create benefits by either granting access to healthcare services and drinking water, or promoting sports and a healthy lifestyle, depending on the specific needs of local communities.
- Environmental protection: we define our own standards and supporting projects which are geared to saving traditional habitats.

Diversified initiatives and projects which only require support during the start-up phase and which are later self-sustaining are preferred, especially when such initiatives are responses to global concerns.

A best-in-class tool - London Benchmarking Group (LBG) methodology - has been adopted at a group level to manage and report on social investment. In 2015, the model was extended to international upstream company operations to measure business and community benefits and to improve the effectiveness of our corporate giving programmes. In 2015, 100% of the value of MOL Group's social investments is covered by the LBG methodology .

### Non-European Operations

Relationships with industry, with local communities, governments and with partners alike are fundamental to fulfilling MOL Group's mission. In international upstream operations Community Relationship Officers select from local community requests on the basis of central objectives. MOL always strives to understand local community needs and then create tailor-made social investment action plans for each area. A common feature of these social investments is that MOL makes a contribution to supporting local public service and infrastructure, which both have a lasting impact on the lives of communities.

In Pakistan (MOL Pakistan), a certain level of social investment is obligatory. Pakistan complies with and exceeds this requirement by making voluntary contributions to relevant stakeholders. Obligatory contributions as defined in contracts are mostly targeted at infrastructural development, such as check dams or water supply schemes, and also include general social welfare commitments to the value of HUF 75.5m (TAL, Margala and Margala North Blocks).

In the Kurdistan Region of Iraq, MOL Group's subsidiary Kalegran supported several projects, in line with our strategic priorities. Examples include the construction of new health centre in Meerbalian village, expansion of the youth centre hall and the renovation

<sup>1</sup> Without corporate tax optimization indicated as leverage, according to LBG methodology.

# Notes on Sustainability Performance

of a sports centre in Akre and the construction of a committee hall in the village of Shush. In the Kurdistan Region of Iraq, MOL Group also provided humanitarian aid to Kurdish refugees displaced internally in Iraq through local suppliers with the support of Ministry of Natural Resources and local authorities.

## European Operations

In Central Europe, MOL Group companies are well-established brands. These companies carry out an annual corporate giving awareness tracking survey which investigates customer habits and the recognition of existing programmes to understand the needs of society. Similarly to 2014, this survey involved more than 8,000 stakeholders at a group level. According to the survey results, health care and health promotion are the most popular causes. 55% of stakeholders would donate most to support better communication about healthy lifestyles and the prevention of diseases. Second on the list is environmental protection (54%), while education is fourth (38%). Identifying and supporting talent is also supported by 30% of the population.

MOL Group's corporate giving budget is aligned with business efforts and public expectations. According to our internal data collection system, 40% of donations tracked in the LBG data collection toolkit have a focus on education and young people, while 6% are spent on improving health. MOL's corporate giving is also connected to business interests, such as the above-mentioned non-European projects in international exploration and production operations, which account for 28.4% of the total social investment budget. Other such initiatives include, for example, maintaining cooperation with our most important customers and professional organizations. LBG-related data does not contain donations related to Corporate Tax Optimisation.

The social investments of MOL Group companies in Central Europe are mainly carried out through foundations which support various causes such as young talents (sports and art categories) and health care and special therapies for chronically ill children. The majority of our social investments are administered through such organizations in different proportions (Hungary: 85%, Slovakia: 51% Romania: 100%, Croatia: 60%).

In Hungary, Slovakia, Romania, Croatia and Italy we also support local environmental initiatives through our Green Belt Programmes. In 2016, the project will be extended to the Czech Republic as well.

## Volunteering

The current volunteering practice of MOL Group is rich in types of activity, but partially segmented. There are numerous similar, but well-functioning initiatives.

MOL Group Volunteers' Club - a group-wide platform of Corporate Volunteering - was launched in May 2014 as a long-term initiative. The MOL Group Volunteers' Club regularly organises events to express our responsibility towards local communities and improve employee engagement at the same time.

### *Corporate volunteering by employee/country*

	HUNGARY	SLOVAKIA	CROATIA	ROMANIA	INTERNATIONAL UPSTREAM	ITALY	TOTAL
Employee volunteering (hours)	592	320	4,624	368	0	0	6,085

In 2015, the INA Volunteer Club undertook 36 initiatives in which 546 members participated for a total of 4,360 volunteer hours. These focused on providing ecological and humanitarian assistance and involved projects targeted at children and youth. Volunteers have a Facebook application where fans and visitors can suggest or vote for volunteering projects. Currently, the INA Volunteer Club has 737 members, an increase of 41% since 2014. For the second time, the INA Volunteer Club received a "Recognition for the contribution of the business sector to the development of volunteering". This recognition serves as confirmation of the values that INA and INA's volunteers promote through their activities.

