

### Introduction and summary

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This is the third time MOL Group has published an interim report about its sustainability performance.

Following our commitment to transparency and accountability and as a complement to the financial flash report, with this document we aim to inform our stakeholders about the steps we have taken in environmental and social areas. In contrast to the annual report, this interim document is not 'integrated'. If you are looking for details about MOL's financial and economic performance please turn to the '[2012 Half Year Report of MOL Group](#)' - in this document you will find only a brief summary of our financial results (on page 28).

Some of the highlights from the 6 sustainable development (SD) focal areas of MOL Group include:

#### Climate Change

- A rubber bitumen production unit was successfully established in Zalaegerszeg and MOL's key renewable energy related R&D projects are continuing;
- A system for verifying the sustainability of the biocomponent fraction that is added to fuels (ISCC-EU) was implemented and certified in MOL and SN;
- As a result of lower levels of production and ongoing energy efficiency programs, absolute CO<sub>2</sub>-emissions decreased by 13%.

#### Environment

- We initiated activities which are designed to meet VOC reduction targets. In the Hungarian refining division we signed two framework contracts for implementing LDAR;
- An internal survey of the risks related to operations in water-stressed areas was prepared;
- The number and volume of spills increased in a year-on-year comparison (there were 27 spills recorded with a total volume of 637 m<sup>3</sup>).

#### Health and Safety

- Work safety indicators indicate worse performance than was planned (1.97 lost time injuries per million worked hours; 1 own staff and 3 contractor fatalities);
- MOL's main projects for improving contractor and process safety continued according to plan;
- The workplace health promotion program (STEP) has been extended to 9 countries.

#### Communities

- Community programs were continued and extended across the retail network (e.g. BikePoint, campaign for local producers, vision testing, used cooking oil collection);
- More than HUF 560 million was donated in the frame of our social investments programme.



## Human Capital

- A major re-organisation of the governance structure of the Group has started. In support, a new international assignment platform was developed;
- Talent attraction efforts continued and programmes were extended to additional countries with great success (e.g. Freshhh, Growww and university relationship-building programs);
- In our Exploration and Production division we aim to launch a pilot project to build mid-term dynamic people supply and demand models to improve the planning of recruitment, training, internal transfer and employee retention;
- The equal opportunity framework should be developed, extended and strengthened.

## Economic Sustainability

- To improve customer satisfaction we continued and extended to further countries our programme to train filling station managers to efficiently transfer knowledge to staff;
- Following 9 investigations into reported ethical misconduct, 2 cases were confirmed by the Ethics Council.

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### Notes on the report

MOL uses the ‘control’ approach to consolidate information. This means that the company accounts for 100 percent of sustainability data from operations over which it has control. This includes all companies/operations where MOL or one of its subsidiaries acts as operator.

With HSE data, we include only those operations which might have a significant impact on health, safety or the environment.

Employee data refers to all consolidated MOL Group companies (incl. INA d.d. and its subsidiaries).

As regards numerical data, only those indicators for which data is collected at least bi-annually at a group-level are disclosed.

This report is designed to follow the principles of the GRI G3 (Global Reporting Initiative). Full compliance with the GRI at ‘A’-level has been only reached with our annual report.

This report has not been subject to external verification.

For more information about MOL and sustainable development (including detailed information about MOL’s policies, systems and case studies) please visit [www.mol.hu/sd](http://www.mol.hu/sd).



## Awards and recognition

### MOL – Hungarian Innovation Grand Prix

MOL's entry to the [20<sup>th</sup> Hungarian Innovation Grand Prix](#) – 'Developing a diesel fuel formula for reducing greenhouse gas effects and enhancing competitiveness' – was the subject of special recognition by the jury. The utilization of used cooking oil in diesel fuel provides benefits from a waste management and environmental perspective but numerous challenges had to be overcome by our engineers to make its use viable.

### MOL - Best Employer Award

MOL was given an award at the [Aon Hewitt "Employer Brand Research"](#) prize-giving ceremony in Budapest (29th February, 2012). The survey (which involved more than 240 companies) found that MOL is currently the second most attractive employer in Hungary. MOL's popularity was recognised by Aon Hewitt last year as well but that survey focused only on the popularity rankings of new employees. In this year's survey professionals were also included in the research.

### MOL - Award from the Coordination Centre for Transport Development

The [Coordination Centre for Transport Development](#) (KKK) awarded MOL a prize in 2011 in the category of 'Complex services' for the right-hand side filling station on highway M7 at km 138, Balatonlelle, Hungary, which operates in cooperation with Marché.



### MOL Group - Best Investor Relations International Award

MOL Group was awarded the prestigious IR Magazine's "Best IR by a Hungarian company" prize on 26 June. The [IR Magazine Awards](#) are leading international awards which recognise excellence and leadership in investor relations worldwide. The winners and nominees of this award were selected through a Europe-wide investor survey involving 500 portfolio managers and analysts.



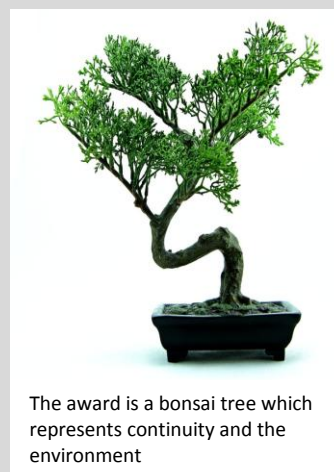
### INA - special award for Best HR Practice

The best HR Practice project for 2012 is an award presented by the job portal MojPosao for excellence in HR. INA won this award for its Growww Program which has now been implemented for the third successive year. The programme received more than 3,800 nominations by young petroleum engineers, chemical engineers, mechanical engineers, economists, computer scientists, lawyers, civil and safety engineers.

### MOL Group's internal 'SD & HSE Chairman Award'

In addition to the awards MOL received from external bodies, it is worth mentioning our internal SD & HSE Chairman Award which was established in 2001 to acknowledge outstanding SD & HSE performance and to support knowledge-sharing within the MOL Group. The prize offers an opportunity for applicants to receive recognition from the MOL Group Chairman and GCEO, draws attention to the winners' achievements and involves a reward for outstanding performance. Applicants are required to submit information about their SD & HSE performance which is structured around the six sustainability focus areas (emphasis is put on HSE issues). On the basis of the materials submitted, a shortlist is then formed. Site visits are executed at the shortlisted applicants' place of work and the Evaluation Committee identifies the commitment of management to the applicant, examines ongoing activities and programmes in practice, clarifies questions regarding the materials which were submitted and gains an overall impression of the SD & HSE operation.

In 2012, after intense competition between 12 applicants, the MOL Retail and MOL Road Transportation organizations were awarded the same score and shared 1<sup>st</sup> prize.



