



# **Sustainable Development Report 2005**

...naturally speaking



# Letter from the Chairman and CEO and Group CEO

## Dear Readers,

We are pleased to present MOL Group's third Sustainable Development Report, covering our economic, social and environmental performance, on a regionally-integrated basis, that more accurately reflects our challenges and successes in 2005.

2005 was a successful year, not only in terms of financial, integration and efficiency improvements, but also because we took a major step forward in the formulation of our long-term Corporate Sustainability concept. The development of a detailed action plan will take place in 2006, in line with our new business strategy for the period 2006–2010.

We expect the currently favourable industrial environment to continue throughout 2006 and will hold fast to our commitment to deliver clear benefits to our stakeholders.

Sustainability is not an issue apart, but an integral factor of our long-term business success. Corporate Responsibility, as the business case for Sustainable Development, goes far beyond social, ethical or marketing issues, but involves integrated environmental, economic and human aspects, at one and the same time. To us, this means much more than mere compliance with regulations or engaging in sponsorship activities. We aim to go the extra mile, wherever possible, to resolve issues that often go well beyond our own immediate activities. MOL Group, therefore, while constantly striving to increase shareholder value, must place ever greater emphasis on the fundamental tenets of Corporate Responsibility – multi-stakeholder processes, the principle of precaution, transparency and proper risk management, among others.

MOL Group is a leader in all its core markets, and has been one of the best-performing integrated oil companies over the past few years. We succeeded in meeting planned 2005 targets, in terms of economic, environmental and social development, and in some cases even exceeded them. This achievement is a tribute to our focused strategy of improving efficiency and integration in all areas of our Company. For example, in 2005, we introduced bio-fuels to the marketplace, have only produced and marketed sulphur-free fuels since July, and further explored the feasibility of constructing a geothermal power plant. Moreover, we managed to maintain the downward trend in health and safety issues, and met targets related to hazardous waste generation and remediation.

Although it is still difficult to quantify as yet the precise direct benefits resulting from our Sustainability endeavours, as well as the extent to which such activities influence shareholder value, there are now more and more international standards available that help companies to evaluate their performances in this field. Moreover, there is a growing consensus in the investment community that SD activities will have increasing impact on future returns, and influence companies' long-term market values positively, in spite of the challenge that complex SD issues present, and the broad scope of the factors involved.

Finally, we should like to take this opportunity to express our gratitude to all those who have paved the way for this report and our Sustainable Development performance, through their day-to-day work and enthusiastic contributions, and we hope that all such efforts will lead to further successful development in this field.



**Zsolt Hernádi**  
Chairman and CEO

**György Mosonyi**  
Group CEO

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## Walking the talk

For MOL Group, 2005 was not only the best year ever, in financial terms, but also in the development of our Corporate Sustainable Development (SD) activities. Comparing our performance with international practice, we believe that we have taken a major step forward in the integration of SD principles into our everyday operations. As a long-term objective, we have continued the planning of our new MOL Corporate Sustainable Development framework to create an effective foundation upon which to base existing efforts and the achievement of future objectives. To put this plan into practice, it will be vitally important to make the most of our professional experience, to integrate existing activities and to introduce new measures. Therefore, in 2006, MOL Group Senior Management approved the setting up of a Sustainable Development Management System, providing it with clear aims, means and well-defined delegated tasks and accountability. This will create an integrated Group-level system that will ensure the efficient implementation of stated strategies and achievement of clear targets. Moreover, the system will act as a valuable stimulus for on-going MOL Group and Unit-level research and development efforts.

The key achievements and issues listed here underline the fact that we have taken the right strategic approach, and that our SD-related activities and precautionary approach will provide significant returns from now on, and into the future.

## Overview of 2005 performance

- ▶ Meeting of 2005 targets in economic, environmental and social areas
- ▶ Outstanding financial results and strengthened international market position
- ▶ Integration of newly-acquired retail network operations, in Romania
- ▶ Newly-developed Group-level business strategy for 2006–2010
- ▶ 41% increase in total polymer capacity
- ▶ Production of sulphur-free motor fuels, already meeting EU 2009 quality standards
- ▶ Start of bio-fuel production
- ▶ Significant advances in the geothermal power plant pilot project
- ▶ Completion of Duna Refinery modernisation of wastewater treatment and the incineration system
- ▶ HUF 8.4 billion provision used to eliminate environmental liabilities
- ▶ Launch of EU Employment Programme in co-operation with Trade Unions
- ▶ Launch of trainee programme in MOL Upstream, Refining, and Logistics Units
- ▶ Start of a new Group-level English-language training programme
- ▶ Joining the UNDP Global Compact network
- ▶ Contribution to the rehabilitation of disaster-stricken areas
- ▶ Launch of the “May we help?” donation programmes



## Who we are

MOL with its Subsidiaries form the leading integrated oil and gas company in Central & Eastern Europe, employing close to 15,000 people and operating two refineries. The Group consists of MOL Plc., Slovnaft a.s., TVK Plc., and their Subsidiaries.

The Group owns a network of 834 Filling Stations in 7 countries in the region. Besides regional operations, our Exploration & Production Division focuses on CIS countries, the Middle East, Central Asia and North Africa.

MOL Group is market leader in Hungary and Slovakia, in each of its core activities. Our main objective here is to provide superior levels of shareholder return, fully exploit our market potential, by implementing a strategy of dynamic development and expansion, and to achieve further internal efficiency improvements. MOL Group shares are listed on the Budapest and Warsaw Stock Exchanges, the GDRs are listed on the Luxembourg Stock Exchange, and traded on the International Order Book of the London Stock Exchange.

MOL is one of the largest companies in the region in sales revenue terms. Its core activities include the exploration and production of crude oil, natural gas and gas products; the refining, transportation, storage and distribution of crude oil products in both the retail and wholesale markets; the importation, transportation, storage and wholesale of natural gas and other gas products; the production and sale of olefins and polyolefins.

The Exploration & Production Division contributes to MOL Group cash-flow through the exploration, field development, acquisition and production of existing and new hydrocarbon reserves, at internationally competitive cost-levels.

The Refining & Marketing Division is responsible for the purchase and refining of crude oil, and other refinery feedstock, logistics and the wholesale distribution of petroleum products. It aims to increase efficiency and sales by fully exploiting the integrated supply chain management concept, and to provide top quality products by leveraging its excellent asset base and the geographical composition of its markets.

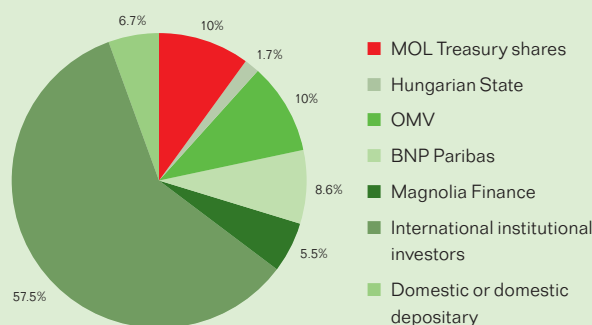
The Retail Services Division contributes to the development of retail automotive and other product ranges, and is responsible for sales and service at Filling Stations. Its key aims are to improve network efficiency, increase customer focus and loyalty, and selectively expand its branded network across the region.

MOL Group Lubricants Division is market leader in Hungary and Slovakia, producing and marketing almost all principal types of lubricant, including automotive motor and gear oils, industrial oils, special lubricants, metal-working fluids, greases, additives and automotive chemicals.

The Natural Gas Division is responsible for the import, transmission, storage and wholesale of natural gas to the Hungarian marketplace and for the transmission of natural gas to key markets abroad.



Ownership structure of MOL Plc.



As at 30<sup>th</sup> June, 2006

In terms of production capacity, MOL Group's Petrochemical Division is the 8<sup>th</sup> largest player in the European polyethylene and polypropylene markets, and comprises the TVK Plc. and Slovnaft a.s. petrochemical businesses. The Division supplies feedstock to several European plastics processing companies and its products are sold in more than 40 countries.

More about MOL Group Members and Subsidiaries:  
[www.molgroup.hu/en/businesses/subsidiaries/](http://www.molgroup.hu/en/businesses/subsidiaries/)

## Reporting scope

### Report content and boundaries

MOL Group reports every year on the performance and achievements of its member companies regarding Sustainable Development issues. Following previous years' practice, MOL Group has taken note of the Global Reporting Initiative 2002 Guideline recommendations, and adapted them to suit the Company's market position and operations. In addition, we have consulted the draft version of the new G3 Guidelines so that our disclosure efforts comply with the latest reporting requirements.

This is the third issue of the MOL Group SD Report, and includes MOL Group member company performance, development, and challenges during calendar year 2005. Aggregated data are reported for MOL Group-controlled companies (MOL Plc., Slovnaft a.s., TVK Plc. and their Subsidiaries), regardless of the area of operation. Every deviation from the general rule is indicated, throughout the report.

We publish only one integrated printed version, in English, and report on our local achievements in electronic format, on the Internet. Moreover, our new MOL Group-level website, launched in 2006, provides latest Company news and ensures the publishing of more detailed information on issues covered by this annual SD Report.

### Reporting principles

We are aware of our responsibility for the information that MOL shares with its stakeholders. In contrast to "traditional" practices, ours is based on a proactive strategy. As a result, we seek to fulfil general and specific informational requirements and communicate at special events, whilst actively keeping our stakeholders fully up-to-date. We are committed to the open communication of any information that reflects and evaluates our true performance, to ensure the highest transparency possible for a company, today.

Besides complying with the GRI Guideline, we also take several basic reporting principles into consideration when preparing our Sustainable Development Reports. We endeavour to be as transparent as possible, by providing the maximum amount of detailed and accurate information, which focuses on issues relevant to our industry sector, so as to minimise risks when seeking to anticipate changes and developments in the economic, environmental and social areas. Therefore, whereas we strive to be comprehensive, at the same time we wish to avoid emphasis on less important issues or areas that would otherwise jeopardize the clarity and focus of our work and measures we have taken.