We have several other similar initiatives within MOL Group, such as the Green Belt volunteering system in Hungary and Italy. This also includes our city programme and collection of in-kind donations for disadvantaged families in Slovakia, and a collaboration with the "Dévai Szent Ferenc" Foundation in Romania for renewal-related work.

MOL Group's target for 2016 is to prepare a mid-term strategy and develop a common corporate volunteering platform for employees to generate synergy through creating high-level guidelines and best practices.

### 5.3 LOCAL SUPPLIERS AND LOCAL EMPLOYMENT

#### Local suppliers

Employing local people where we operate, as well as hiring local contractors when possible, is beneficial to the local economy as the income it generates increases the purchasing power of these communities.

MOL Group understands that hiring local suppliers has multiple benefits and can also be a way of establishing a positive relationship with local communities. As a result, MOL Group contracts with such suppliers whenever it is beneficial, also taking into consideration the expectations of local governments.

In Central Europe, local suppliers comprise the absolute majority of all suppliers. 89% of them are registered in the country where they are contracted and work is undertaken. This makes MOL Group a key component of the economies of these countries.

#### Number and ratio of local suppliers\* [GRI G4-EC9]

REGION/COUNTRY	LOCAL SUPPLIERS	TOTAL	LOCAL SUPPLIERS	
	NO.	NO.	BY NUMBER	BY CONTRACTED VALUE
Hungary (MOL Plc. and other subsidiaries)	13,211	14,211	93%	66%
Hungary (MOL Petrochemicals Plc.)	1,172	1,586	74%	47%
Slovakia (SLOVNAFT a.s.)	1,950	2,497	78%	44%
Croatia (INA d.d.)	1,086	1,279	85%	78%
<b>CEE/SEE REGION Total</b>	<b>17,419</b>	<b>19,573</b>	<b>89%</b>	<b>62%</b>
<b>UPSTREAM INTERNATIONAL Total</b>	<b>855</b>	<b>1,138</b>	<b>75%</b>	<b>79%</b>
<b>Group total</b>	<b>18,274</b>	<b>20,711</b>	<b>88%</b>	<b>64%</b>

\*Locally-registered suppliers

In the countries where we have International Upstream operations, local procurement is especially important because operational sites are very often situated in areas populated by low-income communities. Hiring local contractors and employees therefore strengthens the relationship MOL Group has with all the stakeholders of the region, including local governments and communities.

In countries where MOL Group is only involved in exploration activities the opportunities for hiring local suppliers can be limited due to the special knowledge and technology we require. However, where MOL Group undertakes production activity as well, the proportion of local suppliers is high, especially in Russia where the involvement of local enterprises is close to 100%.

#### Ratio of local suppliers in E&P International countries [GRI G4-EC9]

	PAKISTAN	OMAN	RUSSIA	KURDISTAN REGION OF IRAQ
Proportion of local suppliers* (to total number)	74%	59%	98%	42%

\*Locally-registered suppliers

Having a local supply chain creates the greatest benefits to society and to the local economy, especially when locally-owned small businesses are hired as contractors. The total value of contracts signed in 2015 between MOL Group and locally registered businesses in 2015 was HUF 44 bn (EUR 141 mn) in upstream international countries (Pakistan, Oman, the Kurdistan Region of Iraq and Russia).

#### Supplier management

In 2015, the development of a Supplier Qualification System (SQS) commenced. This system will be an important component of a group-level, integrated system to cover all supplier-related information from the pre-screening to the post-evaluation stage. SQS will include basic legal, ethical, financial and HSE information about suppliers and will allow automatic risk assessment to take place to facilitate the pre-screening process.

As part of the strategic sustainability plan, a total of 3 supplier sustainability audits were conducted in Hungary. The companies which were visited agreed to implement corrective activities in certain areas such as implementing the code of ethics or sustainability KPIs into their managerial incentive schemes, or introducing an employee performance management system.

## Local employment

Across E&P International Operating companies, in the MEA (MOL Pakistan, Kalegran, MOL Oman), CIS (Russian OpCos – MOL Russ, Baitex, Matyushinskaya Vertical) and North Sea (MOL Norge, MOL Energy UK) countries, MOL follows local regulatory requirements and Production Sharing Agreement stipulations (where applicable) to ensure local content and expat quota ratios. In line with those regulations, the majority of employees at upstream international subsidiaries where we operate are nationals of the respective countries. In every OpCo, MOL focuses on developing its local technical and office employees and ensures expat knowledge transfer (through, e.g. mentoring, tutoring, internal training, etc.).

Local senior executives (HAY 21 category and above) are employees with local citizenship, and managers (HAY 17-20 categories) are also nationals of the respective countries.