The award is a bonsai tree which represents continuity and the environment

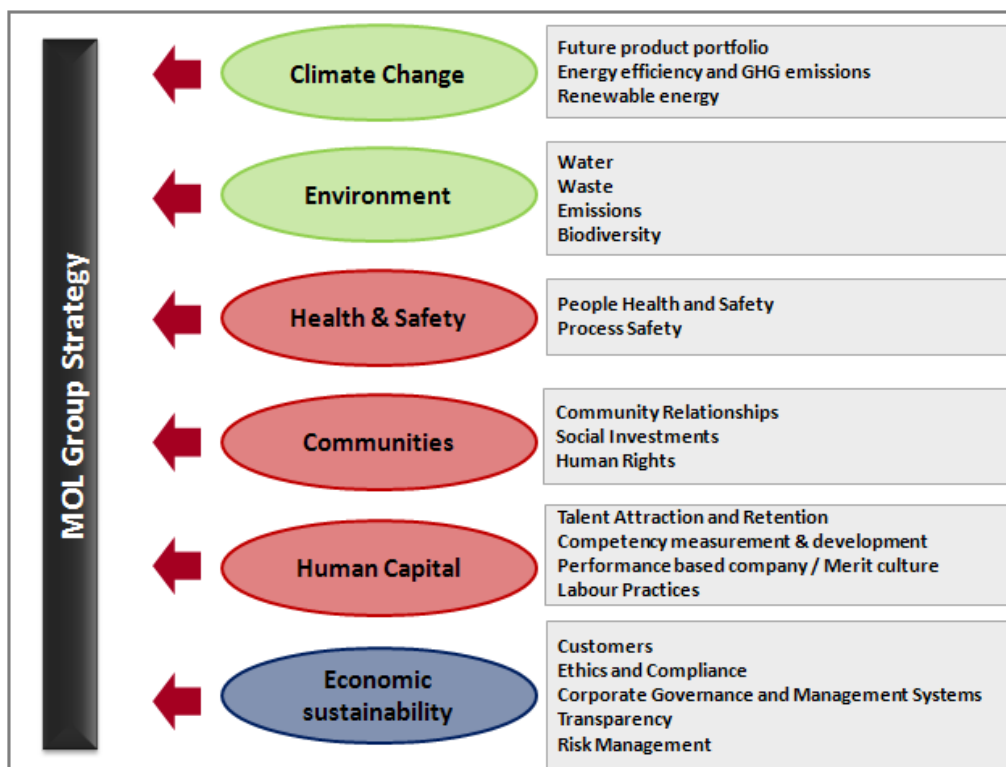
## Performance in the Six Sustainability Focus Areas

At the beginning of 2011, MOL Group management approved the SD strategic framework for the MOL Group for the years 2011 - 2015. It consists of detailed objectives for the six focus areas at a Group and also at a Business division-level. The following chapter is a summary of the main activities, projects and data related to these areas and goals. We try to refer to long-term goals wherever this is applicable.

To view the detailed Group-level strategic objectives, please visit our [website](#).



### Sustainability focus areas and related topics



## Climate Change

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

Climate change has stayed high on the EU political agenda in the first half of 2012. The new EU plan or 'roadmap' sets out a cost-effective route for transforming Europe into a competitive low-carbon economy by mid-century. MOL Group does not intend to lag behind these efforts. As a result, we have continued to work actively in the field of renewable energies (such as promoting geothermal projects and biofuels). We are currently operating long-term energy efficiency projects like our 'Eiffel' programme" at Refining and 'Enrac' at Upstream.

MOL Group maintains an attitude of transparency towards reporting our contribution to Climate change and its mitigation. Similarly to with our annual reporting practices, this May we again submitted detailed information to the Carbon Disclosure Project, the largest global collection of corporate climate change related data.

### Future Product Portfolio

*Related objective: "Increase the share of low-carbon products and services"*

MOL Group is an upstream-driven integrated oil and gas company and it will remain one over the next decade. However, we are gradually preparing for a low-carbon economy and several Research and Development projects are underway in order to align our future portfolio with this goal.

In the first half of 2012 the following results from our key projects were recorded:

- Our Used Cooking Oil collection campaign continued in 2012. The oil collected was utilized as feedstock in biofuel production.
- Our second generation biodiesel development project reached a new phase; development now continues with the cooperation of a professional partner.
- We managed to improve the yields from our algae fuel technology by optimizing the composition of micro nutrients and fine-tuning operating conditions. The effects of weather conditions on production have been studied as well.
- The new MOL Rubber bitumen unit was successfully established in the first half of 2012. The advantage of this new technology includes the environmentally-friendly use of scrap truck tires as a raw material on the one hand and results in a new product with better performance compared to conventional bitumen on the other. The project will be continued by rolling out the innovative product to market in the second half of the year.
- We have started building a pilot biogas unit in order to better integrate this biological process into the refinery's energy system.
- The waste plastic cracking unit is currently being scaled-up and preparatory modelling for scaling up to an industrial size unit can be undertaken.
- MOL's geothermal project development has proceeded according to preliminary business plans, and geotechnical planning and hydro-geological modelling have continued. The geothermal concession tenders have not been published yet; however, the complex environmental impact and sensitivity analysis of territories appropriate for geothermal energy utilization were decided upon and have been officially announced.

### Co-processing of waste oils and fats in gasoil production

The renewable energy content of transportation fuels should be increased in line with European regulations. Among other methods of doing this, it is possible to process waste plant/animal oils or fats as co-feedstock in our gasoil producing desulphurization units. A project was launched in 2012 (with the involvement of external partners) to develop the appropriate technology. The first test will happen in 2014 when the feedstock will be pre-treated using a special process developed for this specific purpose.

## Sustainability criteria for biofuels

The ISCC-EU standard was successfully implemented and certified in MOL and Slovnaft. As a result of this achievement we are able to trade to export destinations where this sustainability certification is a precondition of distribution activities. The requirements of the ISCC-EU standard focus on the traceability of the biocomponent fraction that is added to fuels, on the transparency of the process, on the calculation methodology for the mass balance of delivered and sold bio components, on the calculation methodology for greenhouse gas emissions and on risk management. ISCC is a company biofuel certification that has been adopted by the EU. The certification of biofuels gives a guarantee of the sustainability of the whole product value chain (production of the raw materials of bio-components such as colza, oil pressing, manufacturing of bio-components, distributing bio-component content fuel, etc.) - and means that certified products comply with the requirements of directives about renewables.

## Energy efficiency

*Related objective: "Improve energy efficiency"*

Compared to the same period of the previous year, group level energy consumption was reduced due both to the energy-efficiency measures that were implemented and also to the lower levels of production.

MOL's Exploration and Production division continued its energy rationalization project 'ENRAC' (Energy Rationalization) in Hungary. As a part of this, new boilers have been constructed and installed at Hajdúszoboszló and the same process is in progress at the Algyő Gas Plant. At the Szank Gas Plant the 'associated' gas (which until now has been wasted) will be put to use in a small power plant. By the end of March we will have completed the reconstruction of the external lighting system of the Algyő Main Gathering Station and its subinstallations. The goal of the project was to install energy efficient bulbs and other equipment.

The Petrochemicals division has started installing an Operational Management Monitoring System to monitor all energy flows, from source to consumers and emissions. The project is expected to reduce energy consumption by 0.5% with all kinds of utilities. Commissioning of the whole project is expected by the end of 2012.

Retail division has launched an energy efficiency campaign in Romania called "Switch off lights if you don't need them" in which customers are informed about ways to stop wasting energy. The functioning of the air conditioning and heating equipment in the passing areas in filling stations has been improved. In Hungary, reconstruction work continues at 12 filling stations using environmentally appropriate engineering standards.

At Refining we are continuing to implement several energy efficiency programmes which arose from the employee idea management system 'Eiffel'. Quantified results will be available at the end of the business year.

## GHG emissions

*Related objective: "Ensure all sites move up one decile from current positions in their sectoral CO<sub>2</sub> benchmarks by 2015"<sup>1</sup>*

In this first half year of 2012 our installations emitted approximately 2.1 Mt of CO<sub>2</sub> which is 13% less than for the same period in 2011 (excluding INA). Almost all major MOL Group emitters reduced their emissions, mainly due to the general overhauls of facilities which were done during H1 2012. The volume of CO<sub>2</sub> emitted accounts for roughly 40% of our yearly allocation under the EU ETS (Emission Trading Scheme).

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<sup>1</sup> The CO<sub>2</sub> benchmark value was calculated by ranking each installation in a specific sector using its CO<sub>2</sub> performance. The average of the best 10% was then taken as a Europe-wide benchmark. These results of the ranking were then split into 10 equal parts (deciles). The performance of each MOL installation was graded according to those deciles based on its actual performance. Our goal is to improve the performance of each installation by one decile.

In Petrochemicals, emissions amounted to 1.05 t of CO<sub>2</sub> per HVC (high value chemical) product - which is slightly higher than for 2011 (1.03), due to the lower capacity-utilisation of our production units. However, according to plan, by the end of the year we will reduce this to below 1.00.

In Refining we have started to use a new indicator which is in line with EU benchmarking methodology. Due to ongoing calculation development processes data will be only be available for reporting at the end of 2012.

