

5. COMMUNITIES

General aim: enhance trust and credibility among stakeholders

ACHIEVEMENTS:

- In the Kurdistan Region of Iraq, MOL Kalegran has completed the identification of high priority social issues, stakeholder concerns and the social impacts related to its operations. The outcome of the process is a Stakeholder Engagement & Social Investment Strategy that forges a renewed social compact between the Company and its host community.
- MOL Group Volunteers' Club - a platform for Corporate Volunteering - was launched by MOL Group headquarters as a long-term initiative to give back to society in the regions where the company operates.

CHALLENGES:

- New internal regulations that are designed to standardise the principles and processes of stakeholder engagement have been drawn up. The implementation of this Group Practice in 2015 is expected to improve understanding and the management of stakeholder issues and perceptions.

5.1. COMMUNITY RELATIONSHIPS

Related objectives:

- *"Develop a group level social engagement plan by 2012"*
- *"All countries have an annually updated social engagement plan implementing key pillars of engagement"*

Community engagement

MOL Group has been improving its community engagement practices gradually in the last year, in line with the continuous expansion of its international operations. Since 2013, Annual Corporate Communications Plans have been created for all countries where the company operates, and at the end of 2014 MOL Group issued its Social Engagement Group Practice guidelines that must be implemented by all member companies and all relevant sites/operations. They provide guidance about the principles and practices of social engagement and help companies to identify and involve stakeholders. They also contain guidance about interacting with local community stakeholders, including opinion leaders, municipalities, associations, non-profit organisations and foundations when carrying out normal business operations. In 2015, individual company/site/operation-level Social Engagement strategies and action plans will be prepared according to this group level guidance document.

The nature of the community engagement strategies of MOL Group and its member companies are highly dependent on the location of the business operations. The most common activities we engage in are maintaining site-level relationships, holding public hearings and implementing initiatives in common with stakeholders.

One of the crucial topics in community engagement processes is the environmental impact our sites have on communities. MOL Group has to manage both the real impacts of its operations and community perceptions about them. In 2014, sites received 114 complaints related to environmental issues (49% of the complaints concerned European sites while the others were related to our international Exploration and Production operations). Such grievances are taken seriously and have been or are being resolved.

European operations

MOL Group's European sites were typically put into operation decades ago and therefore already have established relationships with local communities and stakeholders. They are widely-accepted and our communication activity relates to routine engagement activities and concrete issues such as the nature of new investments.

Moreover, during general engagement practices that concern European operations the emphasis is also on engaging communities and the broader society in ways that shape people's attitudes and ways of thinking about how sustainability can be promoted. One example of this is our used cooking oil collection campaign which now operates across 3 countries. This campaign helps the general public to dispose of their hazardous household waste in an environmentally-friendly way at one of our filling stations. The campaign has now been running for 3 years at 230 filling stations. The program has generated since its start a financial return in the range of EUR 300,000 – all of which is returned to the promotional campaign to increase environmental benefits.

MOL Plc., with its focus on actively involving communities in 2014, became the main sponsor of Budapest's first bike-sharing system ('MOL Bubi'). The support we provide means the program has significantly greater ability to reach its target audience and the main company stakeholders than any other conventional communications tool.

Moreover, MOL Plc. continued its program of 'Management Roadshows' in which top managers visit all the major sites in Hungary twice

Notes to the sustainability performance

a year to meet with local authorities, municipalities and communities in order to strengthen trust and discuss current issues. To improve our capability to react better to any community concerns that arise, a social media monitoring system has also been introduced.

Slovnaft's focus has been on increasing awareness of the company among local stakeholders as a socially responsible business. As part of its commitment to transparent operations, our "Responsible Neighbour" campaign continues to provide local communities with information about MOL's activities. We share information about flares, water treatment, smoke, smells and noise – the most important issues that affect the lives of those who live in proximity to the Refinery.

INA systematically continues to make an effort to recognise the specific needs of local communities, while communication is centred on the public debates that are regularly held in the process of environmental impact assessment and obtaining environmental permits.

Non-European operations

In International Upstream countries MOL Group has "carte blanche" to develop its image. Accordingly, to build strong relationships with local communities the basic needs (education, infrastructure, drinking water supply and healthcare) of the general public must be considered. MOL Group has various methods in place for surveying and understanding the needs of these local communities and ensuring that the company continues to receive support for its operations. These methods include contracted Community Relations Officers who can be contacted by locals at any time.

MOL Kalegran B.V. operates close to a settled area and interacts with the local community on a regular basis. The issues and topics in which the local community is interested are diverse, but the chief concern is livelihoods of locals. To identify key areas and to address all relevant issues a Social Impact Assessment and Stakeholder Engagement & Social Investment Strategy has been developed, based on a comprehensive study carried out by external experts. In the Kurdistan region of Iraq, drilling & well operations and production can potentially have significant negative impacts on local communities due to the high hydrogen-sulfide (H₂S) content of the associated gas. To mitigate this risk and avoid any hazardous situations that may occur, special measures were taken during site selection, equipment design and the preparation of operational emergency response plans, as well as off-site emergency response plans for critical sites which involve nearby

local communities. MOL Kalegran's community relations officers have regular meetings with the local community, local authorities and Mukhtars (village heads), prior to the start-up of any significant operations such as well tests, production or flaring.

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"

Through donations and social investment MOL Group aims to create value for stakeholders and be responsible to future generations. Accordingly, MOL Group has supported educational programs and talented young people, health and environment initiatives using 0.32%¹ of its EBITDA.