## Fulfilment of 2005 targets

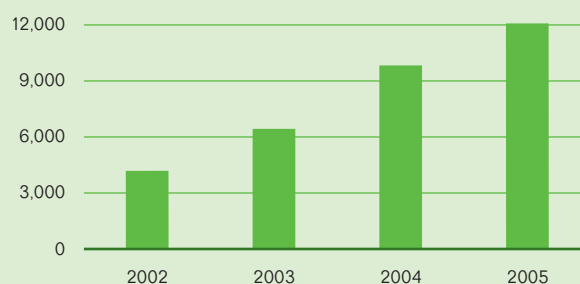
<b>Economic</b>	<b>Target</b>	<b>Result</b>
EBITDA	USD 1.0 billion	USD 2.1 billion
ROACE	17.0%	27.6%
Efficiency improvements	USD 260 million	USD 305 million

<b>Environmental</b>	<b>Target</b>	<b>Result</b>
Hazardous waste	The total amount of hazardous waste generated not to exceed 100,000 tonnes	71,963 tonnes
Acid tar	The amount of accumulated acid tar disposed of to reach 20,000 tonnes	24,600 tonnes
Contaminated soil	The amount of contaminated soil neutralised to reach 25,000 tonnes	54,300 tonnes
Environmental liabilities	MOL Group environmental liabilities as at end 2004, to reduce by HUF 8.7 billion	HUF 8.4 billion

<b>Social</b>	<b>Target</b>	<b>Result</b>
Fatalities	No fatal accident at work at MOL Group and its suppliers	1 fatality at MOL Plc.
Injuries	Total number of work-related injuries at MOL Group not to exceed 48	33
	Number of work-related injuries in Explant Ltd. not to exceed 12	12
	Number of work-related injuries in Petrolszolg Ltd. not to exceed 6	5
	Number of work-related injuries in SMaO a.s. not to exceed 5	2
Cases of fire	Total number of fires at MOL Group not to exceed 15	11
Social Investment Programmes	Introduction of the "May we help?" donation programmes	Spring 2005
Local communities	Increase resources related to the support of local communities by 40%	60%



Net sales revenue (million USD)





## Future challenges

### Long-term economic performance targets

- ▶ Reinvest the capital acquired from the partial sale of the gas business to create value in our core Upstream and Downstream businesses
- ▶ Maximise growth potential in “New Europe” while providing superior returns
- ▶ Continue MOL Group’s development, with special focus on growth and efficiency, while closely managing risk
- ▶ By 2010, MOL Group EBITDA to reach USD 3.5 billion, ROACE 15% (NOPLAT-based), and cost savings USD 285 million
- ▶ Prepare for bio-diesel component production/blending and marketing

### 2006 Environmental protection targets

- ▶ Total amount of hazardous waste generated by normal operations, and cases of emergency to be less than 90,000 tonnes
- ▶ The amount of acid tar contaminated soil neutralised, to reach 60,000 tonnes
- ▶ Reduce MOL Group environmental liabilities as at end 2005, by HUF 7.5 billion

- ▶ Identify project-based CO<sub>2</sub> emission-reduction opportunities to decrease allocation quota deficit by 20%

### 2006 Social performance targets

- ▶ Implement a MOL Group-level e-recruitment system
- ▶ Define a new HR strategy for 2006–2010, to support MOL Group business objectives
- ▶ Provide financial resources to the Workers’ Council for use as a welfare budget
- ▶ Provide 3× HUF 6,000 per employee for social organisational events
- ▶ No fatal accident at work at MOL Group, its Subsidiaries, suppliers or 3<sup>rd</sup> parties
- ▶ Total reportable occupational illness frequency (TROIF) to equal zero
- ▶ Lost-time injury frequency (LTIF) not to exceed 2.8
- ▶ Road accident rate (RAR) not to exceed 3.0
- ▶ Total number of fires not exceed to 15
- ▶ Each Business Unit to establish and implement the leading indicator of Incident Inquiry
- ▶ Each Business Unit to stipulate at least one additional leading indicator





# How we achieve our goals

MOL Group conducts its business in line with well-defined policies and strategies to ensure efficient operations and financial success. We regulate our processes, establish clear aims, identify resources, ensure clearly-defined delegated tasks and accountability, and manage the company based on the principles of quality and excellence.



## Vision and values

Within MOL culture, an ethical mindset, clear values and the highest standards of corporate behaviour have been developed to enable the company to strive for economic, social and environmental sustainability, effectively.

### Our vision

MOL Group's objective is to become the most respected multinational oil company in Central and Eastern Europe and to provide superior levels of shareholder return by fully exploiting our market potential, by implementing a dynamic development and expansion strategy, and by identifying, where possible, potential for further internal efficiency improvements.

### Our core values

In pursuit of our vision, we shall adhere to our corporate values. With regard to Corporate Sustainability, the most relevant MOL Group values are:

- ▶ Striving for value-creating growth, fundamental for our shareholders and providing new opportunities for our employees and other stakeholders
- ▶ Fulfilling our responsibilities towards our employees, host communities and society in general, aspiring, thereby, to perform beyond legally-required standards
- ▶ Providing outstanding quality at competitive prices.  
Striving for quality in our products and services, as well as for professionalism in our daily work, we want to be the company of choice for our stakeholders
- ▶ Conducting business with the highest integrity and full transparency, in an honest and ethical way

- ▶ Continuously examining and reducing risks inherent in our business activities, a key responsibility to our stakeholders
- ▶ Working with the best and the brightest, providing equal opportunities for every employee, as well as promotion and competitive compensation, based on merit and performance
- ▶ Respecting diverse local and national cultures and values as the foundation of our multinational company ethos

### Commitment to basic SD principles

#### An interdisciplinary approach

We recognise the importance of the relationship and interdependence between the economy, the environment and society in general. Our principles and values are applied to all activities in these areas, using an interdisciplinary approach.

#### Responsibility for our activities

We are aware of our responsibility for the environment and society and towards MOL Group employees and stakeholders. Therefore, we strive to maximise improvement everywhere so that any negative impact arising from our operations is kept to the minimum.

#### Continuous self-improvement

Our competitiveness and position in the market-place depend on our performance. We can only attain high-level operational efficiency and deliver more competitive products and services by continuous self-improvement in all areas.



#### New internet site

MOL has developed a new Group-level internet site to ensure high-quality free access to information, for its stakeholders. Moreover, it contains a separate regularly-updated section on Corporate Responsibility, covering Sustainable Development issues. The site provides users with the opportunity to express their opinions in different ways, and feedback thus received is analysed and taken into account in the development of further processes.

# How we achieve our goals

## Transparency through auditing and reporting

Our economic, environmental and social activities are regularly audited by independent auditors and our performance is reported on at our Internet sites, in the Annual Report, the Sustainable Development Report and in various regular MOL Group-level publications. In addition, we strive to minimise the occurrence of materiality and to concentrate on relevance and accuracy.

## Multi-stakeholder processes

MOL Group outstanding performance is related to the opinions, the social status and the level of involvement of its stakeholders. Therefore, we continuously develop and regularly revise our stakeholder processes to maximise potential from such involvement.

## Product stewardship

MOL Group recognises its responsibility for reducing the environmental footprint of its products and operations. Thus, we are committed to integrate the stewardship concept into our management and production processes.

## Involving stakeholders

Multi-stakeholder processes call for the involvement and cooperation of all parties concerned, and are indispensable to the successful development of a common understanding of Sustainable Development issues, and the application of its principles to everyday practice. Moreover, these processes provide participants with the opportunity of articulating and representing their own ideas and interests. Shareholders, customers,

employees, contractors, NGOs and local authorities and communities comprise the main MOL Group stakeholders, among whom we must build trust and credibility by acting as a "good corporate citizen".

## Shareholders

Creation of shareholder value is the most important mission of a modern corporation. We are the employees of our shareholders, who need to be assured that the current corporate structure and operations provide the best value for them. MOL Group management is aware of its basic duty of representing and promoting shareholder interests and recognises its accountability for the company's performance and activities. Therefore, performance and development are continuously analysed and evaluated, both in the broader external environment and within the operations of MOL Group itself.

MOL Group shareholders are mainly institutional investors from the United States and the United Kingdom but there are also a significant number of individual shareholders. We regularly conduct shareholder identification surveys, in addition to the regular report on the distribution and nature of our shareholders, by our share registrar, KELER.

We communicate with our shareholders through various channels. At the MOL Annual General Meeting, the company's performance and strategies are presented and our latest financial statements and dividend level are approved by the shareholders. In addition, we publish flash reports on a quarterly basis followed by conference calls with key investors and analysts.





Our Annual Report is issued at the end of April, and contains the audited financial statements of MOL Group and a management review and analysis of the past business year.

MOL has always considered on-going communications with the financial community as a top priority. We meet our investors on a regular basis at one-on-one meetings and organise road shows to visit them, as well. We also consider the Internet to be an important communications channel to our shareholders, so we publish all our announcements and reports on our website.

### Employees

The Human Resources Department is responsible for the involvement of, and communication with MOL employees. Trade Unions, the Workers' Council, the Council of Ethics and a special MOL call-centre were established several years ago to ensure the representation of employee opinion and interest, within the company. In addition, the European Workers' Council, set up in 2004, ensures opportunities for employees to be involved in direct discussion and in decision-making processes, with MOL Group management. In this way, MOL employees are kept continually informed about decisions made locally, or in another country in which MOL operates.

The HSE Safety Day at MOL Duna Refinery, and the Safety Month at TVK – both organised annually – have a long tradition. Participating groups of employees have to compete in exercises in the areas of health, safety and the environment. This event is designed to raise

employee awareness as well as to train and motivate them, so that their behaviour in day-to-day work is positively influenced. Winners are awarded prizes at the end of the games.

### Customers

Making an enquiry, expressing an opinion or requesting assistance are all facilitated through MOL Customer Services – not only the face of the company, but a key customer information tool. The service is available for information-sharing on any special or general issue concerning MOL Group, at any hour of any day of the year, through a variety of channels: in person, by telephone, e-mail, fax or post. All operators are furnished with up-to-date information on MOL products and services. In addition, calls are recorded, for later analysis, to improve customer satisfaction and service operations. Customer Service staff must respond to customers immediately, in the way most appropriate to their specific needs.

### Suppliers

Efficient cooperation with our suppliers contributes to our outstanding long-term businesses success. To this end, MOL Group organises an annual Supplier Forum, which has already become a traditional and efficient tool for improving our results and exchanging business experiences. Moreover, we regularly hold meetings with major contractors at which we present them MOL HSE requirements of their products and services. Such requirements are an integral part of contractor contracts. We also publish these requirements on our official websites.

More about Supplier Forum:  
[www.mol.hu/en/about\\_mol/supplier\\_centre/supplier\\_forums/](http://www.mol.hu/en/about_mol/supplier_centre/supplier_forums/)



### MOL Group HSE Day

MOL Group HSE Day was organised at the beginning of 2006, for the second time in its history, with the participation of MOL and its Subsidiary executives and managers. The main aim of this regular meeting is to support the promotion of HSE culture and awareness among the leaders and to help their integration into all business and functional units. At the event, speakers presented 2005 HSE performance, the main goals and outlook for the coming year as well as our new Group-level HSE Management System. HSE award winners recounted their experiences and were recognised for their outstanding activities.

### Product stewardship

Product stewardship is an on-going responsibility which calls upon all those involved in product life cycles to share accountability for reducing the environmental impacts of products. It brings us ever closer to the implementation of life cycle management, where the impact of a product is mitigated “from cradle to grave”.

MOL Group, as a producer and retailer, recognises its responsibility to reduce the environmental footprint of its products. Thus, we are committed to integrate, as far as possible, the stewardship concept into our management and production processes. By re-thinking the characteristics of our products and production processes, our relationships with the supply chain, and with the ultimate customer, we have become more and more capable of providing better products and services, reducing costs in certain cases, and providing customers with more value, with less impact on the environment. However, real change will only ever be successfully achieved when all players in the marketplace and society accept mutual responsibility.

More about Product stewardship:  
[www.molgroup.hu/en/csr/business\\_challenges/product\\_stewardship/](http://www.molgroup.hu/en/csr/business_challenges/product_stewardship/)

### Policies and strategies

#### Our strategy for 2006–2010

Thanks to successful regional developments, favourable industry environment, timely investments in quality assets as well as efficiency and synergy achievements, MOL Group accomplished its strategic objectives for

2005 well ahead of schedule. Over a three-year period, MOL has become one of the best performing integrated energy companies in the world.

Our new five-year objective, reaching out to 2010, sets the strategies of maximising opportunities for growth arising in “New Europe” and providing superior shareholder return.

#### Growth

Growth targets have been developed bearing the on-going need to balance MOL Group’s business portfolio in mind. The company aims to increase Upstream integration by tripling hydrocarbon production and doubling refined product sales. MOL plans to achieve these ambitious growth targets, set for the five-year period, by allocating USD 5.4 billion to organic CAPEX, and through the continued application of a disciplined approach to non-organic opportunities.