In the first half of the year we closely monitored the EU-wide debate about the need to improve the EU ETS. The potential changes which may be made in terms of revising the carbon leakage list and the increasing price of CO<sub>2</sub> may result in significant cost increases at our installations. To moderate these potential impacts we are coordinating our efforts within the 'Europa government affairs association' of the refining industry.



## Environment

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*General aim: "Reduce our environmental footprint"*

### Air emissions

*Related objective: "Measure/calculate & decrease VOC emissions through using LDAR methodology throughout the MOL Group"*

We have initiated activities which are designed to enable the meeting of VOC reduction targets. In the Hungarian refining division we signed two framework contracts for the implementation of LDAR (which started in March). Similar programs have already been running for several years at the Slovnaft and IES refineries.

During the 1<sup>st</sup> half of 2012 we focused on revising reference documents about the Best Available Techniques in Refining (REF BREF). We undertook a thorough analysis of the impact of draft REF BREF on our installations and developed a shared MOL Group position. Our comments were submitted to the IPPC Bureau in Seville via two channels – the industrial refining association Concawe and national representations. In the 2<sup>nd</sup> half of 2012 we will collect real-life data from our operations to support our arguments.

In the first half of 2012 we put into a trial operation a flue gas desulphurisation unit at the Slovnaft Refinery power plant. The Flue-gas Desulfurization (FGD) will reduce SO<sub>2</sub> emissions by 80% and ensure that we meet forthcoming emission limits which will be valid from 2016.

### Water management

*Related objective: "Reduce total water withdrawals by 5% by 2015 (baseline: 2010)"*

MOL Group's total water withdrawal was 43.15 million m<sup>3</sup> in the first half of Y2012. This is a remarkable reduction compared to performance in 2011 H1 (50.5 million m<sup>3</sup>). The significant decrease is due to the refinery and petrochemical site turnarounds, to the optimisation of the Slovnaft Refinery and to the renovation work which took place at the Mantua Refinery. Y2012 performance is expected to be better than last year's.

Based on the above-mentioned projects and data, our strategic target of a 5% reduction in water use by 2015 seems to be realistic.

During the previous period we mapped those countries where we operate in water-stressed areas and where greater effort is needed with water management. We found that in Pakistan we face water-related challenges. In Pakistan, fresh water intake decreased by more than 30% over the last year, but we are now also preparing a study about the availability of groundwater in the future. Local water management efforts include a wide range of activities such as sending out daily awareness-raising letters to employees, imposing stricter controls on emissions and even developing equipment for treating and reducing waste water.

At the Mantova refinery (IES) we are examining opportunities to re-utilise water which comes from remediation processes. Success in this could drastically reduce the fresh water that is used from 2012/2013 onwards. A local team has also been established to explore further ways to reduce fresh water intake at the refinery.

### Waste management

*Related objective: "Reduce generated wastes from routine operations by 5% and increase the ratio of waste reuse/recycling by 2015 (baseline: 2010)"*

In the first half of 2012, the total amount of waste generated from MOL Group operations was approximately 56.6 kt, which represents a 5.8% decrease compared to the same period of 2011 (when there was a 16.6% decrease in hazardous waste and a 13.7% increase in non-hazardous waste). A decrease in waste originating from Slovakian sites (from historical soil remediation processes) was the main reason for the decrease in hazardous waste that was registered, while the greater amount of non-hazardous waste produced – ca. 3,000 tonnes more than the same period for last year – is drilling sludge waste generated at Hungarian sites.

A feasibility study about waste pre-treatment and increasing the amount of types of waste that can be incinerated at the Danube Refinery in 2011-2012 was prepared and its evaluation is ongoing. Projects designed to decrease paper and toner usage have been continuing in several of our units: in IES some components of contracts with clients have been uploaded to the website to reduce the need for paper and in MOL headquarters shared multifunctional printers are set to reduce printing needs, with double-sided side and black-and-white printing selected as the default option.

## Spills

In H1 2012, there were 27 spills into the environment (of over 1 m<sup>3</sup>) by the MOL Group – including 8 cases in INA – with a total spilled hydrocarbon quantity of 637 m<sup>3</sup> (from this, 249 m<sup>3</sup> came from our Croatian operations). This is an increase in the number of cases and also in the spilled amount compared to the same period last year.

In Exploration and Production the general cause of the spills was pipeline ruptures from old pipes but theft from pipelines was an ongoing problem as well, causing on average less than cca. 19 m<sup>3</sup> of losses on a case by case basis.

Furthermore, due to pipeline sealing problems and other reasons (e.g. pipes freezing in wintertime) additional spills occurred at Refining and Marketing (10 cases, totalling 320 m<sup>3</sup> of losses).

The biggest spill at the Refining unit was a cca. 180 m<sup>3</sup> gasoil spill at the Sisak Refinery due to a pipeline rupture in wintertime; the second largest happened at the Rijeka Refinery (and also involved 61 m<sup>3</sup> of hydrocarbons escaping due to ruptures from a frozen pipeline), while at the Duna Refinery a hole in the bottom of a tank caused 42 m<sup>3</sup> of diesel to be lost.

At Logistics, the biggest spill was cca. 15 m<sup>3</sup> of dark feed loss at the Bratislava Refinery through a loading pipeline.

After detecting the incidents, all necessary measures for alleviating the damage and its consequences were immediately put into effect.

Additionally, a fairly serious third party event happened in the industrial port next to Bratislava Refinery in June, where – because of a mistake by an independent barge operating company – 14 m<sup>3</sup> of diesel escaped into the water of the port, polluting the Danube. Although SN was not the operator and was not responsible for the loading of the barge we took a major part in the emergency response and clean-up activities and additionally we have since modified the pipeline system which feeds the port to reduce the possibility of similar events occurring through mistakes by others.

## Environmental remediation

*Related objective: "To reduce liabilities by 25% within the next 5 years."*

MOL Group spent HUF 1.43 bn on the management of environmental damages in 2012 H1. The division of expenditure was the following: MOL: HUF 0.43 bn, Slovnaft: HUF 0.6 bn, TVK: HUF 0.04 bn, INA: HUF 0.11 bn, IES: HUF 0.13 bn.

Our remediation practices have been gradually changing over the last few years. Remediation work will take a decade or even decades at several locations. For these locations, local remediation strategies must be drawn up using a short, medium and long-term time horizon and will need regular (at least annual) reviews and fine tuning. In several cases these strategies must take into consideration how technology will be modernised in the future, which may affect the schedule of the whole remediation process.

This practice requires ongoing consultation with authorities. This process of consultation results in benefits for both parties since the exchange of regular and detailed information allows for better authority oversight. The advantage is that more specific requirements must be met as result of the information sharing process.

In line with MOL Group's strategic targets, we aim to decrease remediation liabilities (from the end of Y2010) by 25% over the next 5 years.

## **Biodiversity**

*Related objective: "Implement a biodiversity action plan for new projects from 2012 and monitor ecological status at critical operations from 2014"*

In the first half of 2012 our business divisions prepared their Business Biodiversity Action Plans. These documents describe activities which are already in place and new programs which are designed to minimize our impacts on (and preserve) biodiversity. The draft version of our Biodiversity Policy has been prepared; it is now being revised by MOL's Biodiversity Working Group members. Digital versions of awareness-training materials which describe sensitive habitats and endangered species (by region) are being prepared and will soon be available on our website as well.

## **HSE compliance**

MOL Group is committed to full compliance, not only with external HSE-related laws and regulations but to our internal standards as well. Despite all our efforts and measures, due to minor breaches of law MOL Group companies had to pay a total of HUF 5.39 million HSE-related penalties in the first half of 2012. However, this was less than for the same period of the previous year.

Penalties were due to some minor, mainly documentation-related issues in the fields of transport of hazardous substances (ADR, RID) and occupational safety or fire protection. The largest penalty (HUF 1.95 million) was awarded because waste water that was emitted at the Sisak Refinery contained a higher level of pollutants than permitted; the second largest penalty (HUF 1.2 million) was awarded to Logistics in Hungary due to a late answer about legislative changes in the field of fire protection.