### Local managers in major international upstream locations [GRI G4-EC6]

COUNTRY	INDICATOR	LOCALS	TOTAL
Russia	Number of local senior executives	2	2
	Number of local managers	7	8
Pakistan	Number of local senior executives	2	4
	Number of local managers	18	29
Overall Result	Number of local senior executives	4	6
	Number of local managers	18	37

## Indirect Economic Impact

In the main countries where MOL Group has Upstream and midstream operations, the most significant indirect impact of MOL Group on the economies of these countries is through the energy it supplies. Another area in which the company can have a significant positive impact on the societies of host countries is by improving access to infrastructure and energy as a result of our operations. Development of infrastructure and improved energy access can both be directly related to our operations, or can occur based on contractual or other commitments.

In 2014, MOL Pakistan provided financial aid for the construction of a new bridge. The new Khushal Garh bridge is a safer and better connection between the two main provinces of Khyber Pakhtunkhwa and Punjab in Pakistan.

MOL Group also supports the building of check dams for local communities in Pakistan. These structures slow the velocity of water streams, making them more appropriate for agricultural use. Such a dam was built in Ahmadi Banda in 2014, and construction commenced in 2015 in Makori and at Serki Piala in the Hangu District with expected completion in 2016.

## 6. ETHICS AND GOVERNANCE

*General aim: Focus on responsible operations and long-term economic development*

### ACHIEVEMENTS:

- ▶ The second-highest number of ethics notifications were filed in International Upstream, proving the effective uptake of the grievance mechanism by target audiences
- ▶ Ethics operations were further enhanced in 2015 with the establishment of a Group Ethics Officer position, and with the nomination of local ethics officers at every subsidiary with more than 20 FTEs
- ▶ Group Ethics Council membership was renewed, with the representation of all group-level senior managers of business and functional units
- ▶ A total of 14,855 hours of ethics training, eLearning courses and managerial presentations were successfully deployed in European operations in downstream business, including for our filling station staff

## CHALLENGES:

- ▶ Deeper assessment and understanding of human rights-related risks in supply chain is required with a focus on international operations
- ▶ Further improvement of ethical corporate culture and development of strong institutions to provide effective, comprehensive investigation of grievances and real remedies to stakeholders

One of the most essential components of MOL Group's operation is our commitment to ethical behaviour. In the long run we can only face the challenges of competitive market environments successfully if we accept the imperatives of moral responsibility, both as individuals and as a company. We are aware that ethics is at the core of corporate governance and that it should be integrated into our corporate strategy and operation. Our sustainability strategy mirrors this approach by linking ethics and governance issues. Accordingly, our annual report contains a new Ethics and Governance chapter and deals with both areas in a detailed subchapter.

## 6.1 ETHICS AND COMPLIANCE

*Related objective: "Implement key pillars of ethics management system (code of ethics, e-learning, managerial presentation, business partner code of ethics) in all companies and reach 100% coverage"*

MOL Group is determined to operate in good faith within the appropriate legal framework, obeying relevant laws, rules and regulations. We view regulatory measures as a minimum baseline, while our ethical framework goes beyond legal compliance, integrating standards which are commensurate with our stakeholders' expectations.

In order to strengthen fair market behaviour, respect fundamental human rights, fight corruption and preserve and develop our ethical values we operate a comprehensive ethics management system. Its foundation is our Code of Ethics (CoE) covering, inter alia, human rights, various transparency and integrity topics, anti-corruption, privacy, community relations, HSE and fair market behaviour. The CoE is available in 13 languages (English, Bosnian, Croatian, Polish, Hungarian, German, Italian, Russian, Romanian, Serbian, Slovakian, Slovenian and Ukrainian). 100% of all MOL Group employees receive and sign our Code of Ethics and we make efforts to integrate ethical values and expectations through our entire supply chain. The Business Partner Code of Ethics which highlights the ethical values that are of utmost importance to our supply chain – including human rights, anti-corruption and fair market behaviour – is a component of 98% of supplier contracts. 68% of joint ventures in which MOL Group has a stake of below 51% have adopted an agreed-upon version of the Code of Ethics.

Significant organizational changes have been made to make our ethics management system more efficient. The MOL Group Ethics Council is now the highest-level forum dedicated to upholding Code of Ethics-related decision making. In 2015, the Council's composition was renewed, and all group-level senior managers of business and functional units including the Chief Operating Officers (COOs) of MOL Group companies (MOL Nyrt., Slovnaft a.s.) are now members of the Ethics Council. We are also continuing the good practice of assigning to the Council an independent external Ethics Council chairperson who is a business ethics expert, and one employee representative. INA Group has been operating an Ethics Council and reporting on a quarterly basis to the MOL Group Ethics Council.