#### Efficiency

Our objective of achieving further operating efficiency improvements foresees the creation of annual total efficiency improvements of USD 285 million by 2010. This will involve significant cost savings and better utilisation of assets.

#### Financial flexibility

MOL intends to keep its gearing ratio below 30% and maintain its investment grade credit rating. The company plans to gradually increase the absolute level of dividend to reach the payout ratio of its peers in the region (currently 30% of normalised earnings), by 2010.



### Capabilities

Based on our disciplined transaction track record and proven transformation and integration skills, we will continue the development of MOL Group with a clear focus on growth and efficiency while closely managing risk at MOL Group-level. Furthermore, we intend to remain a pace-setter in Corporate Governance and Sustainable Development in "New Europe".

More about MOL Group strategic objectives: [www.molgroup.hu/en/csr/managing\\_the\\_group/policies\\_and\\_strategies/strategic\\_objectives/](http://www.molgroup.hu/en/csr/managing_the_group/policies_and_strategies/strategic_objectives/)

### MOL Group HSE Policy

MOL Group HSE Policy represents the highest commitment to effective Health, Safety and Environment management, and applies to all Business Units and controlled Subsidiaries as a basis for setting their own HSE objectives, strategies and action programmes.

The policy clearly states our recognition of the advantages of Sustainable Development by focusing on safe and healthy working conditions, a clean environment, continuous self-improvement, and by applying the precautionary approach to all areas of our operations.

2005 was the first year of operations under the new MOL Group-level HSE Policy, approved at the end of 2004. The new policy is implemented in a cascaded way, breaking down long-term strategic objectives into annual Group-level HSE targets and actions, and into Unit-level HSE objectives and tasks – ensuring that the objectives of individual Units are in line with the major objectives of the organisation.

The HSE Policy implementation process and its programmes combine explicit MOL Management leadership, the participation of all employees and the use of appropriate technology throughout the supply chain. Therefore, in 2005, we continued our efforts to reinforce cooperation between HSE and Business Units, with special emphasis on strengthening HSE management of our contractors.

More about MOL Group HSE Policy: [www.molgroup.hu/en/csr/managing\\_the\\_group/policies\\_and\\_strategies/hse\\_policy/](http://www.molgroup.hu/en/csr/managing_the_group/policies_and_strategies/hse_policy/)

### Code of Ethics

The first MOL Code of Ethics was developed in 1992. The Code is continuously updated to take account of latest internal and external developments. The third version – in fact the current one – was issued in 2001, and is well-known as being the first document to define our goals, vision and values at Group-level.

There are currently three, separate ethics bodies working within MOL Group, since MOL Plc., TVK Plc. and Slovnaft a.s. each has its own Ethics Committee, to which concerned people can turn if they come across issues which run counter to Group principles, and especially if they feel their rights have been impinged upon.

The Group-level Code has two variants, depending on the audience:

- ▶ The MOL Group Code of Ethics is written for the public at large and is issued to every company or agent acting on behalf of MOL Group. It contains the ethical principles MOL Group stands for and demands of all its partners.





- ▶ The MOL Group Ethics Commitment statement is for internal use. Every Group employee must conform with it. This again reviews the main ethical guidelines, from the employee point of view, and emphasizes liabilities specific to Managers.

More about the Code of Ethics:  
[www.molgroup.hu/en/mol\\_group/our\\_values/code\\_of\\_ethics/](http://www.molgroup.hu/en/mol_group/our_values/code_of_ethics/)

## Supplier Policy

In line with the concept of Product Stewardship, our responsibility covers not only products and services produced and marketed by MOL Group, but also those which we acquire through our procurement processes. We therefore expect our suppliers to meet the same first-class quality and environmental standards that we do. Our Supplier Policy therefore lays down the mutually-respected fundamental tenets and principles agreed upon by both parties.

Our suppliers:

- ▶ provide goods, services and processes of high quality and apply reliable quality management methods
- ▶ are competitive in international markets and continuously seek to improve such competitiveness
- ▶ are technologically innovative and their goods and services meet international environmental, safety and health standards
- ▶ provide reliable service and take overall responsibility for their goods and services
- ▶ work professionally, applying perfectly ethical working methods
- ▶ strive for long-term partnerships with us
- ▶ adopt high-level communications methods and techniques

MOL Group enacts its procurement processes applying clear, consistent and unambiguous rules. The company regularly evaluates its suppliers before and during cooperation and keeps them informed about changes and performance.

More about Supplier management:  
[www.mol.hu/en/about\\_mol/supplier\\_centre/](http://www.mol.hu/en/about_mol/supplier_centre/)

## Governance systems

### Fundamental operating principles

The efficient integration of MOL Group comprises the successful orchestration of MOL Group-level Business and Functional Units and the operations of its member companies. As a consequence, the MOL Group Governance and Regulation System is based on the following conditions and mandatory requirements:

- ▶ MOL Group is managed on an integrated, matrix governance model, supported by a process-based Regulation System
- ▶ Integrated Corporate Governance is carried out through systems and processes established by the Functional Units responsible for Governance activities.
- ▶ Over-regulation is avoided by the system, and centralised control of key functions ensured
- ▶ The system must be flexible enough to enable MOL to extend it to embrace newly-acquired companies
- ▶ The process-based Regulation System must support ERP (Enterprise Resource Planning) and other information systems related to operations
- ▶ All operating process documentation must be integrated into the Regulation System





### Corporate Governance structure

The Annual General Meeting, as the principal decision-making body, enables shareholders to make decisions on issues that are of a material nature to MOL Group day-to-day operations, and to exercise Governance and control rights.

The Board of Directors, elected by the owners, is responsible to shareholders for the implementation of integrated Governance, and operates committees to increase the efficiency of the Board's operations, and to provide the appropriate expert background for decision making.

A separate charter regulates the scope, objectives, tasks and operational conditions of the Board of Directors, as well as the rights and obligations of the Chairman and the Deputy Chairman. The Board of Directors defines the tasks and responsibilities of the Executive Board (EB) and creates a uniform system of operational and organisational regulations, as well as a system of objectives, reporting, and supervision. The primary task of the Executive Board is to implement MOL Group Strategy and manage MOL Group operations.

More about Corporate Governance:  
[www.mol.hu/en/about\\_mol/investor\\_relations/corporate\\_governance/](http://www.mol.hu/en/about_mol/investor_relations/corporate_governance/)

### Integrated organisation

MOL Group Governance is implemented by two parallel inter-connected units, namely the Business and Functional Units. Their work is co-ordinated under the aegis of the EB. The role of Business Units

is to develop and implement competitive strategies that increase business value in line with MOL Group business objectives, and to enforce internal and external regulations and statutory requirements. Functional Units assume similar tasks to support the effective operation of business processes.

### Working committees

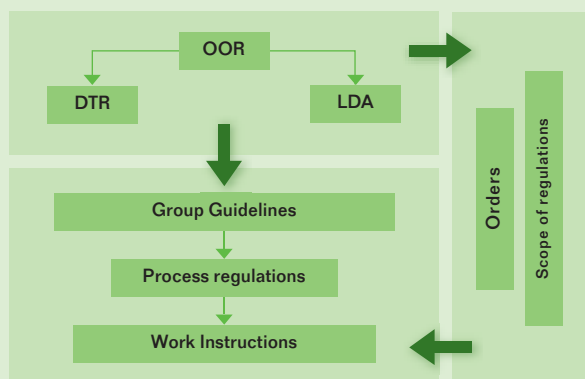
Various committees are appointed to be responsible for co-ordination or support of well-defined business activities, sometimes assuming a decision-making role, based on pre-defined agenda and schedules. Furthermore, they ensure professional decision preparation, using a holistic approach, based on relevant background information, to secure quick and efficient decision making. Committee members comprise the Heads of the Business and Functional Units concerned. Working teams may be set up within or among organisational Units to implement specific sub-tasks or activities, and to solve specific problems.

### Regulation system

Main Governance documents (Operational & Organisational Rules – OOR; Description of Tasks & Responsibilities – DTR; List of Decision-making Authorities – LDA) were developed in continual consultation with Business and Functional Units. Group Guidelines together with the main Governance documents have been issued and distributed to management as parts of the Corporate Governance Manual.

The efficient integration of MOL Group comprises the successful orchestration of MOL Group-level Business and

Internal regulation system



Business Excellence

Functional Units. All relevant principles are summarised and detailed in the OOR. Integrated Business and Functional Units are led by MOL Group managers, responsible for the integrated operations of a given area. The integrated MOL Group organisational model is described in the DTR.

The LDA contains detailed rules on decision-making at MOL Group level. All decisions at Subsidiary level must be taken in line with rules set out in the LDA and other Group-level regulations. Decision-making powers and the right to sign on behalf of the Company are clearly delineated in the Governance System.

Beside the main Governance documents, the Regulation System is based on operational processes to provide a solid foundation for a consistent easily-updated Regulation System as well as for the continuous improvement of processes (Process Management). Processes are split into three major groups, Governance, Business and Support, and are broken down by these categories to provide detailed descriptions. In addition, the Business process structure is broken down along the industrial value-chain elements.

MOL Group Guidelines contain instructions of a general nature concerning the main process groups in the integrated MOL Group Process Structure. Process Regulations allocate organisational responsibilities, document how Information Systems are connected to process steps, and comprise additional information necessary for effective implementation. The Work Instructions – connected to the Process Regulations –

contain relevant detailed methodological and technological descriptions. Orders are general instructions, such as accounting standards, which cannot be connected to specific processes.

More about our Governance system:  
[www.molgroup.hu/en/csr/managing\\_the\\_group/governance\\_system/](http://www.molgroup.hu/en/csr/managing_the_group/governance_system/)

## Management systems

### Business excellence

To achieve operational excellence, MOL selected the internationally-accepted European Foundation for Quality Management (EFQM) Business Excellence Model to develop, deliver and manage a clear and coherent structure for improvement measures and programmes.

An Excellence Model, based on organisational self-assessment, focuses on the way organisations are managed, at various levels. It strengthens leadership practices, as well as measures and builds organisational culture. As a catalyst for improvement, it can also produce achievable business advantages that reinforce competitiveness. The model, moreover, increases stakeholder awareness of the social, environmental and economic impact of our operations, helps improve performance and identify issues and integrate them into policies and strategies, and thus day-to-day management practices.

The Model may also be used as a benchmark of excellence vis-à-vis other organisations and as a guide





to identify areas for improvement. Thus MOL Group has started to apply the Excellence Model as an on-going framework in which to orchestrate organisational development projects. In addition, the Model is used to measure the effectiveness of different management tools and improvement projects.

Units involved in the project in 2005 completed their own self-assessments. Based on organisational mirror analyses produced, all Units have initiated improvement actions and established solid bases on which to promote the culture of development. The current agenda is to implement a system of continuous improvement.

In addition to scheduled Business and Functional Unit self-assessment, the MOL Group Chairman Quality Award is organized annually to foster and promote tangible improvement measures and to recognise outstanding performance within the whole Group. The Chairman Quality Award signifies prestigious recognition that will inspire employees to appreciate key MOL Group corporate values, and reward them for their accomplishments. This award is very similar to the European Quality Award, the most respected, for organisational excellence, in Europe. Voluntarily participating Units evaluate themselves, based on the Business Excellence model and outstanding performers are then selected and receive awards from our Chairman. Winning results demonstrate the success of professional, financial and team-building efforts, as well as working methods and thus encourage others to follow and adopt similar approaches.

### Quality management

The application of comprehensive quality management tools contributes to the achievement of the twin strategic objectives of excellence and dynamism, and leads to the development of optimally-regulated and reliable processes, and well-balanced product and service quality, supported by operational efficiency improvements and cost-reduction.