Considering the HSE sensitivity of the oil and gas industry, our level of compliance has clearly improved in recent years. However, we still are not satisfied with this improvement and our goal is still to reduce all health, safety and environmentally related penalties to zero throughout the entire MOL Group.

MOL Group did not receive any HSE-related non-monetary sanctions in first half of 2012.

## Health and Safety

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*Related objective: "Ensure operational HSE excellence"*

### Work Safety

*Related objective: "Implement a program with the goal of zero injuries and occupational illnesses and eliminate high health-risk workplaces by 2014"*

In 2012, as in previous years, we have maintained the challenging target of 1.0 for Lost Time Injury Frequency (LTIF, number of injuries / million worked hours), valid for the majority of the MOL Group (excluding INA). In the first half of 2012, a total of 19 lost time injuries happened, resulting in an LTIF value of 1.47 which did not meet our target and was a worse result than for the same period last year (but was better than for the first half of 2010 (20 LTIs, resulting in a LTIF of 1.61)). In the longer term, a continuous improvement in the LTIF indicator can be seen.

The injuries of our own staff that happened on our sites were not serious, technology related injuries but were all slips, trips and falls or other minor accidents which had no direct relation to the hazards of the technological processes being operated.

With 18 LTI cases (resulting in a LTIF of 2.0) INA d.d. was able to meet its own LTIF target of 2.0, but the INA Group (i.e. including subsidiaries) reported a total of 32 LTI cases, resulting in a LTIF of 2.3 which was just outside the target of 2.2.

In summary, for all companies that reported (including all the subsidiaries of the MOL Group) the total Group LTIF (1.97) can be seen as a good result and is better by 0.28 than the same period for last year. According to our plans we are getting closer and closer, year-by-year, with the wider group of companies to the challenging LTIF target of 1.

Unfortunately, however, we have to report that some fatal accidents occurred in connection with our operations:

- One own staff fatality happened in Hungary at Rotary (a drilling company member of the INA/Crosco group) during a well pressure test;
- Two contractors lost their lives at TVK, our Hungarian petrochemical plant, during turnaround activities;
- One contractor died in Croatia while cleaning the snow off the canopy of a Tifon filling station.

In addition to the key programs detailed below, several programs are running to decrease the number of injuries across the MOL Group. Some examples include safety alerts about learning points from incidents across the Group, monthly HSE forums in well management and production areas, the *'Biztos a biztonság'* ('Make sure it's safe') program implemented at MOL Refining, the *'Fall protection'* program introduced at SN Refining, the *'Housekeeping'* program launched at INA Rijeka Refinery, *'life saving rules'* for rail operations in Logistics and joint HSE-operational staff daily inspections of petrochemical plants.

### Occupational Health

The protection of employees from occupational health hazards is assured by our internal Occupational Health Management system and a high quality operating staff. Similarly to 2011, no occupational illnesses were recorded in H1 2012.

According to the psycho-social risk levels assessed using the COMPASS Workplace Risk Assessment method we have introduced tailor-made stress reduction training for dedicated groups of employees. MOL's production unit staff is regularly monitored through biological tests to minimize occupational exposure to less than 50% of the legally permitted limits.

Our cytogenetics program – the leading monitoring program known from the oil industry – was also enlarged: a total of 60 employees were examined in H1. To support our growing international exploration and production activities, the main focus was on protecting the health of our employees who work in the Middle-East. The completion and implementation of the Local Operative Health

Regulation of Kalegran (our subsidiary in Iraq, Kurdistan region) – which describes preventative and protective health measures for local employees – was an important step in this direction.

## Workplace Health Promotion

*Related objective: “Implement a health promotion programme in all countries and keep regularity rates up at a level of at least 30% from the end of the implementation programme”*

In the MOL Group Workplace Health Promotion Program (*‘STEP-take a step for your health’*), we also registered progress in H1 2012. Due to a decentralization process, each business unit and subsidiary from 9 countries completed a yearly STEP program based on the local initiatives of employees. In addition to medical screening, the plans contain more and more movement-based activities, local sports competitions, outdoor sport events, etc., with the goal of meeting the targeted Regularity Rate of 20% and keeping the Absence Rate at below 2.5% by the end of 2012. Beside this, we are continually working on preventing any musculo-skeletal disorders in our office employees who work in front of visual displays.

The key performance indicator for the programme, the STEP Regularity Rate, reached 13.1% in H1 2012 (n.b. Regularity rate: ratio of employees participating at least 3 times in STEP programs).

## Road Safety

*Related objective: “Extend Defensive & Eco vehicle-driving practices to all relevant employees and maintain top quartile road accident performance rates”*

The MOL Group has had a Road Safety Policy since 2006 and management recently decided to review the document and its elements with the aim of meeting the safety requirements of the present and future. Our experts are currently working on a new document (*‘Group Road Safety Principles’*) that will ensure that a good foundation is laid for local road safety programmes. The publishing of this document is planned for the second half of the year. We have continued our regular Defensive Driving Programme as well.

After the successful introduction of HSE Catalyst cultural change initiative (including the *‘Safe Driving Programme’*) in 2011, INA has launched the second phase. This mainly focuses on implementation and involves a massive communications campaign designed to improve awareness of traffic hazards and to encourage corporate employees to drive more responsibly. As part of the programme, INA has published and displayed posters and leaflets with safe driving tips and messages to its workforce. As another efficient means of communication, window stickers have been stamped on the windscreens of the company cars which emphasise the importance of using safety seatbelts while driving.

These efforts are already showing short term results. Based on our ongoing surveying and data collection processes, the need to wear a safety seatbelts is now obvious to all drivers and passengers and the number of drivers who use mobile phones behind the wheel has greatly decreased. The programme will be extended to INA daughter companies this year as well. Additionally, groups of risky drivers have been selected according to specified criteria (such as mileage driven and frequency of incidents) to whom extensive safe driving training will be provided. One important tool in the Road safety campaign toolbox is the set of so-called *‘Safe Driving Principles’* that were prepared as an official INA Group document.

Slovnaft and Slovakian brewery Topvar launched a campaign against drinking and driving in February. The most successful Slovakian driver of the Dakar Rally, Stefan Svitko, become the face of the project and was employed to pass on this useful message to our customers at Slovnaft filling stations in Bratislava, Pezinok and Senec.

As a result of our efforts, we scored a RAR (number of accidents per 1 million km driven) of 0.81 without the INA Group, and 1.64 for the MOL Group companies combined.

## Process Safety and Risk Assessment

*Related objective: "Roll out a Process Safety Management System (PSM) and standards to all companies by end 2014"*

In first half year of 2012 we were working on preparing PSM audit questionnaires for all 14 elements of the PSM system.

The aim of the questionnaires is to assess the level of PSM requirement implementation. In the future we can also use them for all PSM relevant businesses. The advantage of these questionnaires is that they help identify those areas where the level of implementation is not as high as required; furthermore they can help in identifying good practice at a local level which can later be communicated to other businesses.

By the end of 2012 all relevant businesses should prepare a PSM self-assessment which includes scoring each PSM element separately and the total PSM system as well. This self-assessment will be the baseline for action planning at local, business and MOL Group levels.

Beside the above-mentioned activities the already implemented elements of the system are continuously being monitored and improved. Specific examples include activities related to the 'Management of change' (MoC) process where software support was improved based on the experiences of previous years. The main goal of MoC process implementation is to assess any potential risks which can arise from changes in technology – prior to its adoption. Additionally, the reporting and root-cause analysis system related to process incidents was updated to enable us to identify the weakest elements of the PSM system and to share learning throughout the MOL Group.

For the successful implementation of our HSE risk assessment framework, we have continued our COMPASS (comprehensive risk assessment) project which is now in Phase III. The program uses 10 internationally-accepted risk assessment methodologies which fully cover the workplace, technological process and environment-related areas of risk analysis (e.g. HAZID, ENVID, JSA, EIA, etc.).