Ethics Council operations were reinforced with the establishment of the Group Ethics Officer position for the Group Compliance & Ethics organization. The Group Ethics Officer is responsible for managing the ethics grievance and investigation mechanisms and for ensuring professional compliance activity and decision preparation support for the Council, under the supervision of the external Ethics Council chairperson. Local ethics operations were further enhanced in 2015 with nomination of local ethics officers at every subsidiary with more than 20 full-time employees (the previous threshold was 200 FTE). Their work was supported by a local ethics officer workshop, held for the first time in 2015.

Within the ethics management system MOL Group places special emphasis on disseminating the Code of Ethics' values and norms through ethics-related trainings.

- Ethics eLearning courses – addressing all topics covered by the Code – were successfully completed by employees with Intranet access at Slovnaft Česká republika, Papoil, MOL Retail, MOL Čerpační stanice, MOL Romania, MOL Slovenija, and partly at MOL Plc. and MOL LUB Ltd.
- 100% of managers and 96% of employees have attended an annual presentation and discussion delivered by direct managers on actual ethics-related achievements and ethics cases. Level 1-4 managers have published an ethics statement via the intranet to make it publicly available and to increase transparency.
- In order to raise ethical awareness in retail networks, tailor-made trainings were conducted for service station operator partners and attendants in Slovakia and Hungary. Special ethics training was conducted for managers in Croatia.
- Based on estimates, eLearning and ethics presentations delivered by managers and filling station training events totalled 14,855 hours.

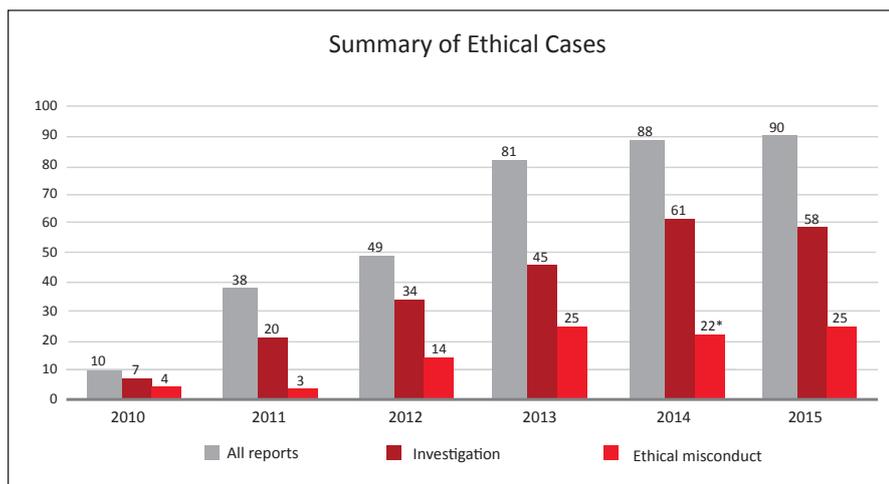
Ethics risk assessment has been a key pillar of our ethics management system since 2011. In 2015, we further developed this activity with the widely applied probability / impact matrix approach and by external benchmarking of countries in which MOL Group operates (33 subsidiaries from 15 countries provided input for the risk assessment process). According to the results, the highest ethical risks in MOL Group are fraud, breaches of HSE rules, and business partner gifts, while the riskiest countries for MOL Group operations both from a corruption and from a human rights perspective are Iraq, Pakistan, Russia and the Ukraine. In order to decrease risks, several activities have commenced:

- In-depth discussions about retail-related cases
- Improvement of security training in Hungary
- Ethics awareness-raising, including a poster campaign against harassment, discrimination and corruption which was launched in 2014 continued in 2015 at all MOL Group companies

## 6.2 ETHICAL CASES

Receiving grievances and reports, investigating ethics-related issues, ensuring whistle-blower protection, responding to ethics-related questions and general decision making support is coordinated by the Group Ethics Officer on behalf of the Ethics Council. Grievances and whistle-blower reports are handled confidentially while the (web-based) grievance channel is publicly available in English and in Hungarian and anonymous reports are accepted as well. In addition, the Ethics Council operates a 24/7 hotline.

The number of ethics reports and ethics investigations has increased over the last 5 years. Compared to the 88 ethics-related complaints/reports submitted in 2014, a higher number (90) were received by MOL Group and the INA Group Ethics Council in Croatia this year. This continuous increase in the number of reports concerning possible ethical misconduct indicates an improvement in the awareness of internal and external stakeholders. The proportion of ethics complaints and reports arriving from external (non-MOL Group company employee) stakeholders is also increasing (53% of the total in 2015).



\* Investigations which commenced in 2014 and closed in 2015 revealed an additional 6 cases of misconduct, resulting in a total of 22 cases of misconduct for 2014. As of the end of 2015, 14 investigations were ongoing.