At corporate management level, the Quality Management concept is embodied in MOL Group-level quality policy, quality management principles and requirements, the implementation of programmes and actions initiated to achieve the same.

In corporate-level projects, we carry out strategic initiatives: the enhancement of certified systems; improvement of the Supplier Management System; preparation for using EFQM Business Excellence model-based self-assessment.

We operate certified standard-based management systems in all areas where required by customers, identified as necessary and applicable by managers, or required by law. The development of an integrated system and operation is necessary, where, in addition to Quality Management Systems (ISO 9001), we operate other professional standard-based management systems e.g. environment-oriented management (ISO 14001), occupational health and safety (OHSAS), food hygiene (HACCP), etc. All our laboratories are accredited with the relevant qualifications (ISO/IEC 17025).



THE GLOBAL  
COMPACT

The redesign of standard-based management systems, along with and based on the processes and regulation of MOL Group operational integration are in process. This is the first phase of our long-term quality management improvement plan.

More about Quality management:  
[www.molgroup.hu/en/csr/managing\\_the\\_group/quality\\_management/](http://www.molgroup.hu/en/csr/managing_the_group/quality_management/)

## Supplier Qualification System

The Supplier Qualification System, consistently used within MOL, is an IT intranet tool that supports the evaluation of all general and specific information about suppliers and their operations. The system also supports various quality management systems, processes, the selection of suppliers and the analysis of their performances. The Supplier Qualification System comprises three elements: pre-qualification; regular evaluation; the processing of analysis, results and feed-back.

More about Supplier qualification:  
[www.mol.hu/en/about\\_mol/supplier\\_centre/supplier\\_qualification/](http://www.mol.hu/en/about_mol/supplier_centre/supplier_qualification/)

## Commitments to external initiatives

### „World Safety” coalition

In November 2005, MOL Group joined a growing coalition of diverse companies from around the world in signing the “World Safety Declaration: Global Industry Commitment to Workplace Safety”. The Declaration, which was unveiled in September 2005 at the XVII World Congress of Safety & Health at Work, calls for participating companies “to affect real-world change

to achieve the attainable goal of increased safety and injury reduction.” One of the Declaration’s goals is to recognise that safety enhancements in workplaces and homes are achievable objectives that can be defined, evaluated and measured – despite differences in geography and environment around the world. These goals mesh with our on-going efforts and our commitment to increase MOL Group work and health safety levels.

### The UNDP Global Compact

In June 2005, MOL Group joined the Hungarian membership of the UNDP Global Compact, to address, with other members, the most important developmental challenges facing Central & Eastern European Countries. MOL Group is committed to supporting the ten key Global Compact principles with respect to human rights, labour rights, protection of the environment and fighting corruption, integrate them into its strategy, culture and everyday operations and promote them within its sphere of influence.

### CEFIC

TVK Plc. was the first company in the new EU member countries invited to join the European Chemical Industry Council. Thus, MOL Group can now directly participate in decision-making and legislative processes, as well as in the representation of petrochemical business interests. The Council’s objective is to maintain and develop a prosperous chemical industry in Europe, and continuously improve and promote best possible performance in economic, social and environmental terms.





# Sustainability of our business model

Our ultimate strategic goal is to maximise shareholder value, which requires, on a long-term basis, the integration of sustainability principles into our everyday operations. MOL Group adopts the best available technologies, ensures security of supply, and pays close attention to the quality of its products, in all its areas of operation.

## Business development

The economic pillar of Sustainable Development is of outstanding importance for companies operating in a market economy. Maintenance of a strong financial position and investor credibility is a crucial component of a sustainable business model and a fundamental precondition for fulfilling our tasks as a "good corporate citizen". Moreover, the spreading development of Socially Responsible Investment Funds, established by financial institutions, and the rising importance of Sustainable Development Indices, alongside traditional market indices, demonstrate that investors are becoming more and more interested in companies' Sustainable Development activities. These trends, therefore, underline the fact that SD factors have become an increasingly important reality that can no longer be ignored in the evolving global business context.

2005 was a year of outstanding strategic importance and development for MOL Group. New strategic goals were laid down for the period 2006–2010, based on a review of the last three years' performances versus targets and an evaluation of the current industry and business environment in the region. Our financial results, within a favourable market environment, best demonstrate that the significant measures we took to achieve our long-term strategic development and integration objectives, as well as the investments and efficiency improvements made in our world-class Upstream, Refining and Logistics operations, were not in vain. As a result, MOL was one of the best performing integrated oil companies between 2002 and 2005.

## International development

MOL Group strategy now is to focus on its core Upstream and Downstream businesses. As part of this new focus, a contract for the partial sale of its gas business to E.On Ruhrgas International was agreed, after European Commission consent in December 2005. MOL has since completed the agreement by selling 100% of its MOL Natural Gas Storage Plc. and MOL Natural Gas Supply Plc. shares. The capital thus released will be reinvested in its core Upstream and Downstream businesses to create further shareholder value.

In 2005, MOL significantly strengthened its international portfolio by stabilising its position in Western Siberia, by making a further gas-condensate discovery in Pakistan, and by increasing its participation in a promising Kazakh on-shore exploration project.

We also intend to launch further field development and exploration projects by adding new countries to our target regions whilst making optimal use of our know-how, financial, human and management resources.

Based on its consolidated South-East European regional marketing strategy, MOL and its strategic Croatian partner INA jointly submitted a partnership bid for Energopetrol d.d. of Sarajevo, the leading Bosnia and Herzegovina petroleum wholesaler and retailer. In addition, the two companies successfully completed their reciprocal fuel payment card acceptance programme, in 2005.



### Increased market share

The Shell Romania acquisition was concluded in April 2005, comprising 59 filling stations spread across the country, as well as lubricants, aviation fuel and wholesale divisions. As a consequence, MOL was operating 137 filling stations in Romania by the end of 2005, and had acquired an overall estimated market share of 13%. We also launched EVO premium fuels, our own fuel payment card system and established a loyalty programme, branded "MultiBonus".



## Increasing shareholder value

Our ultimate strategic goal is to increase shareholder value on a long-term basis. MOL Group economic performance is now evaluated on a global basis. We strive to make our business as transparent as possible to facilitate this evaluation process. This is the best way of assuring our shareholders that the choices we make are in their interests. Our newly-developed strategy for 2006–2010 sets clear and transparent targets as to how we mean to increase shareholder value (Please see Chapter 4 on MOL Group Strategy).

Managing and mitigating risk is an inherent part of the process of creating long-term shareholder value. To enhance the culture of risk awareness and facilitate decision making at different levels, a new framework, Enterprise Risk Management (ERM) has been introduced in MOL Group. The basic concept is to treat different classes of risk using a common methodology. The 2005 strategic planning process was already supported by the first such strategic risk assessment.

## Modernisation and maintenance

### Investment in modernisation

We view MOL Group as the leading multinational oil company in Central & Eastern Europe. In terms of economic and social issues, such a position implies a deep interdependence between the region and MOL Group. We are naturally interested in seeing all the countries of the region prosper, develop and become respected EU members. MOL Group investments in

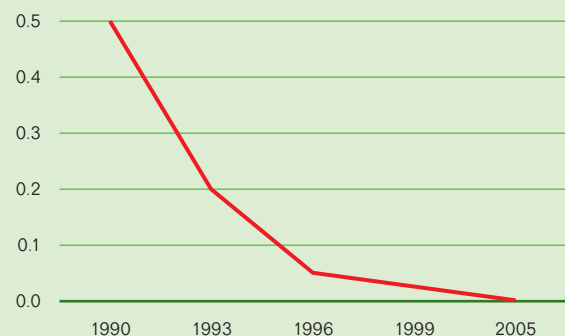
the region represent a substantial contribution to this process: they create jobs and promote the spread of advanced business practices. MOL Group compensation levels are well above local averages and we make conscious efforts to provide equal opportunities for talented professionals throughout our operations.

Our Downstream business achieved outstanding results in 2005, due to earlier investments in the further development of our refineries to achieve a more attractive range of products. We completed our large-scale EU 2005 project, which comprised a petrol and diesel desulphurisation plant. As a result, MOL and Slovnaft refineries now produce sulphur-free motor fuel products. As a result of all these efforts, MOL Group now has world-class Downstream assets with one of the strongest cash-generation capabilities in Europe.

Climate change is widely agreed to be the major threat to the sustainability of our environment. European countries have committed themselves to setting up an Emissions Trading Scheme, which creates market incentives to reduce CO<sub>2</sub> emissions. MOL Group has long been preparing for the implementation of this system. All project proposal evaluations and investment decisions take the financial implications of potential CO<sub>2</sub> emission effects into account. This is all the more important since MOL faces a quota deficit in the first trading period of 2005–2007. The Company has also been investing in compliance with EU and national bio-fuel regulations. Such measures will further contribute to CO<sub>2</sub> emission reductions, over and above the trading scheme (Please see Chapter 6 on Climate Change).



Sulphur content of diesel (m/m%)





### Maintaining supply security

Energy and transportation are essential factors in a modern economy and are indispensable to consumer welfare. However, there is a significant follow-on effect associated with supply security. Failure to supply would cause social damage of an order of magnitude much greater than the value of fuel products not consumed during such a crisis. We therefore consider supply security of transportation fuels and natural gas to be our primary responsibility.

Recently, supply security issues have shaped public thinking more than ever. Society and the economy today rely much more on transportation and energy in general than people think. This dependency only becomes apparent when conditions change suddenly. As a major energy supplier, MOL Group is aware of this responsibility and is committed to fully maintaining operating conditions necessary to ensuring supply security. In 2005, MOL Group again made significant investments in the maintenance and development of its refineries. Gas transmission and storage infrastructure were also modernised to meet supply security requirements and associated economic and technical needs. These investments ensure that our ability to meet demand remains sustainable in the long run. Fostering good business relationships with our partners also helps build a culture of supply security.

Although E.ON Ruhrgas International has now taken on responsibility for gas storage and wholesale, MOL has nevertheless continued its gas transmission operations, and maintained its strong position of leadership in the

marketplace. We firmly believe that the partnership of the two firms, as well as E.ON's solid international relationships, further strengthen the security of supply.

In both the oil and natural gas sectors, we actively participate in the promotion of new infrastructure projects that enhance the security of supply. One of them, the Nabucco pipeline project, is expected to make a positive contribution to the entire European energy system. The importance of such initiatives was reaffirmed following the January 2006 Russo-Ukrainian gas dispute, when MOL's gas business successfully coped with the ensuing difficulties and managed to secure continuous supplies of gas to the country.

More about MOL Business challenges:  
[www.molgroup.hu/en/csr/business\\_challenges/](http://www.molgroup.hu/en/csr/business_challenges/)

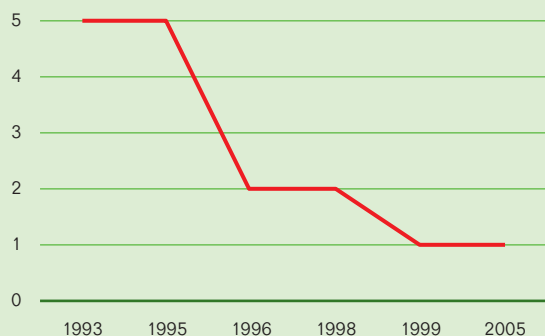
### Stewardship in products & services

Developments in fuel quality must be driven by ever-increasing efforts to protect the environment. In line with regulations and market expectations, producers must further reduce emissions resulting from the use of their products in vehicles, especially the quantity of gases responsible for the greenhouse effect (primarily carbon-dioxide). This implies changes in the composition of fuels. Along with improvements to engine construction, continuous developments in the use of additives and other fuel properties must be achieved.