The main achievements from H1 2012:

- Evaluation of the basic risk assessment ('PSI - Process Safety Information') documentation at the sites of MOL, SN and SPC was done and many corrective measures were taken after the auditing of this documentation;
- Risk assessment methodologies were integrated into the Process Hazard Analysis procedure;
- With regard to quantitative process-related risks, HAZOP-LOPA-SIL assessments were undertaken; as a result, cca. 90% of all critical operations are now covered;
- In 2012 the program was extended to IES with special focus on process-related risk assessment.

From the second part of 2012 the program will focus on INA as well. The full implementation of COMPASS at MOL Group-level will be completed by the end of 2013. In INA Group level the implementation of COMPASS will be completed by the end of 2014.

## Contractor safety

*Related objective: "Develop an effective contractor HSE Management programme and associated assurance mechanisms by the end of 2012"*

As a reaction to the serious HSE events that occurred in connection with sub-contractors' work in 2010, MOL Group has updated its risk management programme which concerns the operations of sub-contractors. The program contains various types of monitoring procedures covering every phase of the sub-contractors' 'life cycle' (pre-qualification, tender process, work performance and post implementation appraisal), and is specifically focused on prevention but also contains consequence-type elements (e.g. penalties for non-compliance).

Program implementation has been continuously progressing and during the first half of 2012, in MOL Plc., Slovnaft a.s., TVK Plc. and in the so-called maintenance companies (Petrolszolg and SMaO) we were able to introduce the following key control elements:

#### *An HSE pre-audit of contractors*

This is a pre-screening process. Each contractor that undertakes work at any of the MOL Group sites should comply with this HSE audit which is conducted in accordance with a pre-determined set of criteria. This is a pre-condition of contracting. From the beginning of this year we have used this methodology not only with main contractors but also for sub-contractors. Since the beginning of the programme we have pre-audited around 200 companies and found 5% to be non-compliant.

#### *Minimum requirements for the HSE plan*

This method supports the assessment and management of HSE risks that can be foreseen and expected before or during the carrying out of work. An HSE Plan must be prepared (with the use of a pre-defined template) for all HSE critical activities.

#### *Unified permit to work (PTW) system*

This tool can support the monitoring of specific working performance under given circumstances. We have introduced a standardised permitting form for every HSE-critical operation. For some worksites we have introduced a so-called electronic work permitting process.

#### *Yearly HSE Training for contractors*

In 2012 we introduced a comprehensive HSE training course for our contractors; successfully passing the final exam is a prerequisite for entering and working on MOL Group premises.

#### *On-site HSE audit*

This is partly used to call attention to working practices (i.e. give a warning) and partly used to assess performance (and may lead to negative consequences such as penalties). MOL audits and assesses the sub-contractor's work and its HSE elements using a pre-defined set of criteria. There are increasingly strict consequences for any non-conformance events found during audits. During H1 of 2012 we undertook around 5,500 on-site inspections. Our auditors found HSE non-compliance events during 12% of all audits.

#### *Supplier HSE forum*

We organise forums for our partners where we provide information about the HSE expectations of MOL Group. This is an opportunity for MOL to also regularly receive feedback related to the operation and application of our systems. During 2012 we rolled-out this methodology to each Business Unit.

#### *Post-evaluation of contractors*

Since the second half of 2011 we have been utilizing an enhanced post-evaluation methodology for contractors which also includes pre-defined HSE elements. The outcomes of this evaluation have an influence on contractor selection process.

In spite of our efforts so far the number of contractor-related non-compliance events has not declined considerably since the program was started. In H1 2012 we recorded 21 contractor-related accidents (LTI+non-LTI within HU and SK operational areas). In the first half of 2012 we involved further companies into this Program (such as IES, MOL Romania, MOL Austria, Tifon, INA d.d. and its subsidiary STSI).

## Emergency preparedness and response

*Related objective: "Create and operate a Group-wide emergency response framework that supports business continuity"*

Even though the mainstay of our fire safety strategy is prevention, the existence of modern and effective fire-detection and built-in fire-fighting systems, the renewal of fire water networks and provision of the most modern fire fighting agents and equipment have contributed even further to improving MOL Group's fire fighting efficiency.

In H1 2012, similarly to the same period of the previous year, a total of 19 fires were reported within the MOL Group, including INA and its subsidiaries. The majority of the blazes were caused by small leakages when escaping hot hydrocarbons self-ignited; some minor cases happened at filling stations and were mainly due to the activities of customers.

The most serious incidents of fire happened at the Zala Refinery's bitumen tanks where within one month two different tanks exploded while being filled with bitumen. These two cases are being treated very seriously, not because of the actual consequences of the fires but mainly because the situation (and the pre-conditions which allowed it happen) occurred twice. According to internal investigations and the work of authorities, the problems found were fixed and the storage area is now operating normally.

Another serious case of fire could have happened when some saboteurs attacked the Manzalai Gas Plant (MGP). The attack only resulted in damage to one of the condensate storage tanks at the site and a resulting fire which the site emergency team was able to bring under control within a few minutes.

To maintain our capabilities, not only of prevention but also of fire-fighting, emergency drills and exercises are conducted regularly at all of MOL's significant sites, especially at refineries and petrochemical sites.



## Human Capital

*General aim: "Capitalise on human resources"*

MOL Group is continuously growing and expanding so it is particularly important for us to be flexible and to act proactively in order to be effective. To maintain efficiency, having the right people with the right capabilities in the right places is crucial.

MOL Group employs approximately 31,000 people worldwide.

Employees by geographical region	2012 H1	Turnover
Hungary	9,295	0.5%
Croatia (INA Group)	13,377	0.7%
Slovakia	3,576	0.9%
Rest of Europe	4,364	1.3%
Asia	780	1.7%
<b>Total</b>	<b>31,392</b>	<b>0.7%</b>

We believe that long-term success and growth depend to a large extent on the expertise of our employees and on their personal and professional development. We aim to deliver professional systems and development programs which reflect business requirements and contribute to the outstanding performance of our employees in a challenging business environment. In order to support our business effectively to achieve even more success we have set the following goals for managing our staff.

### Attracting Employees

*Related objective: "Expand strategic cooperation with key educational institutes in all regions where we operate."*

The whole energy industry is facing an increasing skills gap due to the large number of experienced professionals who are retiring and the lack of natural science experts in the global market. Under these circumstances, employing talented people with the necessary skills and qualifications is essential for the long term stability and sustainability of our business.

#### My Master Award

At MOL Group we believe that attracting talent cannot start early enough; we are therefore paying particular attention to promoting the study of natural sciences in secondary schools and universities - not only to build a longer term 'supply' for our talent pipeline but also to contribute to the long term sustainability of these vital professions across the whole region. Once a year, MOL Group hands over the MesterM Award to selected secondary school teachers for their outstanding efforts in promoting the natural sciences



Winning teachers from the 'MesterM' program

and orientating their students towards science through their personalities and teaching approaches. In 2012, 11 awards were presented (for the 3rd year) to outstanding Hungarian teachers of mathematics, physics and chemistry. This year was the first time that Slovakia (and the second that Croatia) was also involved in the Award scheme. Through this show of appreciation, MOL Group has supported the work of around 40 teachers from the region so far and has assisted in the creation of a pool of engaged and enthusiastic pedagogical experts.

#### Dialogue Conference

Mol Group aims to initiate dialogue between those parties who have an interest in teaching and popularising natural sciences: namely, secondary school and university teachers, policy makers, academics, NGOs and company representatives. As a result, we organised the 'Dialogue Conference'

in March 2012 for the second time. Major topics that were discussed included the following: How does the new secondary and higher education law affect the teaching of natural sciences and technical education?; what are the most innovative tools and best practices for teachers for raising awareness?; what is the experience of the Hungarian team which won 3rd place at IESO (The International Earth Science Olympiad)? and what can companies, governmental institutes and schools do to promote high-quality education?.