External reports were primarily submitted by customers (23%), supplier's employees (19%), former employees (14%), suppliers (10), and local communities/citizens (6%). Further reports or grievances were filed by a tender bidder, a shareholder and a journalist - one each (6%). With 19% of external reports - since a whistle-blower has the option not to disclose any detail - no connection with MOL Group was indicated.

Ethics reports were received from 8 countries. Hungary (33%) and Croatia (17%) - the countries with the largest MOL Group operations - and also Pakistan (27%) are top of the list. The latter figure is probably connected to the weaker rule-of-law and the tendency to seek alternative forms of justice where possible.

The most frequent topics of ethics complaints were harassment/poor communication (25%), fraud and theft (13%), corruption and bribery (10%), discrimination (6%), and conflicts of interest (6%). The table below 2 shows how the ethics reports can be categorised by topic.

### Topics of ethics-related reports in 2015

TOPICS	SHARE OF ETHICS REPORTS IN 2015 [%]
Harassment / Poor communication	25
Other	28
Fraud / Theft	13
Corruption / Bribery	10
Discrimination	6
Conflict of interest	6
Unlawful termination	5
Inadequate service / Impoliteness	4
HSE Breach	3

Regarding ethical reports, in 58 cases an investigation was justified, and in 25 cases ethical misconduct was verified. (Ongoing cases: 13 in MOL; 1 in INA).

Consequences for ethical misconduct included the termination of 7 employment contracts, 9 written disciplinary notices, 2 verbal disciplinary warnings and 2 fines distributed to filling station operating partners. In the remaining cases the Ethics Council ordered a customer reimbursement, anger management training, an apology, the publication of an extraordinary communiqué about certain ethical and compliance issues, and gave a process improvement recommendation to avoid further misconduct. In 2 confirmed cases of corruption employment was terminated and two suppliers were excluded. In 2015, we continued conflict of interest the contribution of a supplier's agent was excluded from all MOL Group orders.

In 2015, stakeholders sought advice from the Ethics Council in 13 instances, all of whom received satisfactory replies. The Ethics Council regularly reports about ethics-related cases to the Executive Board and Supervisory Board and annually publishes on the web the established cases of misconduct in an anonymous form to raise awareness of ethical norms. More information about the nature of such misconduct is available on our website (<http://molgroup.info/en/sustainability/ethics-and-governance/ethics-and-compliance/ethical-cases>).

Regarding security reports, in 2015 from the total of 1,241 investigations MOL Group Security identified 562 cases of misconduct (45.2%). The increase in the number of investigations compared to last year is due to the launch of a more systematic conflict of interest investigation process in Croatia. 71.4% of misconduct cases were committed at filling stations, 13% were thefts and frauds in MOL Group companies, 8.4% involved misuse of corporate property or breaches of security rules, 4.6% involved conflicts of interest and 2.6% related to security risks that concerned business partners. As a result of the revealed conflicts of interest, the managers who exercised the employer's rights were informed so that consequences could be determined for individuals. Within MOL Group's filling station network, we distributed financial penalties to distributors and terminated the operational contracts/employment contracts of some station attendants. When criminal offences were committed against MOL Group companies, charges were pressed against the perpetrators.

### 6.3 HUMAN RIGHTS

MOL Group is committed to respecting fundamental human rights, a principle which is also included in our Code of Ethics and is rolled out along the supply chain through our Business Partner Code of Ethics as a binding requirement. Furthermore, MOL Group takes responsibility for protecting and conducting due diligence processes and recognising human rights. In 2015, we continued to adopt the UN Guiding Principles on Business and Human Rights (the 'Ruggie Framework').

In 2015, ethics eLearning courses – addressing, inter alia human right issues – were successfully completed by employees with intranet access at Slovnaft Česká republika, Papoil, MOL Retail, MOL Čerpační stanice, MOL Romania, MOL Slovenija, and partly at MOL Plc. and MOL Ltd.

Starting from 2015, we are taking Human Rights Watch and Freedom House country evaluations into account in our risk assessments as external benchmarks. Based on these, the riskiest countries for MOL Group operations from a human rights perspective are Iraq, Pakistan, Russia and the Ukraine. A total of 30 subsidiaries in 15 countries have been subject to human rights reviews or impact assessments.

In 2015, we fully reinforced our public ethics whistle-blower channels, and case management was improved to create a comprehensive grievance mechanism capable of providing real remedy in the case of human rights violations. In 2015, a number of specific human rights issues and concerns were raised by internal and external stakeholders relating to topics such as personal data handling, confidential information, use of emails and the internet and relationships and unequal treatment in workplace. Grievances were received from local community inhabitants complaining of odours and pollution. Local individuals raised concerns about the enforcement of the legal right to land prospecting work. Concerned subsidiaries started to handle concerns and respond using appropriate remedial activity.