In the coming years, necessary fuel quality improvements will primarily focus on the reduction of sulphur content. From 2005, in line with EU standards, sulphur content in petrol and diesel had to be a maximum



Benzene content of petrol (v/v%)



50 ppm, and, in parallel, marketing of “sulphur-free” fuels (maximum 10 ppm) had been started, whilst concurrently reducing the aromatics content of petrol from 42% by volume to 35%. From 2009 on, only sulphur-free fuels may be marketed.

## EU 2005 project

In June 2005, MOL completed its large-scale EU 2005 project, comprising a petrol and diesel desulphurisation plant, as well as a diesel blending unit and a hydrogen plant. As a result, MOL was able to successfully strengthen its quality leadership position in domestic and export markets through the full-capacity production and marketing of sulphur-free motor fuels that already met stringent EU 2009 quality standards. MOL therefore gained significant marketing advantage over competing poorer fuel qualities.

The European Union seeks to promote renewable fuels and increase their market share, eventually to replace the use of diesel and petrol for transport purposes, in each Member State. This will underpin EU objectives of meeting climate change commitments and ensuring

environmentally-friendly security of supply. According to Directive 2003/30/EC on bio-fuels, Member States must ensure that a minimum proportion of bio-fuels, and other renewable fuels, is available in their markets, and must set specific national targets.

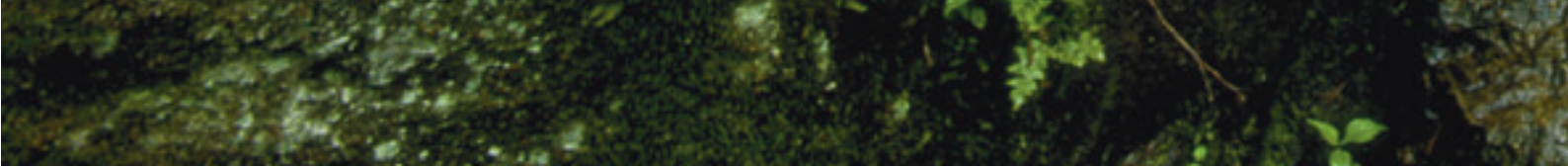
MOL Group stands ready to contribute to meeting EU requirements by producing and blending bio-fuel whilst maintaining excellent product quality. The implementation of the bio-fuel programme, firstly involving changes in petrol, started with the conversion of the existing MTBE unit into an ETBE unit, at MOL’s Duna Refinery. ETBE (ethyl-tertiary-butyl-ether) is made from bio-ethanol of agricultural origin, and isobutylene, produced by our Hungarian and Slovak refineries and TVK Olefin Plants, which is then blended with petrol. The replacement of MTBE by bio-ETBE primarily delivers important environmental and social benefits, since it contributes to the reduction of carbon dioxide greenhouse gas emissions.

More about renewables:  
[www.molgroup.hu/en/csr/environment/renewables/](http://www.molgroup.hu/en/csr/environment/renewables/)

## Performance data

Financial data	2002	2003	2004	2005
Earnings – HUF mn	65,262	99,981	208,570	244,919
ROACE – %	9.3	11.0	27.9	27.6
Total shareholder return – % MOL Plc.	6.9	20.2	97.8	59.0
Corporate taxes – HUF mn	1,939	(32,476)	47,817	29,158





A vibrant, high-angle photograph of a waterfall in a dense forest. The water is captured with a long exposure, creating a soft, white, misty effect as it falls over dark, moss-covered rocks. The surrounding forest is thick with green foliage, including ferns and various trees, with sunlight filtering through the canopy. The overall scene is peaceful and natural.

# Caring for the environment

MOL Group is committed to decreasing the impact on the environment caused by its operations and utilisation of its products. Therefore, the proper management of environmental issues has become an integral part of our strategic objectives and we make every effort to apply the principle of precaution to our operations.



## Air protection

Air pollution is one of the greatest global threats to the environment, today. Apart from the damage caused to ecosystems by deposits of acidifying substances such as nitrogen oxide, sulphur dioxide and ammonia, inferior air quality poses a significant threat to human health as well. For example, due to high concentrations of PM 2.5 in the air, there is a current statistical loss in life expectancy in the EU of 8+ months, equivalent to 3.6 million life years lost annually. In addition, in 2020, we expect 272,000 premature deaths caused PM 2.5 and 21,000 cases of hastened mortality due to ground-level concentrations of ozone. All this, naturally, has severe consequences for the quality of life on our planet!

MOL has therefore to take effective continuous measures to improve its operations, and certainly not take a back seat in EU-wide efforts to tackle the problem. Accordingly, in 2005, we decreased the overall amount of our operations' emissions by 6%, mainly using technology, such as reducing VOC emissions by roofing the mechanical stage of the Slovnaft wastewater treatment plant (WWTP), replacing obsolete storage tanks in our Hungarian depots and acquiring new licences, and installing vapour recovery units (VRU) at the LPG barge-loading facility at our Danube Refinery and at Telegd, Romania. Additionally, all our Filling Stations are equipped with vapour recovery systems, even though this is still not compulsory in some countries.

Among other projects at our Duna Refinery, for example, we have developed a sophisticated air

pollution abatement method in the bitumen plant and currently a trial run is underway.

Nitrogen oxide emission reduction projects there include: the installation of new Low-NO<sub>x</sub> burners; the modernisation or replacement of burner control and firing regimes; optimisation of fire technology parameters, especially for units in which NO<sub>x</sub> emissions are the highest, or exceed permitted limits. The project started in 2005 and completion is expected in 2007. We have also started the preparation phase of the waste incinerator modernisation.

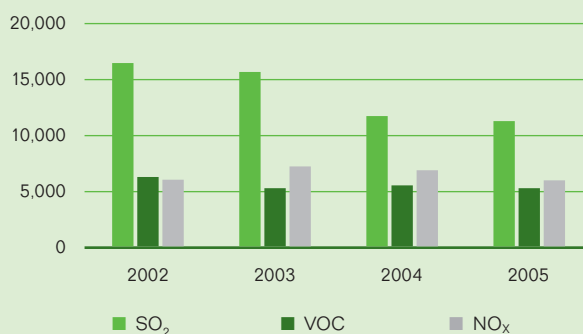
At our Zala Refinery, we have modified the bitumen blower plant, planning and installing an exhaust gas-washing system that uses lower nitrogen-content fuels and additives to reduce NO<sub>x</sub> emissions. We have also connected the modified and the road-construction bitumen silos to the existing closed system. As a result, we have only one area at Zala that still exceeds value limits, but it will be entirely eliminated during 2006, thanks to our investment in improvements there.

In addition to all this, we have completed: a sludge incinerator reconstruction programme; the replacement of furnace burners as part of the Deep Cut Project; the desulphurisation of off-gases at our Slovnaft KHK Unit.

We still have problems to solve, however, such as high sulphur dioxide emissions at our Slovnaft power plant, and insufficient Exploration & Production Division compliance regarding emissions from deflating, burning and use of produced gases with high H<sub>2</sub>S content, used in heating systems. Additionally, there are odour



Air emissions (tonnes per year)



VOC 2002, 2003 without MOL Plc. and its subsidiaries

problems at our Zala Refinery. We have already initiated projects to eliminate these problems and plan to launch modernisation processes at our Duna and Tisza Refinery sulphur recovery plants (CLAUS Plants). In addition, the E&P Division has launched a 3-year project to reduce emissions below the limit values at all MOL facilities in Hungary, by the end of 2007.

More about Air protection:  
[www.molgroup.hu/en/csr/environment/air\\_protection/](http://www.molgroup.hu/en/csr/environment/air_protection/)

## Climate change

2005 was a year of breakthrough in the implementation of international measures to fight climate change. The Kyoto Protocol, aimed at the reduction of greenhouse gases (GHG), came into force in February 2005, the last step on the way towards making the Protocol effective. Moreover, the year was also important because the Protocol's key tool was introduced across the European Union: the Emission Trading Scheme (ETS). Regulated by a set of laws, especially Directive 2003/87/EC, ETS was developed to create a system of greenhouse gas emission-allowance trading. The Directive was also enacted into national law in Hungary and Slovakia.

2005 was therefore the year for MOL Group to prepare compliance with the requirements of the Directive and new national law. The main challenge was to establish monitoring and reporting methods and systems. Thus, a MOL Group-level working team was set up to manage tasks related to the issue, and to co-ordinate their implementation in the MOL Group member companies concerned.

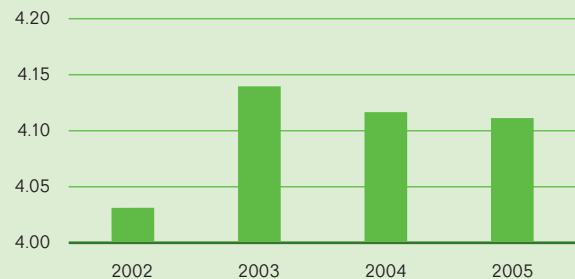
Apart from such internal activities, we were active in negotiating with national authorities and discussing ways and means to develop National Allocation Plans (NAP). Member companies also participated in various working groups focused on NAP preparation. The NAP laid down CO<sub>2</sub> quota allocation methods for individual industry sectors, and specific allocation figures for individual installations. At the beginning of 2005, MOL owned 19 installations that fell under the Emission Trading Scheme, for the period 2005–2007. Later on, the number was reduced to 17, through decommissioning or selling off. After the Hungarian and Slovak NAPs were finalised, MOL Group found itself in a quota-deficit situation.

In light of this, MOL faces a big challenge in balancing this deficit by the end of 2007. Consequently, an effective greenhouse gas emission management strategy was developed, and approved by MOL Group senior management, in which clear tasks and responsibilities were specified, with the ultimate goal of achieving cost-efficient compliance with emission trading regulations. Such tasks comprise: technological measures to decrease CO<sub>2</sub> emissions; increasing energy efficiency; seeking potential Joint Implementation or Clean Development Mechanism projects, supported by administrative actions necessary for compliance; modification of internal guidelines to implement GHG-related issues; the establishment of internal reporting channels, and public communications campaigns.

Among the actions that we have already executed to reduce CO<sub>2</sub> emissions worth mentioning are modifications to improve the fuel-consumption measurement



CO<sub>2</sub> emissions (million tonnes per year)\*



\* under Emission Trading Scheme



system, the revamp of Reformate Redistillation Unit furnace burners, and the change-over to diesel in the Slovnaft Hydrocrack complex operations.

At the end of 2005, we started preparation for the verification of our CO<sub>2</sub> report, carried out by officially certified auditors, selected through tendering. We developed CO<sub>2</sub> reports for all installations covered by ETS, and then provided the auditors with all necessary support and collaboration. The audit showed a positive result for MOL Group: in 2005, the overall Company balance produced an approximately 50 kt CO<sub>2</sub> surplus. However, given the amount of allocated quotas and changes in circumstances, we do not expect similar results in 2006 and 2007.

More about Climate change:  
[www.molgroup.hu/en/csr/environment/climate\\_change/](http://www.molgroup.hu/en/csr/environment/climate_change/)

## Water management

Water is one of the most important natural resources that MOL Group uses in great amounts in its operations. In line with principles declared in our HSE Policy, we hold natural resources in high esteem. Water management, therefore, is a high priority, and decreasing MOL's impact on bodies of natural water is the subject of continuous review. On one hand, we focus our efforts on decreasing consumption and on the other we strive to decrease the quantity of our wastewater discharges and reduce their pollution content.