**Together for Future Engineers**

In 2010, the alliance ‘*Together for Future Engineers*’ was established with the participation of MOL Group and several companies which are facing shortages of well-trained and experienced engineers and natural sciences professionals in Hungary. The main area of focus concerns the supply of oil and gas engineering and earth science (e.g. geology, hydrogeology and mining) professionals but at the same time it is also difficult to find experts with a chemistry and mechanical engineering background. MOL has strong representation in two working groups from the alliance: ‘Secondary School’ and ‘University Relations’. The member companies have started to work on a project plan for 2012-2013 which aims to strongly orientate students towards natural sciences and deal with topical issues in higher education.

*Related objective: “Attract and recruit talented new graduates”*

**Freshhh**

Realising the importance of attracting fresh graduates, we have established two programs: Freshhh and Growww. Freshhh was launched as an international oil and gas industry competition for college and university students in 2007. The program is designed to pose real challenges to students who are interested in engineering and the natural sciences and is used as a priority recruitment channel for our Growww Fresh Graduate Program. The competing teams were tasked with managing a virtual oil company by making technical and strategic decisions. They were required to decide about the research and development projects needed to discover rich hydrocarbon reservoirs, ‘build’ a refinery for different products and design a profitable product portfolio. In 2012, almost 2,000 students from over 250 universities and 60 countries participated. From these entrants, 10 teams qualified for the ‘Live Final’. This year the first prize went to Team ‘P.P.S.’ from the University of Miskolc (Hungary), the second prize went to Team ‘MACC’ from the Budapest University of Technology and Economics (Hungary) while the third prize was awarded to Team ‘Reservoir Dogs’ which was made up of entrants from Irish and Hungarian universities.



Freshhh Final TOP 30 and Jury

Freshhh participants	2008	2009	2010	2011	2012
Number of teams	273	342	580	596	694
Number of countries	29	35	25	62	60
Number of universities	60	95	117	Over 200	Over 250

**Growww Fresh Graduate Program**

Six years ago we launched the Growww Fresh Graduate Program in order to strengthen our team by recruiting qualified and talented employees with a good command of English, who are committed to their profession and our company. Each year we offer a 12-month contract to the selected talents. During these 12 months they participate in an educational program called ‘Business Education’. These presentations provide an overview of the supply chain in the oil and gas industry as well as help participants to develop their presentation skills (since the participants themselves need to undertake research on assigned topics and present their findings to others). At the end of the program a permanent contract at an officer/expert level is offered to successful participants. In 2012 we advertised 298 Growww positions at the MOL Group level. The recruitment (job fairs, online and

offline advertisements) campaign and the application period has already been completed in 10 countries: Croatia, Czech Republic, Hungary, Italy, Iraq, Pakistan, Romania, Russia, Slovakia and Slovenia. There were over 7000 applications for these vacancies world-wide. (Including 2059 applications to MOL Plc., 3851 to INA, 765 to Slovnaft, 268 to TVK and about 50 to Pakistan, Russia and Iraq). The selection process for the fresh graduates is currently on-going and the deadline for contracting our new employees is 1st September 2012.

*Related objective: "Support the internationalisation of the company via harmonised processes and frameworks for all international moves."*

In the second half of this year MOL Group is going to go through one of the biggest re-organisations of governance structure in its history. By doing this the Group is responding to the external and internal challenges it has been facing in recent years and should result in MOL becoming even more competitive. During the process, the MOL Group Headquarters (HQ) will be set up as the new international governing body. This new setup should trigger and drive an exciting international career and knowledge-exchange process within the organisation in which employees from other MOL Group companies will be able to join MOL Group HQ and become part of a more diverse organisation.

#### **'Glocal' project**

The internal name of the change project is 'Glocal': this is a portmanteau word meaning Global and Local. It refers to the separation of group and local level tasks and responsibilities within the company.

The restructuring efforts are being accompanied by an immense recruitment campaign which is being executed in several rounds. Close to 80 managerial – mostly Group-level - positions are being advertised from July and expert positions will also be advertised later on during the second phase of the recruitment process.

#### **International Assignment**

In line with the Glocal project and in order to attract and hire international talent both at a managerial and an expert level our international assignment policies needed to be revised.

On 1<sup>st</sup> August the **new International Assignment platform** was approved by the MOL Executive Board. The new platform will implement the best practices in the field of international assignment and employment and support and strongly enhance the on-going internationalisation of MOL Group. Key pillars of the new platform include the home-based employment payroll and home tax equalization methodology, a new, simplified approval matrix for international assignments and a plan-based compensation scheme together with introduction of the balance sheet methodology. These changes all serve the goal of ensuring that our assignees receive fair and standardised compensation which is based on up-to-date market data.

Based on the key pillars, a new International Assignment Briefing Guide and Policy will be compiled to clarify the terms and conditions of assignments.

#### **Retaining and motivating employees**

MOL Group has significantly expanded in the past few years through mergers and acquisitions and, as a result, HR systems and processes have become diversified. One of the key HR challenges is to support the successful and smooth integration of these newly-acquired businesses both in terms of HR processes and systems.

*Related objective: "Integrated, group level career management and succession planning"*

#### **Career Management System (CMS)**

In order to be a truly international company it became outstandingly important for us to identify, develop, retain and motivate talented and skilled employees across the whole Group. Our Career Management System was set up with a long term perspective to support both business strategy and

personal growth. In 2012 our CMS processes were extended to a further 120 INA managers. With this extension, from 2012, more than 1500 employees across 34 subsidiaries are now part of CMS.

*Related objective: "Ensure consistent managerial and employee performance management throughout MOL Group"*

### **Managerial and Employee Performance Management**

In previous years MOL group created a performance management system (PMS) for both managerial and non-managerial levels. The aim of these systems is to measure and reward the performance of our employees and managers and define salary increases and bonuses based on the information gained through the performance evaluation process. These systems are continuously being harmonised within the companies in the group and are being fine-tuned in line with business needs and HR trends. Our bonus system also provides the essential foundation for career and development plans.

Following our harmonisation efforts, 34 MOL Group subsidiaries are now covered by the managerial performance management processes. The latest participant is INA - it has already started to reform its own bonus system in line with group principles. In 2012, employee contributions to company performance are regulated by the Collective Agreement of INA. The agreement defines the monthly bonuses which should be paid to employees when certain company EBITDA targets are met.

Besides the employee PMS, all sales representatives receive a sales bonus; moreover, in our Upstream division we have introduced an additional evaluation system and have also devised a knowledge-based reward system to recognise key individuals and further increase employee retention.

In 2012, our bonus system policy covers 11.160 people and we are working on extending it.

As sustainable development (SD) is one of our main values we are attempting to inspire our executives to also strive to set sustainability-related objectives along with business-as-usual financial and operational targets. This is why we have defined social performance targets (e.g. health-and safety indicators) and other SD-related objectives for most top managers (which later can be delegated to lower managerial and also non-managerial levels).

*Related objective: "Enhance responsible employer practices to ensure engagement"*

### **Employee Engagement**

Once every 2 years we conduct a Group level employee engagement survey to measure the engagement and satisfaction levels of our employees. The next survey is due in autumn 2012 and its preparation has already started in the HR department. The survey covers 35 companies in 13 countries globally and approximately 30 000 employees will have the opportunity to respond to the questionnaire. Although the questionnaire follows a generic template at the global level to ensure uniformity across the whole company there are country-specific questions included in locally-distributed surveys to ensure that diversity is respected in our organisation. We believe that there is a strong correlation between greater personal engagement and better organisational performance. After each engagement survey is conducted many targeted activities and programmes are defined and implemented within the 2-year period following the survey. In line with the diversity initiatives, result reports can be differentiated based on gender, age and years of service to the company to ensure that programmes are tailored to the most important areas.