European operations

MOL Group aims to strengthen its social investment portfolio and to cooperate better with its partners to measure business and community benefits. To this end, a best-in-class tool - which uses London Benchmarking Group (LBG) methodology - has been adopted in MOL, Slovnaft, INA, TVK and MOL Romania to manage and report about social investment. MOL Group plans to further extend the use of this tool in 2015 to international Upstream companies.

In Central Europe MOL Group members are well-established brands and companies carry out annual corporate giving awareness surveys to understand the needs of society. In 2014 the survey was conducted with the involvement of more than 8000 stakeholders. According to the survey results, health care and health promotion were top of the public's 'wish list': 87% of stakeholders would donate to promote healthy lifestyles and help prevent disease. Second on the list was education (78%) and third, environment protection (74%). Identifying and supporting talents was also in the top 5 (49%).

MOL Group's corporate giving budget is aligned with its business activities and public expectations. Results of MOL Group's internal data collection processes show that 42% of the donations tracked in the LBG data collection toolkit focus on supporting education and young people, while 10.3% are spent on improving health. 25.8% of the total corporate giving budget is aligned with MOL's business

interests; e.g. supporting cooperation with the most important customers, initiating projects where Exploration and Production activities are undertaken and cooperating with professional organizations accounted for.

The social investments of MOL Group companies in Central Europe are carried out through foundations which support talented young people in arts and sports, as well as those which support health care and provide special therapy for chronically ill children. The majority of social investment (86% in Hungary, 50% in Slovakia, 100% in Romania and 60% in Croatia) is made through such organizations.

In Hungary, Slovakia, Romania and Croatia MOL Group also supports local environmental initiatives through Green belt programs.

Non-European operations

In international exploration and production operations MOL Group always strives to understand local community needs and create tailor-made social investment action plans for each area. E&P community relationship officers survey and identify the needs of local communities and select between local community requests on the basis of our central objectives and by consulting with governmental stakeholders. MOL Pakistan continued its social investment program in 2014 with a focus on healthcare and education. Another Free Eye Camp was held at Saradhana village in the Haripur District, where 825 patients were treated, and refurbishment of the Federal Government Girls College Thanda Pani in District Islamabad is now complete. Furthermore, several water network and irrigation projects were supported to improve the living conditions of communities who live around our operations. They include the following:

- Construction of a check dam at Ahmadi Banda in Karak District - started in 2014, will be completed in 2015.
- Extension of Minor-1 from Sanda Fateh Khan Dam (Irrigation Project) at Hoti Banda in Kohat District - completed in 2014.
- Drinking Water Supply Scheme at Bakha Banda in Karak District.

In the Kurdistan Region of Iraq, donations and social investment projects in 2014 included the building of a new (6-year) school, a youth center and the construction of a community hall and water project.

Moreover, a Stakeholder Engagement & Social Investment strategy has been prepared to ensure the most efficient and targeted use of donations in the future. In the proposed Social Investment Strategy the main areas identified are water development initiatives, agricul-

ture (including livestock farming), education, youth empowerment and tourism. Project planning has already started; implementation will follow in the coming years.

Additionally, in the Kurdistan Region of Iraq - in order to help refugees fleeing from ISIS - a humanitarian aid package was developed and distributed by MOL Group through local suppliers with the support of the Ministry of Natural Resources and local authorities. It was specifically targeted at refugees located in the operational block Akri-Bijell.

In Russia, according to the conditions of the license agreement Matyushkinskaya Vertical donated HUF 14.2mn (RUB 2mn) for the social and economic improvement of the Aleksandrovsky area.

Volunteering

The current volunteering platform of MOL Group is rich in activity but somewhat fragmented. Many similar, well-functioning initiatives exist. The total number of volunteering hours undertaken by employees increased considerably due to the launch of the MOL Group Volunteers' Club - a group-wide platform of Corporate Volunteering - in May, 2014. Volunteers will regularly organize events in the future to express their responsibility towards local communities and strengthen employee engagement at the same time. Harmonization of the concept is ongoing and roll-out of the methodology to countries of operation is in progress.

The target for 2015 is to renew this concept and develop a common corporate volunteering platform for all employees.

In 2014 259 members the INA Volunteer Club took part in 19 initiatives. The focus was on ecological and humanitarian projects and projects for children and youth. Volunteers use their own Facebook application whereby fans and visitors can suggest or vote for volunteering projects. Currently, the Club has approximately 350 members and this number is increasing every day. The INA Volunteer Club received a "Recognition for contribution of the business sector to the development of volunteering" award.

There are numerous other voluntary initiatives within MOL Group such as Greenbelt volunteering in Hungary, employee blood donations in many countries, the "Our city" program and the "Collection of Goods for Socially Disadvantaged Families" in Bratislava, and a joint program with the Dévai "Szent Ferenc" Foundation in Romania for renewal-related activities.

Corporate giving in main countries and regions [GRI EC8]

	HUNGARY	SLOVAKIA	CROATIA	ROMANIA	INTERNATIONAL UPSTREAM	ITALY	TOTAL
Donations in cash (million HUF)	809.8	129.7	133.2	198.5	163.3	0.0	1,434.4
In-kind giving (product/services) (million HUF)	0.0	5.1	19.7	0.0	71.0	0.0	95.8
Leverage (million HUF)	1,570.1	-	-	-	-	-	1,570.1

Leverage: according to LBG methodology donations given in accordance with Corporate Tax Optimization shall be accounted for as leverage

Corporate volunteering by employees

	HUNGARY	SLOVAKIA	CROATIA	ROMANIA	INTERNATIONAL UPSTREAM	ITALY	TOTAL
Employee volunteering (hours)	1,672	270	3,752	368	0	0	6,291

¹ Without corporate tax optimization; clean CCS-based EBITDA without Gas Midstream was used in calculations because FGSZ data is not included in social investment data