In 2005, we achieved positive results in both these areas: volume of industrial and potable water consumed

was cut by 17%; the main pollutant in water discharged in refinery operations, TPH, was almost halved.

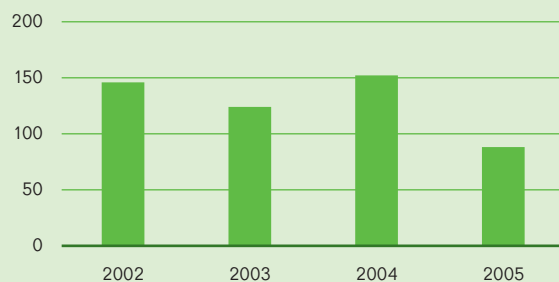
These achievements are closely related to recently-completed and successful Duna Refinery projects. One of the most important issues, we realised, concerned working practices. Many years ago, excessive water consumption or procedures such as washing industrial areas with cooling circuit water, were still widespread, and contaminated water was often allowed to seep into the surrounding soil. Consequently, we have put considerable efforts into raising environmental awareness among employees about the proper use of water and water management. Our long-term efforts have not been in vain.

Five years ago, work started on the design and construction of a fully-integrated wastewater collection and treatment system at the Duna Refinery, to meet today's requirements, incorporating existing systems where possible, through conversion and upgrades. The most important improvements included: the separation of drainage systems to meet current requirements, the conversion of the wastewater treatment plant to the much more efficient dissolved air flotation and biological treatment process (producing a much cleaner "end product"); local treatment of effluent. All these efforts succeeded in reducing the 1990's 2,500 m<sup>3</sup> daily wastewater discharge by half, to 1200-1300 m<sup>3</sup>. (When work on the project started three years ago, effluent discharge was still over 1800 m<sup>3</sup>).

We also turned our attention to improving Logistics depot water management, such as the reconstruction



TPH discharges (tonnes per year)





of the Csepel base depot wastewater system. In the Exploration & Production Division, we achieved full compliance with water management licences related to the injection of associated water back into its natural reservoir. In the Retail Filling Station area, car-wash systems were equipped with an environment-friendly water saving and re-using system, with oil and pollution catchers to minimise environmental impact.

More about Water management:  
[www.molgroup.hu/en/csr/environment/water\\_management/](http://www.molgroup.hu/en/csr/environment/water_management/)

## Waste management

The oil industry has a very significant impact on the environment, due to various kinds of waste generated during its operations. We try not only to decrease the amount of waste generated, but also to increase the proportion of re-used and re-cycled waste to total volume. Compared to 2004, we decreased the amount of hazardous waste by 8% and other types of waste by half. Overall, we were able to decrease waste generation by one quarter.

At Slovnaft, we amassed, through selective waste collection, 40 tonnes of recyclable paper and cardboard, 4 tonnes of glass and 2.7 tonnes of PET bottles, which were recycled by an outside contractor. Used catalysts were exported, and recycled in Belgium, as was sludge incinerator ash, in a brick factory. Unfortunately, the proportion of re-used waste decreased compared to previous years when the Slovnaft regranulation unit was closed, in April 2005.

MOL Filling Stations also provide environmental services to customers, such as the collection of used oil, batteries and cells. In addition, at certain stations, we collect PET bottles, cans and paper, contributing to the promotion of the selective waste collection system.

To develop even more efficient management of waste, generated by our operations, we further modernised the Duna Refinery waste incinerator and started a tendering process to find a supplier to take over all management and disposal activities for waste generated by Slovnaft operations.

More about Waste management:  
[www.molgroup.hu/en/csr/environment/waste\\_management/](http://www.molgroup.hu/en/csr/environment/waste_management/)

## Environmental remediation

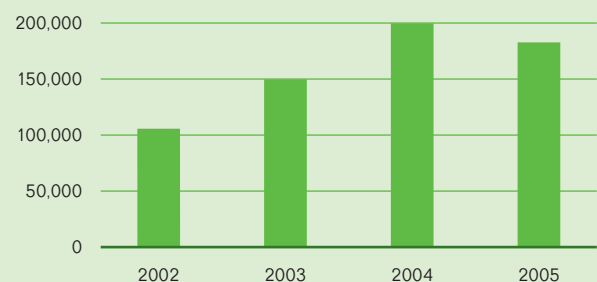
MOL Group has carried out operations to remediate old environmental damage for several years, now. We performed remediation at retail and logistics sites, old waste dumps and other sites where soil and groundwater had been contaminated by our operations.

In 2005, we virtually completed one of our major remediation projects, the Acid Tar Project. The recultivation phase will probably come to an end in 2007. Moreover, we continued active remediation work at 33 Logistics sites in Hungary and 7 in Slovakia.

In the Exploration & Production Division, clean-up of oil pollution from production and dry well sites continued in the Eger operations area and we were able to complete



Hazardous waste generation\* (tonnes per year)



\*including waste from remediation



work at 27 of those sites in 2005. In addition, at the Zala Refinery, we cleaned up unused waste storage units. Within the framework of our general, provision-based programme – the CAKK programme –, designed to eliminate acute environmental problems, a budget of HUF 8.4 billion was released for activities to be carried out in 2005.

### Remediation at MOL Filling Stations

In 1992, when MOL Plc. was established, the Company inherited more than 400 Filling Stations in Hungary. All had single-wall fuel tanks. Shortly thereafter, the Network Development Programme was introduced to modernise these sites. The final fuel tank reconstruction programme deadline was, by law, the end of 2003.

Filling Station reconstruction is a fairly complex task, and requires efficient cooperation between various units of our Company. MOL had to face inherited soil and groundwater pollution, and a short mandatory timeline in which to carry out all remediation and modernisation tasks in a cost-effective way. To find a general solution for similar problems in the future, MOL launched a provision-based programme to eliminate identified environment liabilities – the CAKK programme.

At 65 sites, we prepared preliminary groundwater assessments, before starting any reconstruction work, so we could accurately plan the complete cost of remediation. The fastest and most efficient method found was to excavate and remove contaminated soil (ex-site remediation). In this way, all types of groundwater pollution may be eliminated.

After this ex-site soil remediation exercise, costing HUF 20–40 million per site, we developed a very detailed risk analysis methodology, and a contaminant transport model for environmental site investigation, to avoid further pollution.

More about remediation:  
[www.molgroup.hu/en/csr/environment/remediation/](http://www.molgroup.hu/en/csr/environment/remediation/)

### Thinking about renewable solutions

Although fossil fuels will play a determining role in the energy market for quite a long time to come, the utilisation of renewable energy sources is becoming more and more important today. International trends indicate that demand is gradually moving towards cleaner fuels, and later on, as fossil fuels become scarcer and more costly in the marketplace, towards renewable energy sources. (Please see Chapter 5 on bio-fuels)

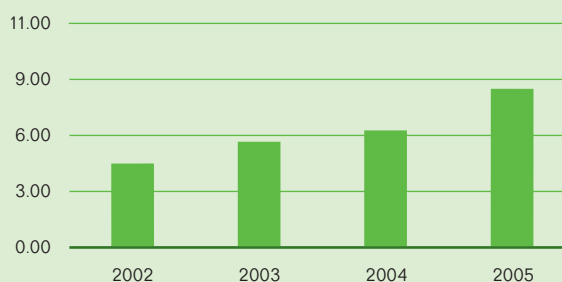
### Geothermal power plants

Hungary is one of the most favourable areas in Europe, (except for its volcanic areas) in terms of geothermal energy potential, which considerably exceeds the world average. However, there are few geothermal energy production systems in Hungary, and the few that do exist do not use environment-friendly operating methods.

It is not just Hungary that has few geothermal power plants; the technology does not even exist elsewhere in Central & Eastern Europe. Only three low-capacity (less than 1 MW) power plants operate in continental Europe, apart from those on the Italian peninsula.



Environmental provision used (billion HUF)



Accordingly, MOL decided to study the feasibility of constructing viable geothermal power plants and current estimates show that it will be possible to establish 3-4 power plants, each with a 2-5 MW capacity, by 2010. As a result, if they were built, 10-15 MW plant capacity and 100 GWh electricity could be generated from geothermal energy. If such results were achieved, further development could take place in the years after 2010. Moreover, to spread risk and introduce relevant experience, we have established a consortium with partners from Iceland and Australia.

MOL development goals are:

- ▶ To replace fossil-based electricity generation with renewable, geothermal heat-based electricity
- ▶ To produce geothermal energy in an economic and environment-friendly way
- ▶ To generate electricity and transmit it into the regional grid, saving energy imports
- ▶ To sell energy from the hot water discharged by geothermal power plants for direct use by nearby technologies (e.g. market-garden greenhouses)
- ▶ To create value by making use of abandoned hydrocarbon wells
- ▶ To support regional development programmes, since all abandoned hydrocarbon wells with good geothermal potential are located in economically depressed areas
- ▶ To assess and test domestic geothermal industry opportunities by using the latest reinjection technology
- ▶ To establish the first successfully operating geothermal power plant in Hungary.

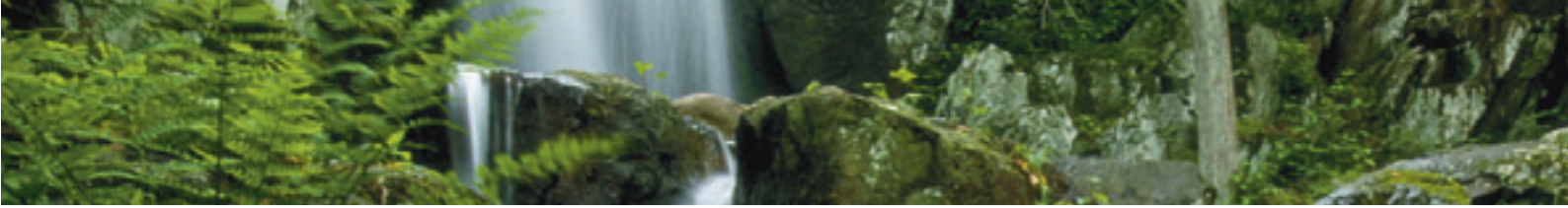
Existing wells were once hydrocarbon exploration wells, and we have limited information on processes related to water reservoirs at a depth of 3 km. To assess the capacity of a power plant well, tests must be performed in the exploratory phase.

During exploration we need to transform two abandoned hydrocarbon wells, one into a thermal water-producing well, and the other into an injection well, building a transmission line between them. From one well we shall produce thermal water for some months, and then reinject it, through the other well, to its own reservoir. The test will enable us to obtain detailed information on the characteristics of wells and water reservoirs required for the construction and operation of the planned geothermal power plant. With the data thus obtained we will also be able to identify the size and type of technological system required. The test location is in the north Zala area, near Iklódbördöce and Csömödér.

If exploration is successful, the first geothermal power plant in Central & Eastern Europe could be established. The second pair of well tests will be completed and the tender for the power plant block will be issued in 2007, the establishment and installation to take place in 2008. On the basis of currently available data, if well tests were successful, the capacity of the first domestic power plant would vary between 2 MW and 5 MW.