### **Human Capital Development**

We believe that investing in the development of our employees is vital in order to build a successful company. This is especially true in the current circumstances of the energy industry, when finding the right, skilled experts is exceptionally challenging. By investing into the development of human capital we are contributing to improving our employees' competencies - but besides the growth in their effectiveness as employees, it also results in an increase in their economic, social and personal well-

being. This fact is strongly supported by MOL Group's personnel development programs (such as the *International Talent Program, Navigátor, Master Academy, Dynamism, Leadership Reinforcement, Staféta, IT Development, Petroskills, Jolly Joker* and *Refinery Complex*). For more information see the [MOL website](#).



*Related objective: "Roll-out of group level, cross-functional professional competency assessment and development programmes"*

### **Professional and technical competencies**

In 2009, as part of longer term capacity development, MOL Group launched a technical competency management pilot programme within the Upstream Division using '*PetroSkills*' - which is based on the learning and development methodology of a leading oil industry alliance. After completing a successful pilot project, MOL Group joined the alliance as a member company and started to roll out the system.

MOL's approach to competency management consists of an annual cycle of repeating and redefining competency requirements, on-line assessments of the required profiles, and planning and delivery of learning and development interventions which are needed to address the identified gaps in competencies. The results of the competency gap analysis are utilised as the basis of the Upstream professional training planning process.

By the end of the second quarter of 2012 our technical competency management system was covering 750 people from the Upstream expert pool and another 550 people from Downstream. Further roll-out is planned in Downstream in the course of 2013-2014.

### **E&P Corporate Academy**

In 2011 MOL Group established the framework for the E&P Corporate Academy and formed Geosciences, Petroleum Engineering and Project Management groups which were made responsible for designing content. In 2011 sixteen in-house courses were developed and organised for 260 participants with internal, university and international lecturers. In 2012 the in-house program continues and our aim is now to involve more participants from INA and MOL Pakistan. In the first half of 2012 MOL implemented 11 in-house courses in Geosciences and Petroleum Engineering for 180 participants. In addition to this, we are working on preparing further in-house and public courses according to our yearly professional development plan.

In 2012 we are also planning to construct a Downstream and HSE professional training catalogue for a selected group of participants.

*Related objective: "Continue and rollout divisional level development talent programs to support succession planning and handling an aging workforce"*

### **International Talent Program**

MOL Group's Upstream division has a world-wide reputation that is based on the outstanding knowledge and experience of its employees. Operating in the oil industry requires extensive knowledge - MOL needs to take care of its talent supply in a timely manner.

MOL's first Talent Program was launched in 2006 and mainly involved Hungarian participants. During the second program it became obvious that (because of foreign acquisitions) MOL Group needs more and more professionals and managers who are able to work in an intercultural environment.

In 2011 we launched our third program (the '*International Talent Program*') with participants from Hungary, Croatia, Russia and Pakistan in the hope of creating an efficient, international project team. The aim is not only to develop the competencies of the participants but also to enrich their professional knowledge. Training events contribute to knowledge-sharing and contribute to increasing tolerance about cultural differences and greater acceptance of each other.

To be accepted for the program - which consists of mentor support, online and classroom training, forums, presentations and professional exercises - candidates must go through a multi-stage

selection process. In 2012 there are 2 training events and a program closing workshop, ahead of the 29 participants.

### **Job rotation program**

In 2011 a short term bilateral job rotation program was launched in the Downstream division of MOL Group with the aim of ensuring effective cooperation, knowledge and practice sharing between employees at the IES, INA, MOL and Slovnaft refineries.

During the program, for a short 1-1.5 month period, experts are invited to foreign refineries to take part in professional visits and on-the-job training. In the first half of 2012, twenty-five employees already participated in the program.

## **Commitment to fair employment**

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

### **Employee relations**

At MOL we ensure employee representation via employee representative bodies - as the right to exercise freedom of association and collective bargaining is considered to be crucial. Employee representation bodies are as follows: The European Works Council (EWC), Local Works Councils, Trade Unions, Labor safety Committees and the participation of employee representatives in the MOL, Slovnaft, INA, TVK and FGSZ Supervisory Board.

The most important program of the European Works Council is the Forum. Here, MOL Group senior leadership inform EWC members about the latest issues in the company's life. Top management pay special attention to the EWC meetings – a fact emphasised by the Group Chairman-CEO who attends the meetings in person and considers the partnership with EWC to be outstandingly important.

### **Equal opportunity and diversity**

We ensure equal opportunities for all current and future employees. In fact, MOL goes beyond national regulations: equal treatment for all is guaranteed through collective agreements, our Code of Ethics, Trade Union agreements, Group-wide guidelines and internal regulations.

MOL Plc. has introduced its first Equal Opportunity Plan, valid for the period 2010 – 2012. The plan covers all the employees of MOL Plc. and pays special attention to the rights of women, single parents, parents with two or more children under ten years of age, those persons with any kind of disability and employees who are over 50 years of age or those who belong to a national or ethnic minority. The main purpose of the plan is to improve the situation of these employee groups and to focus on their special needs. As a result, in 2012, through the work of the Equal Opportunity and Rehabilitation committee, we implemented the planned programmes and carried out two successful rehabilitation procedures.



Hawasina branch office, Oman

## Communities

### Community relationships

With the involvement of local communities we have managed to continue many of our previously successful programs.

INA launched its 'How good is your vision' campaign at several filling stations in June. The goal was to provide vision acuity checks for customers, free of charge. Eye examinations were done by experts from our partner organisation Essilor using the Visiotest device. A total of 329 checks were made and we received very positive feedback from our customers.

Our Retail division has continued and expanded its campaign which offers local farmers the opportunity to sell their fresh vegetables and fruit at the filling stations of MOL, Slovnaft, INA and INTERMOL.

### Social investments

MOL Group, which is a leading multinational energy company present in more than 40 countries, aspires to maintain a leading position in the field of good corporate citizenship. The company has prepared its corporate giving strategy based on its corporate and business strategy and through integrating the results of stakeholder dialogues and surveys. This group-wide strategy outlines the main priorities for MOL Group's corporate citizenship, through establishing valuable, sustainable and responsible programmes.

Its three main pillars are:

- General social interest
- Stakeholder relations & environmental protection
- The Business approach



MOL's New Europe Foundation has provided help to young talents in sports, the arts and science since 2006. Young people (under 18) can apply for funding for equipment or travelling costs. In the first half of 2012 more than 150 sportsmen and women from 40 different sports received our support.

See: [MOL Group Corporate Giving Principles](#)

Since MOL is paying increasing attention to society's real needs, it is of paramount importance for our beneficence to have positive effects on society. MOL Group strives to implement its own initiatives (which are related to its main areas of operation where possible) to provide concrete solutions to the real needs of local communities. For example:

- supporting niche programs which promote the health and education of children
- supporting young talents in sport, the arts and science
- activating local communities

Our goal is that MOL's corporate giving should act as an initial push and make a contribution to creating further value. We would like to see our support multiplied and for the causes we work with to prosper and attract further support and funding.

See: [MOL Group's support and cooperation activities](#)

Social investments in key countries and regions in the first half of 2012:

Indicator	Unit	Hungary	Slovakia	Croatia	Romania	International Upstream	Italy	Total
Donations in cash	HUF million	313.6	62.4	80.5	94.5	9.7	0.4	561.3
In-kind giving (product/services)	HUF million	3.7	14.1	0.8	0.0	32.7	0.3	51.6
Employee volunteering	hours	368	503	176	0	0	0	1,047

## Some examples of MOL Group's most recent social investments:

### MOL

The **Green Belt programme** has been supporting local initiatives for six years in their efforts to make the local environment cleaner and 'greener'. The programme, which involves local communities and is designed to improve cooperation between them, was **opened to applications from apartment blocks**. This programme was initially created for small rural communities but by adding this new group of participants, urban apartment blocks residents will also benefit from the possibility of greening their courtyards.

Due to the success of last year's **bikePoint programme**, MOL decided to **widen the scope** of this project. A bikeStation is now open every day (12-24) in the centre of Budapest and provides free repair services and advice to bikers. Moreover, MOL offers free bike rental services at the biggest Hungarian festivals (VOLT, Balaton Sound and Sziget). A BikeAmbulance is also available at Tihany, a central location on the most popular bike trail around Lake Balaton.