To ensure the protection of human rights through the supply chain, we strive to improve our Responsible Supply Chain Management and extend the implementation of our ethics values and norms, transfer human rights-related knowledge, conduct prequalification activities, audits, and due diligence. The Business Partner Code of Ethics which highlights the ethical values that are of utmost importance in our supply chain – including human rights – is a component of 98% of supplier contracts. In order to raise ethical and human rights-related awareness in retail networks, tailor-made training was conducted for service station operator partners and attendants in Slovakia and Hungary. Further elaboration of special human rights-related training material has also started, targeting not only our employees but our suppliers and partners as well.

In E&P operations in Pakistan, Iraq-Kurdistan and Russia we have delivered human rights training together with security training for 100% security personnel and contractors since 2014. Taking into account the local circumstances, public contractors are all included. Human rights-related training is provided as part of security training. In 2015, we were still assessing the viability and potential to provide soft skills training to private security contractors about various locally relevant topics. A pilot project is planned for Pakistan for 2016.

MOL Group is not engaged in activities which affect indigenous people. MOL's modus operandi ensures the safeguarding of the rights of tribal populations and indigenous people. In this spirit, we commit to gaining free prior and informed consent in the event that indigenous people should be relocated from their land. So far, no resettlements have occurred at any of our international operating locations.

## 6.4 TRANSPARENCY

The integrated Annual Report is MOL Group's most important sustainability-related disclosure. Several other forms of communication and channels are also used to disclose and inform internal and external stakeholders about our sustainability performance. Key sustainability performance indicators and activities have been part of "Quarterly Flash reports", alongside key financial indicators, for more than 2 years. MOL Group's website ([www.molgroup.info/en/sustainability](http://www.molgroup.info/en/sustainability)) contains additional information about the topics published in this report, some in more detail and in a format that better suits a larger, non-expert audience.

Large subsidiaries of MOL Group publish sustainability information in different ways:

- INA Group publishes integrated financial, non-financial Annual Reports. In 2015, Deloitte Croatia awarded INA Group's integrated Annual Report 2014 the first national Green Frog Award for the best sustainability report
- Every two years MOL Production publishes its sustainable development report about the three refineries: the Danube, the Tisza and the Zala. In 2015, results from 2013-2014 were published.
- MOL Logistics published its first Environmental Report in 2015
- Slovnaft publishes its key sustainability performance indicators in its Annual Report
- IES shares sustainability related information on its website.

We consult a number of stakeholder groups about sustainability performance in general, and reporting in particular. In 2015, among other related initiatives we can highlight the following:

- Similarly to previous years, the executive management of the European Workers' Council (EWC) reviewed workforce-related information published in the MOL Group Annual Report and web pages at the preparation stage
- Slovnaft carried out a community engagement campaign to inform the public about the construction phases of the LDPE4 plant (via push SMS) and surveyed the local population about the refinery's image. The latter was the basis for strategic and targeted local community involvement activities in 2016.
- INA initiated and organized in cooperation with the Croatian Chamber of Economy and Croatian Business Council for Sustainable Development a roundtable on sustainability reporting according to GRI guidelines. The goal was to exchange experiences and encourage smaller companies to report on sustainability.
- MOL Hungary organized a sustainability forum during the Health Safety & Environment days held at the Tisza refinery site together with major companies from the industrial site.

In countries where MOL Group is only involved in Exploration and Production operations, the energy industry as a whole may generate a significant proportion of national income (through royalties or production-sharing agreements). Consequently, MOL Group considers it fundamentally important to observe the Extractive Industries Transparency Initiative (EITI) principles and criteria for financial reporting. We started to support EITI at an international level in 2013 and have been cooperating with the initiative in the countries that are implementing the EITI system. MOL Group has operations or non-operated assets in several EITI compliant countries: the Kurdistan Region of Iraq, Cameroon, Norway and Kazakhstan.

## 7. ABOUT SUSTAINABILITY REPORTING

### 7.1 OUR APPROACH TO REPORTING

Since 2008, MOL Group has been reporting its financial, governance, environmental and social performance in one integrated report. Starting in 2013, sustainability performance information has also been included in quarterly management reports. We are continuously deepening the Triple-Bottom-Line approach to corporate management with activities that further improve the integration of financial and non-financial management. The disclosure about the management approaches in the Notes on Sustainability Performance section attest to these strategic activities.

Key achievements, challenges, performance data and trends relating to relevant sustainability topics for MOL Group are described throughout the report and are integrated into the descriptions of business operations and performance. A detailed account about 2015 sustainability performance is provided in the dedicated sections: Sustainability Performance and Notes on Sustainability Performance.