More about renewables:  
[www.molgroup.hu/en/csr/environment/renewables/](http://www.molgroup.hu/en/csr/environment/renewables/)





## Performance data

Air		2002	2003	2004	2005
CO <sub>2</sub>		4,570,475	4,366,655	4,747,120	5,937,252*
CO <sub>2</sub> under ETS		4,030,133	4,137,872	4,114,750	4,109,584
SO <sub>2</sub>		16,464	15,721	11,768	11,333
VOC	tonnes	6,337	5,479	5,535	5,395
NO <sub>x</sub>		6,083	7,103	6,915	6,027
CO		1,360	1,727	1,323	1,136
PM		256	431	392	405

\*increase due mainly to a new steam-cracker

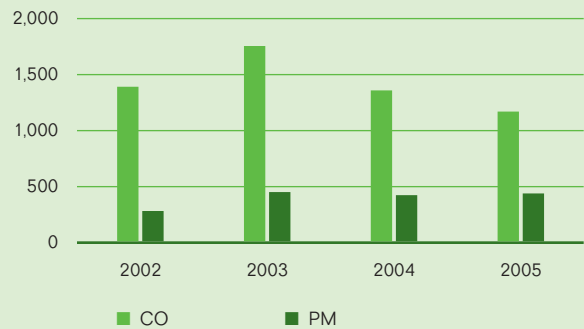
Water		2002	2003	2004	2005
TPH		147	123	151	87
COD	tonnes	3,126	3,274	2,921	3,196
BOD		233	236	214	522
SS		878	1,011	765	657
Drinking water consumption		3,537,613	3,312,790	2,839,957	2,713,148
Technological water consumption	m <sup>3</sup>	79,722,678	69,486,140	63,829,597	52,857,18
Spills over 1 m <sup>3</sup>	cases	18	13	11	7

■ MOL Plc. not available

■ MOL Plc. and TVK Plc. not available



Air emissions (tonnes per year)



# Caring for the environment

<b>Waste</b>		<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Hazardous	tonnes	104,035	146,945	196,966	180,885
Other		72,001	124,834	150,032	76,544
Disposed		80,576	101,303	306,292	180,018
Re-used/Recycled		20,156	15,045	56,911	35,261

<b>Compliance</b>		<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
HSE related penalties	HUF mn	29.14	8.68	20.08	9.01
Environmental provision used		4,510	5,650	6,300	8,400

■ MOL Plc. not available





# Focusing on people



Our general commitment to Sustainable Development requires a new, interdisciplinary approach, integrating not only economic- and environment-related fields, but also social issues. We want to become a company with an exemplary record of providing maximum value to the public, local communities as well as MOL Group employees.



## Social responsibility

Social responsibility is the third pillar of Sustainable Development and covers all areas and topics related to local communities, employees, and society in general. Companies have to recognise their stakeholders in the area of social affairs as well, which means identifying those who are affected, in one way or another, by company operations. To mention the most important groups in this respect, MOL Group stakeholders comprise employees, people living close to its operating areas or affected by the oil industry sector, as well as institutions engaged in energy issues, regardless of the country in question. Moreover, the interdisciplinary approach also covers social issues, meaning that in every MOL decision-making process or project, relevant stakeholder groups must be taken into account.

We would like our stakeholders to perceive us through the quality of the products and services we offer and the values we hold dear. It is in our best interests to build trust and credibility among MOL customers and employees, as well as those with whom we share a common environment, both now, and in the future. With this in mind, we are committed to the ongoing process of improvement, multi-stakeholder dialogue, open and transparent communication with our stakeholders, and, of course, to ensuring the best opportunities and working conditions for MOL employees.

As an international company, we respect human rights, as well as local and national cultures and values, and promote cooperation and share knowledge, information

and best practices across MOL Group. Our primary objectives also include the goal of providing equal opportunities, continuous learning and safe workplaces to MOL employees. In local community relations, we make every effort to become a reliable partner by supporting public activities, outstanding programmes, children, people in need, and talented people.

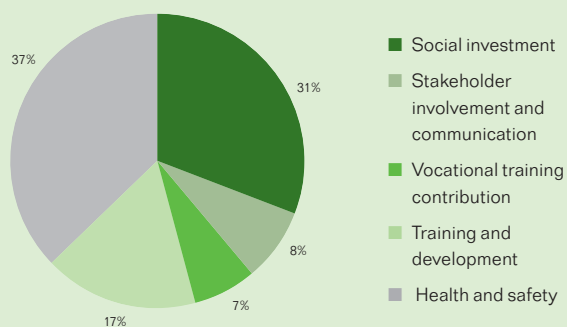
More about Social responsibility:  
[www.molgroup.hu/en/csr/social\\_responsibility/overview/](http://www.molgroup.hu/en/csr/social_responsibility/overview/)

## Safety at work

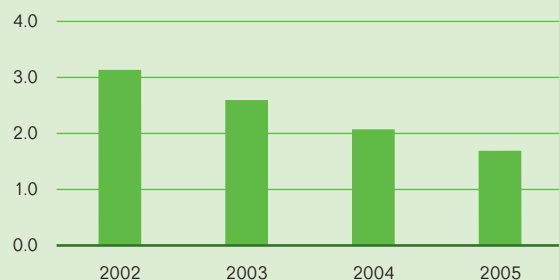
Safety depends to a large extent on the behaviour of people. Every worker, employee or contractor needs to be aware of issues that affect health and safety at work. Therefore we try to enhance safety awareness among our employees, and develop a safety culture at MOL Group, the results of which are manifested in the improvement of safety indicators. We want to achieve this primarily by the proper implementation of our Safe Workplaces Project, which has been running in our member companies since 2003. Here, we hold process safety management workshops, behavioural audits, a training series for selected internal trainers and continue the deployment of TRIPOD incident investigation methodology. All these efforts have proven successful and the project has already delivered its first improvement results.

Since 2002, we have been able to maintain the downward trend in LTIF (lost time injury frequency). In 2005, this positive step was further strengthened by a total of only 1.7 injuries per million hours worked, well below the

Investment in Social Responsibility by categories – 2005



LTIF (lost time injury frequency)







# Focusing on people

European oil and petrochemical industry benchmarks as defined by Concawe, OGP and CEFIC. MOL Group achieved its number of lost time injuries target (LTI). One half of the injuries occurred during maintenance, operating and servicing activities. Unfortunately, despite our good performance in lost time injuries, we did record one fatality at MOL, resulting from a road accident. We have since introduced a new driving standard to avoid recurrence of similar accidents.

We feel responsible not only for the safety of our own employees but also for the safety of those who work for us – our contractors. Therefore we have extended our health and safety management to them as well. We regularly organise meetings for contractors and also publish HSE requirements on our website. These requirements are an integral part of their contracts. Although they reported 29 injuries in 2005, there was no fatal accident among our contractors.

The most important measures taken to instil better safety management performance among our contractors included Contractor Safety Workshops, the preparation of action plans to improve contractor safety management, as well as “Safety Alert” presentations to our HSE Committee. Such measures are also important in drawing the attention of MOL Group senior management to common risks arising from work executed by contractors at MOL Group sites. In addition, we organised annual Safety Forums for contractors and executed HSE audits together with them.

More about Safety at work: [www.molgroup.hu/en/csr/social\\_responsibility/health\\_and\\_safety/safety\\_at\\_work/](http://www.molgroup.hu/en/csr/social_responsibility/health_and_safety/safety_at_work/)

## Fire safety

Fire Safety Management comprises fire prevention measures, emergency management control measures, fire-fighting systems, and, in general, methods used to extinguish fires. Fires can occur at any facility, at any time. Thus, prevention measures that identify and correct potential fire hazards are of crucial importance.

Cooperation with our fire safety service suppliers is excellent, which accounts for our outstanding performance in fire safety. In 2005, we had 11 cases of fire and achieved our minimum incident target by a wide margin. These were only small fires, with no personal injuries or breakdowns in operations. Total damage was insignificant, costing less than Euro 10,000. The main causes of these fires at Refining & Marketing and Petrochemicals were small leaks (mainly gasket problems in flanges caused by expansion) and at Exploration & Production the one small fire was caused by the burning of produced oil in an open crude oil gathering tank.

In 2005, at Slovnaft, we broadened the scope of fire safety activities performed by our external supplier. Thus far, our fire safety services supplier, Group 4 Falck, had only performed fire fighting services. From 2005 onward, it was responsible for fire and safety prevention measures as well, including regular inspections, training and day-to-day activities.

More about Fire safety: [www.molgroup.hu/en/csr/social\\_responsibility/health\\_and\\_safety/fire\\_safety/](http://www.molgroup.hu/en/csr/social_responsibility/health_and_safety/fire_safety/)





## Health protection

MOL Group's HSE Policy objective is to improve the overall health of all MOL employees in addition to providing high-level basic occupational healthcare, with close attention paid to selected target groups. We are proud to report that we were able to meet this commitment in 2005, since there was no occupational illness at MOL Group. We regularly monitor our compliance with regulations by measuring chemical, physical, biological and other factors to ensure optimal MOL Group performance. Based on analysis of results, necessary technical and organisational measures are taken to improve the relevant working environments.

To establish a standardised health service for MOL Group member companies in Hungary, we issued a tender for the provision of basic health services to our employees, comprising individual health plans, work hygiene services, compulsory services beyond basic requirements, such as biological monitoring and vaccinations, as well as optional services such as 24-hour stand-by duty, screening tests, psychological job-eligibility tests, and so on.

More about Health protection: [www.molgroup.hu/en/csr/social\\_responsibility/health\\_and\\_safety/occupational\\_health/](http://www.molgroup.hu/en/csr/social_responsibility/health_and_safety/occupational_health/)

## Labour practices and decent working conditions

### Employees

Following the principles of Sustainable Development, MOL makes every effort to develop its human capital

and provide the best working conditions in all operational areas. In accordance with our compensation policy and Code of Ethics, MOL Group recognises the performance and work of its employees and offers them competitive salaries, according to the type of work performed, individual performance and comparative rates in the labour market.

We believe that the competitive salaries we pay contribute to some extent to the reduction of workforce turnover. Our employees receive 13 monthly payments per annum, one extra one in December. In addition, each employee is eligible to receive a bonus payment in May, in recognition of personal accomplishments. Our employees also receive an annual non-wage financial package, which they may spend on different items such as meal tickets, health funds, pension contributions and housing allowances, among other things.

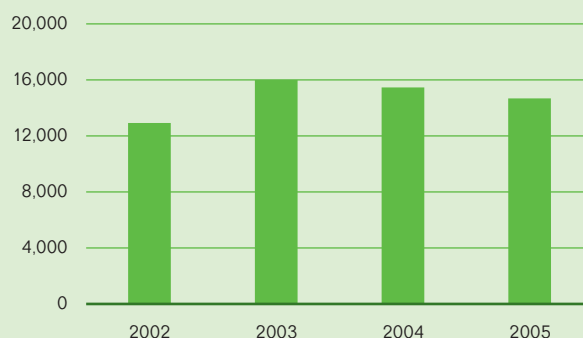
### Labour/management relations

Salaries, benefits and working conditions are discussed and mutually agreed upon, at MOL Group-level, through the annual collective bargaining process which involves MOL representative Trade Unions, namely the Chemical Trade Union, the Oil Industry Trade Union and the Mining Trade Union.

Although MOL Group Supervisory Board members are elected at the Annual General Meeting of shareholders, its employee representative members (i.e. one-third of the members – currently three people) are elected by the central Workers' Council, which takes Trade Union opinions into account.



Total year-end headcount



2002 corrected with TVK Plc., 2003 with Slovnaft a.s. from April 1<sup>st</sup>

In addition, MOL Group regularly reports progress to the Trade Unions and Workers' Councils at meetings held with them to exchange opinions. Thanks to the European Workers Council, established last year, MOL is constantly kept informed on decisions taken in different countries, and on lessons learned from international experience. (Please see Chapter 4 on stakeholder involvement)

## Training

We sincerely believe employee training to be an indispensable part of professional advancement, since our colleagues' individual professional competence is critically important to our success. MOL Group therefore pays close attention to improving employee skills and knowledge and to maintaining international quality standards among the workforce.