The main target audiences of the Annual Report are shareholders, investors and sustainability analysts. The structure of the chapters is tailored to meeting their information needs and reading habits. However, further information about MOL Group's policies, management approaches and other sustainability-related topics for all audiences is published on our website at [www.molgroup.info/en/sustainability](http://www.molgroup.info/en/sustainability).

All sustainability performance data published in this report have been reviewed by EY. Each year, this assurance process is planned and performed according to the International Federation of Accountants' ISAE3000 standard. Within this framework EY reviews all data under a limited scope of assurance, and for CO<sub>2</sub> under ETS and Lost Time Injury Frequency Rates under a reasonable assurance scope. Since 2014, the assurance of sustainability performance has also been audited in accordance with the AA1000AS standard in order to strengthen our materiality process.

MOL Group follows the latest G4 guidelines of the Global Reporting Initiative (GRI), the most widely used sustainability reporting standard globally. The Annual Report's GRI accordance level is 'comprehensive', which means we are reporting on all indicators related to material aspects that have been identified (see more below under Materiality Assessment). A content index for the indicators which have been reported on is uploaded to the following website: [www.molgroup.info/en/sustainability/report-and-data/global-reporting-initiative-and-united-nations-global-compact-compliance-table](http://www.molgroup.info/en/sustainability/report-and-data/global-reporting-initiative-and-united-nations-global-compact-compliance-table).

In addition, we use the GRI G4 'Oil and Gas Sector Disclosures' guidelines and the IPIECA-API 'Oil and Gas Industry Guidance on Voluntary Sustainability Reporting' protocol when defining the content of the report and selecting which indicators to cover.

### 7.2 MATERIALITY

We use materiality assessment as a means of prioritising material topics in reporting, without excluding any of the relevant topics. Topics considered to be material and strategic are described in more detail, whereas other topics (which are plotted on our materiality matrix) are covered less extensively. We discuss the process of materiality analysis further at the beginning of this report. The most material topics, according to our assessment, are GHG and energy efficiency, process safety, crisis management, ethics and transparency and also occupational and process safety management.

Less material topics in 2015 were suppliers, customers, human rights and biodiversity. From a GRI G4 reporting perspective, these topics are considered non-material, thus we only disclose a selection of indicators for them.

### 7.3 SCOPE AND BOUNDARY

MOL consolidates sustainability information based on a 'control approach'. We account for almost 100 percent of the sustainability data from operations controlled by the company, including those where MOL or one of its subsidiaries acts as operator.

HSE data is collected only at operations with significant potential health, safety and / or environmental impact. In 2015, there was one significant change (compared to 2014) in the scope of the companies covered: in 2014 November the steam generator located at the Duna Refinery became a consolidated and operated entity; this has considerable impact primarily on environmental and GHG data. HSE data coverage is 90.6% in proportion to revenue. In 2015, we were in the process of transitioning data collection to a dedicated management system called MARK HSE which runs on a platform provided by Enablon. MARK HSE covers environmental data, while safety-related data is collected using the so-called HSE Info system (closed as of January 2016). This process will be concluded in 2016 when all HSE data will have been collected and verified in MARK HSE.

Human Resources (HR) data, including sustainability reporting-related information, is collected using the group's SAP enterprise resource management system. The scope of HR data collection is 100% in terms of headcount and turnover. Other sustainability-related data are collected for subsidiaries with a headcount of over 100 employees. Data coverage in such cases is therefore lower (90.1% in proportion to revenue in 2015).

Social investment data is collected from operations and subsidiaries which have approved corporate giving plans. Such plans are elaborated based on business interests and local community interests and are segmented via a systematic stakeholder prioritization ranking method controlled by our social engagement policy. Data was collected for almost all donations activities, although only for 75.6% of operations, since not all entities have donation activities.

The supply chain is considered less material according to our materiality assessment since MOL's activities with the largest potential impact are executed within the company's operational boundaries, as described above. Hence, the performance of MOL Group's suppliers is included for the following indicators only:

- GHG Scope 2 and 3 emissions
- Contractor safety incidents, including fatalities
- Spending on local suppliers

## 7.4 REPORTING ON JOINT VENTURES

Operated joint ventures by definition fall within the scope of data reporting.

In the case of joint ventures where MOL Group does not act as operator, we do not report sustainability data based on equity share. The only exceptions are for GHG emissions and HSE penalties where in performance tables equity-share-based emissions are reported from MOL Group-related joint venture companies as well.

Concerning non-operated joint ventures, the performance data included in the sustainability chapter do not include quantified information since MOL Group does not have operational control over these ventures (except for the inclusion of headcount data in the case of financially-consolidated companies). However, MOL Group hereby declares that it presents any information related to the 2015 sustainability performance of these companies that is found to be material.