Customised training schemes comprise compulsory sessions prescribed by official authorities and external or internal professional training sessions, necessary to meet current or future job requirements. We also place great emphasis on leadership development. In addition, professional development is facilitated through conference participation and language programmes.

We are continuing to work on the development of a detailed training system of integrated programmes, as well as on their extension to MOL Group Subsidiaries. The Human Resources department focuses on the support of multinational, integrated strategic business goals, and provides professional services to the most important areas of our business operations.

## Equal opportunity and diversity

MOL Group, an international company working in a multicultural environment, provides equal opportunities to all current and future employees. The development of our policy seeks to avoid potential discrimination, with special emphasis on employment conditions, career moves, compensation, rewards and programme implementation. MOL Group tolerates no discrimination of any type related to sex, marital status, age, ethnic origin, colour, organisational membership, political conviction, disability, religion, or sexual orientation.

Beside national regulations, equal treatment for all is guaranteed by the Collective Agreement, the Code of Ethics, Trade Unions' agreements, and other MOL Group-wide Guidelines and internal regulations. The criteria for selecting or nominating candidates for any position must only be based on experience and professional skills.

## Human rights

We recognise and respect human rights in relation to employment, health, freedom and security among others, as defined in international declarations and have integrated their principles into MOL Group corporate values and policies. Employees who feel that their rights have been violated may appeal to the Council of Ethics, Workers' Councils or Trade Unions. All employees can receive professional help from a labour lawyer provided by Trade Unions. Freedom of association and collective bargaining are assured by national legislation.

More about Labour practices: [www.molgroup.hu/en/csr/social\\_responsibility/labour\\_practices\\_and\\_decent\\_work/](http://www.molgroup.hu/en/csr/social_responsibility/labour_practices_and_decent_work/)



## Improving competence

In 2005, we completed the introduction of our new MOL Group-level EU Business English language training programme, on the basis of last year's assessment of employee language skills. Moreover, we launched an up-to-date, web-based e-Learning solution to enhance efficient language learning. Further, we launched trainee programmes in the Exploration & Production, Refining and Logistics Units to develop and ensure an appropriate supply of personnel for strategic jobs.



## Social investment

Besides dealing with labour, health and safety issues, our social responsibility efforts also cover the support of public activities. They take the form of programmes focused mainly on children, young people and the disabled or socially disadvantaged, in the areas of health, the environment, education and culture.

Group integration measures and efficiency improvement objectives have required the partial restructuring of communications processes and tasks. As a result, some marketing communications tasks have come under the responsibility of the Corporate Communications Unit. In addition, the methodology and administration of sponsorship and donation programmes have been fully revised. Although the new organisation has resulted in more centralised priorities and tasks, this should not prevent member companies and affiliates from making the most of local opportunities.

In addition, in terms of social responsibility, we have extended our policies to embrace the whole region, thus covering MOL Group's entire operating area, so we may integrate international actions more effectively.

In line with our social investment objectives, more than HUF 1.8 billion has been allocated to sponsorship and donations. Our efforts to extend social responsibility include the support of public activities, through donations or non-cash benefits, that mainly focus on children, youth and the disabled or socially disadvantaged, in the areas of health, environment, education and culture.

## "May we help?" programmes

The MOL Child Healing Programme, launched in 2005, aims at increasing the chances of recovery for ill children. Compared to previous social programmes, this novel concept supports art therapy courses for children with long-term diseases or who are recuperating from serious illnesses, and seeks to rehabilitate them. As in previous years, MOL has donated diagnostic and therapeutic equipment to children's wards and the foundations supporting them, thus speeding up the patient recuperation process.

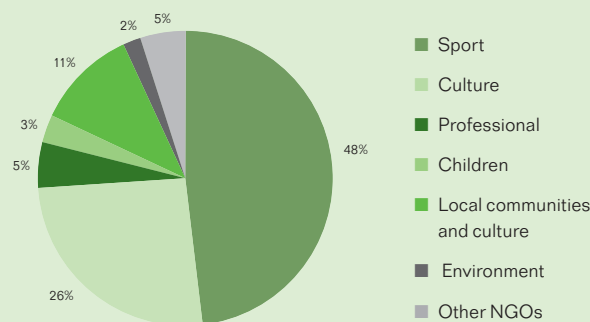
The aim of our other significant grant programme, the MOL Talent Support Programme, is to provide assistance to further the professional development of talented youth. So often, children who achieve outstanding results in international studies, the arts or sport lack the resources they need from school, local government or the family to progress further. MOL has allocated significant funds to promote the talent of the future, and remove the financial barriers that block its further development. An illustration of its great success was when the "Kreatív" Communications Journal selected our Talent Support programme as one of the most successful donation programmes of 2005. Within its scope, MOL donated nearly HUF 35 million among hundreds of talented children.

## Sponsorship programmes

Sponsoring activities, in line with our business strategy, send out positive messages and support the achievement of marketing objectives. They also strengthen MOL Group's business position and value and increase



Social Investment by categories



its recognition by society. We do not support religious or political parties, private individuals, or organisations and events that support discrimination of any kind. Our Company has sponsored sports clubs, sports people, professional areas, and cultural events and ensembles related to the oil industry, for many years.

Supporting major international sports competitions continues to be an important aspect of MOL sponsorship activities. Our cooperation with the Hungarian Canoe Federation dates back a long time. MOL was a diamond-level sponsor of the Federation in 2005. What is new is that the Company has now agreed to be chief sponsor of the 2006 World Flatwater Racing Championships in Szeged, Hungary. MOL will make every effort to ensure that the best athletes attend, well-prepared on a sound basis.

Our company pays close attention to preserving the cultural heritage and diversity of local and national communities as well as to supporting professional fields or events related to the oil and gas sector's industrial heritage.

In 2005, MOL continued its very successful concert series, started the year before, "MOLto Vivace", in which well-known artistes living in MOL Group areas of operation i.e. in Central & East European countries – Poland, the Czech Republic, Slovakia, Romania, Croatia, Slovenia, Serbia, and Russia – perform together with famous Hungarian musicians. The artistes invited feature the best representatives of jazz, world music and folk music styles.

More about Social investment:  
[www.molgroup.hu/en/csr/social\\_responsibility/social\\_investment/](http://www.molgroup.hu/en/csr/social_responsibility/social_investment/)

## Performance data

<b>Safety</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
LTI	79	56	40	33
LTIF	3.1	2.6	2.0	1.7
Number of fires	27	17	12	11
Fire damage - HUF mn	23.69	155.11	98.4	0.1

<b>Employees</b>	<b>2002*</b>	<b>2003**</b>	<b>2004</b>	<b>2005</b>
Total headcount – MOL Group	12,932	15,866	15,465	14,660
Covered by collective bargaining agreement - %	99.72	99.71	98.97	97.77
% of women in managerial positions (3 <sup>rd</sup> level and higher)	13.00	16.80	15.55	11.72

\*corrected with TVK Plc., \*\*with Slovnaft a.s. from April 1<sup>st</sup>



### Community Tree Planting Programme

This joint Hungarian Environmental Partnership Foundation-MOL Group environmental protection programme, launched in 2005, represents, in the CEE region, unparalleled co-operation between an NGO and a large company. It aims to increase the size of the green-belt by planting indigenous trees, and strengthening environmental awareness and collaboration in local communities. Under the umbrella of this programme, successful applicants can start developing green areas in Hungary, Slovakia and Romania, with the participation of hundreds of voluntary workers, next year.

# Glossary of terms

## **CDM (Clean development mechanism)**

– CDM is one of the three flexible mechanisms under the Kyoto Protocol allowing industrialised countries with a GHG reduction commitment to invest in emission reduction projects in developing countries to help meet their own emissions targets in a more cost effective way.

## **EBITDA (Earnings before interest, tax, depreciation and amortisation)**

– operating profit plus depreciation and amortisation.

## **ETBE (Ethyl-tertiary-butyl-ether)**

– ethyl-tertiary-butyl-ether is produced by mixing ethanol and isobutylene and reacting them with heat over a catalyst. ETBE offers the same, or even greater air quality benefits than ethanol, without some of the technical and logistic challenges that face the alcohol. ETBE is approximately 42% ethanol.

## **GDR (Global depository receipt)**

– depository certificates issued by a foreign depository on the issuers shares, which are deposited with a Hungarian custodian.

## **ROACE (Return on average capital employed)**

– net operating profit divided by average capital employed (total assets – (long-term financial investments + investment in process + short-term investments and cash + total current liabilities) + short term debt).

## **GHG (Greenhouse gases)**

– gases that contribute to the formation of an insulating blanket around the Earth by trapping heat from infrared radiation. (CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>).

## **GRI (Global reporting initiative)**

– a multi-stakeholder process and independent institution whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines.

## **JI (Joint implementation)**

– JI is one of the three flexible mechanisms under the Kyoto Protocol allowing industrialised countries with a GHG reduction commitment to invest in emission reduction projects or projects that enhance removal by sinks in another industrialised country, and gain the resulting emission reduction units (ERUs) to help meet their own emissions targets in a more cost effective way.

## **LTIF (Lost time injury frequency)**

– the number of incidents of lost time injury (LTI) per one million hours worked.

## **Materiality**

– the omission or misstatement of an item in a report is material if, in the light of surrounding circumstances, the magnitude of the item is such that it is probable that the judgment of a reasonable person relying on the report would have been changed or influenced by the inclusion or correction of the items.

## **PM (Particulate matter)**

– finely dispersed solid matter produced by burning and other technological processes. The most dangerous are fractions finer than 10 µm (PM<sub>10</sub>).

## **Polyolefins**

– collective name given to those polymers that are made from olefins (ethylene, propylene).

## **Provision**

– a present liability with uncertain timing and amount, arising from a past event, that will occur with high probability (greater than 50%), and will therefore require financial expenditure that can be reliably estimated.

## **Precautionary principle**

– “Recourse to the precautionary principle presupposes that potentially dangerous effects deriving from a phenomenon, product or process have been identified, and that scientific evaluation does not allow the risk to be determined with sufficient certainty.” (Source: EU Commission)

## **Sustainable Development**

– “Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” (Source: UN / Brundtland Report)

## **TPH (Total petroleum hydrocarbons)**

– oil substances. A parameter expressing the pollution of water with organic oil substances.

## **VOC (Volatile organic compounds)**

– any organic compound with a vapour pressure of 0.01 kPa or higher at 293.15 °K (20 °C), or which has similar volatility under the actual conditions of use (methane is not included). Most ground-level ozone (smog) results from a reaction between NO<sub>x</sub> and VOCs.

## **VRU**

– vapour recovery unit

## **Work-related injury**

– any form of injury or death incurred by an employee independent of his or her own will by a temporary, sudden or violent external factor while carrying out work duties or in direct relation to those duties.

## **Contact**

You can find the online version of this report, together with previous ones, on our official MOL Group-level website, [www.molgroup.hu](http://www.molgroup.hu).

For local reports, please visit also the websites of our member companies ([www.mol.hu](http://www.mol.hu), [www.slovnaft.sk](http://www.slovnaft.sk), [www.tvk.hu](http://www.tvk.hu)).

To order a printed version of the report, please contact:

**MOL Hungarian Oil & Gas Plc.**

**Corporate Communications**

1986 Budapest

Hungary