Midstream Joint Ventures and non-operated companies:

- Hungary (FGSZ): this natural gas transmission company is a 100% consolidated subsidiary, but it is not operated due to the unbundling regulations of the European Union. The key sustainability performance of FGSZ is summarized in the table below.

*Selected performance indicators for FGSZ Plc. 2014–2015*

INDICATOR	UNIT	2014	2015
Total Direct GHG (scope-1)	mn t	106.198	107.632
Total Water Withdrawals	m <sup>3</sup>	9.013	12.097
Number of Spills (>1m <sup>3</sup> )		0	0
Fatalities – own employees		1	0
Lost Time Injury Frequency (LTIF) - employees		2.9	3.7
Total workforce		768	760
Donations	mn HUF	28	24

Downstream Joint Ventures and non-operated companies:

- Hungary (TVK Power Plant): this power plant became operated and consolidated in 2015 and has undergone significant energy efficiency improvements which are considered to affect the scope 2 emissions of MOL Group in this report. The power plant's performance will be integrated into reports from 2016 onwards.

- Slovakia (Thermal Power Plant): the operator (CMEPS) of this power plant continued to focus on waste recovery-related improvements which started in 2014. These involve the recovery of precious metals from the waste stream and the production of gypsum from desulfurization by-products.

Upstream Joint Ventures and non-operated companies:

- Europe (UK): HSE performance is discussed at senior meetings with JV partners. If there are any areas of concern or incidents, the lessons learned are discussed along with any remediation measures that are required.
- FSU (Kazakhstan): One major activity included the revision of the Environmental Management Plan and Application for the 2015 environmental emission permit.

Middle East (Kurdistan Region of Iraq, Pakistan) Joint Ventures and non-operated companies:

- In Pakistan, MOL has non-operated interests in two blocks (Karak, and Ghuri). MOL operational teams (Drilling, Project, etc.) review the HSE features of all projects that are undertaken by partners during the project sanction and approval process.
- In the Kurdistan Region of Iraq, Gulf Keystone (GKP) is the operator of the Shaikan field. Information about HSE performance is regularly received from this partner.

## 7.5 NOTES ON SUSTAINABILITY DATA

We calculate our sustainability performance indicators (as published in this report) mainly using measurements and calculations, whereas best available estimations are used only when necessary. Sustainability data is generated and calculated taking into consideration pertinent legislation at a local level. Aggregation processes are carried out according to relevant corporate guidelines and policies. In 2015, MOL Group renewed its sustainability reporting handbook which was cascaded to the local level. Collection of data is carried out through regional divisions and local businesses as necessary. The completeness and accuracy of the data that is reported is supervised at the group level and through a dedicated sustainability assurance process where the majority of sustainability performance data are reviewed following limited assurance, while two indicators – LTIF and CO<sub>2</sub> under ETS – go through a reasonable assurance procedure.

Notes on environmental data:

- MOL Group discharges waste water into surface waters or into municipal sewage systems which is treated depending on site circumstances and local regulations (usually involving mechanical and/or biologically-based treatment, but the process may extend to chemical treatment steps when needed). MOL Group does not believe that breaking down this data further according to destination and treatment method is material. Accordingly, it is not reported.
- According to the information provided by contractors, waste disposal methods were classified using European Union guidelines.
- Communal waste is not included in MOL Group waste figures since collectors are legally responsible for reporting the amount of waste collected, disposed and recovered.

Notes on Human Capital data:

- MOL Services Center, a holding of five companies, is financially consolidated as of 2015, but since in 2015 it was not operated by MOL, we did not collect HSE and HR info regarding the company. MSC will be regarded as a contractor in relevant HR indicators.

Notes on employee engagement data:

- Until 2010, the engagement score represented the average result of the answers expressed as a percentage. Since 2012, Aon Hewitt's 'Say, Stay, Strive' model has been used. Engagement is calculated by determining each employee's average response to the six engagement questions based on the Aon Hewitt six-point response scale. If the average rating for an employee equals or exceeds 4.5, that individual is assessed as 'engaged'. The engagement score is the total proportion of employees who are 'engaged'.

Restatements:

- Ethics and Governance: Ethics investigations started in 2014 and closed in 2015 revealed an additional 6 cases of misconduct resulting in a total of 22 misconduct cases for 2014, which we are hereby restating for 2015.
- In 'energy consumption data', 554,061 GJ was missing from Crosco in 2014. The relevant figures have been restated in the report.
- In 2015, we reported Total Recordable Injury Rate (TRIR) only related to MOL Group's own employees, which was 1.52 in 2014. In 2016, we decided to give a more complete picture by including contractors in this indicator, therefore we are restating the 2014 TRIR value for own employees and contractors, which is 1.50.