### Slovnaft

In cooperation with the theatre 'Mala scena' and transporter 'SAD Dunajska Streda' MOL launched a project called **With Slovnaft to the theatre**. This project responds to the common problem that youngsters in grammar schools located in smaller towns and villages with poor public transport do not have the opportunity to enjoy cultural resources such as the theatre. MOL supplies transport to pupils from schools to theatres.

Slovnaft has joined the new corporate volunteering program **Helping heads**. Employees of companies that are involved share their business skills and knowledge with selected NGOs so they can better fulfil their missions.

### INA

Even now, years after the war in the former Yugoslavia, Croatia has many areas which are still mined. INA, taking its social responsibility seriously, gives significant support to the **Croatia without mines** de-mining operations in the country. This year it is supporting mine removal in area near the town of Petrinja in Sisak-moslavina County.

INA has made donations to Centre M.A.R.E, which is a centre for the rehabilitation and education of children injured by landmines. The donation is helping the construction work on the Centre's building to be completed and to ensure that projects for the **psychosocial reintegration and rehabilitation** of children and young adults who are victims of landmines can get underway.

### International Upstream

In its operating areas, MOL always strives to understand local community needs and then to create tailor-made social investment action plans for each area. Community development projects undertaken in the Siberian and Middle-East Region are of a diverse nature since they focus on meeting immediate requirements that are needed to improve the lives of the poor and underprivileged. They include:

- Russia (Baitex): Donations for a Social Rehabilitation Centre for Children
- Pakistan (MOL Pakistan):
  - Construction and establishment of a primary school in Gurguri
  - Setting up free Medical & Eye camps
  - Construction of Water Supply Scheme at Islamabad
- Kurdistan (Kalegran): A school renovation program
- Oman (Hawasina LLC Oman Branch): Building drinking water fountains for school children.

### IES

On 20<sup>th</sup> May an earthquake hit Pianura Padana, followed on the 29th May by other two major earth tremors (nearly 6.0 on the Richter scale). The earthquake caused great damage and was responsible for the deaths of 26 people. IES employees **helped the victims** of this tragic event by providing food, towels, bed sheets, underwear and other basic materials and also toys for children.



## Human Rights

MOL Group respects fundamental human rights which are described in our [Group Code of Ethics](#). For the first time, in 2012, all country chairmen – as part of their annual ethics related duties – have to report on the human rights-related risks of the given country they are working in and draw up relevant mitigation plans.

Furthermore, we can hereby state that MOL Group is not engaged in activities which affect indigenous people. Nevertheless, our modus operandi ensures the safeguarding of the rights of tribal populations.



## Economic Sustainability

This focus area – as part of the sustainability framework – covers those topics which are considered to be important factors in the long-term economic success of the company. Other ‘Business-as-usual’ economic performance is detailed in the [‘2012 Half Year Report of MOL Group’](#). In this chapter you will find only a brief summary of our financial results on page 28.



## Ethics and compliance

*Related objective: “Increase awareness of ethics and improve ethics management”*

In the first half of 2012 we focused on the training and communication of the modified Code of Ethics within the framework of Ethics management.

The Ethics Council began 3 investigations in 2011 which were completed in 2012. Ethical misconduct was proved with one case of verbal harassment and the storage of inappropriate pictures using company equipment.

Primary topics for investigation are ethical issues related to employees (especially, harassment-related issues). The table below shows the topics of ethical notifications and investigations and the results of ethical investigations, classified by stakeholder.

Stakeholder	Type of Notification	Investigated	Ethical misconduct
Customers	-	-	-
Shareholders	Endangering of the company's reputation	No*	-
Employees	Harassment (5)	Yes (2)	Yes (1) Ongoing (1)
	Unfair process	Yes	Yes
	Discrimination (2)	Yes (2)	No (1) Ongoing (1)
	Inappropriate working conditions	Yes	No
	Endangering of personal rights	No*	-
Health, safety and environmental protection (HSE) and property protection	Alcohol problems	Yes	Ongoing
	Safety	Yes	No
Government affairs and involvement in politics	-	-	-
Local communities and society in general	-	-	-
Suppliers and business partners	Inappropriate quality of work	Yes	No
	Corruption (2)	Yes (2)	No (1) Ongoing (1)
	Conflict of interest	Yes	No
	Discrimination	No*	-
Competitors	-	-	-
<b>Total</b>	<b>13**</b>	<b>7**</b>	<b>2</b>

\* The Ethics Council did not consider there were sufficient grounds for an ethics investigation or the Ethics Council was not competent in the case.

\*\* Several notifications concerned multiple stakeholders.

In the first half of 2012 our Compliance Team mainly focused on: (i) undertaking a risk analysis of competition law in order to ensure our operations comply; (ii) improving compliance awareness

across the MOL Group (including new training events as of September 2012); and, (iii) improving the compliance-related activities of core Downstream areas in Hungary, Croatia and Slovakia and further developing and extending them to 5-6 other relevant European countries.

## Transparency

*Related objective: "Develop and implement a framework for local (site/company/country-level) SD reporting"*

In addition to the MOL Group integrated annual report, all the major companies of the MOL group have also disclosed their sustainability performance in annual or sustainability reports or on the company's website (Slovnaft, TVK, INA, MOL Pakistan, etc.). Moreover, INA's report meets the requirements of the GRI (Global Reporting Initiative) reporting guideline at the highest ('A') level.

In order to receive feedback from our stakeholders in a systematic way we continued our stakeholder dialogue program in 2012. Events and activities included:

- the executive management of the European Workers' Council (EWC) – together with MOL experts – analysed workforce-related information published in the MOL Group Annual Report and web pages;
- a roundtable discussion on the topic of the environment with relevant stakeholders (e.g. environmental authorities, national parks and green NGOs) was organised in Százhalombatta;
- sustainability professionals who represent external stakeholders (such as universities, NGOs, businesses and consultancies) had the chance to examine and provide feedback on MOL Group's sustainability performance and reporting practices;
- A 'green day' was organised in Slovnaft to present the refinery's environmental performance to relevant NGO's.

## Customers

*Related objective: "Achieve and maintain a high level of customer satisfaction"*

One of the main initiatives in this field is to improve the level of customer service in Retail.

For customers, staff behaviour is the third most important factor after the price of fuel and the quality of filling stations - a fact unveiled through the analysis of a customer engagement survey run by a third party market research company. In order to continuously improve service quality – which should lead to the winning of new customers and the retention of existing ones - staff training is of key importance. For this reason our retail division kicked off a programme in 2011 which employs an internal trainer who trains and prepares filling station managers to efficiently transfer knowledge about customer handling, sales techniques, and business requirements to their colleagues, the filling station staff. This programme has already been put into practice in Hungary and Romania and is under implementation in Slovakia. In Croatia the training model will be designed with respect to the specifications of local network operations. We believe that customers will be more engaged and more willingly return to MOL Group filling stations if they are served by properly trained, polite staff.

## Financial results

In the first half of 2012, MOL delivered HUF 269 bn of EBITDA (excluding special items) which is 24% less than last year. The main reason for this was partly the absence of revenue from Syria in 2012 which amounted to HUF 43 bn in H1 2011. Additionally, Downstream also booked losses on inventories and FX items (in contrast to the noteworthy gains of 2011) which were attributable to a HUF 60 bn difference in EBITDA.

In Upstream, in addition to the aforementioned factors, both the lower level of hydrocarbon production and Hungarian and Croatian natural gas price regulations had a significant negative impact on the Group's performance. These factors could only have been partly offset by increasing realized hydrocarbon prices and favourable FX movements.

The 'Clean' CCS-based Downstream result was negatively affected by depressed regional demand and an extremely unfavourable environment for petrochemicals. The somewhat improved external environment in Refining and Marketing and management efforts to improve the product slate and efficiency only partly managed to counterbalance these negative developments.

MOL realized an operating cash flow of HUF 151 bn during the first six months of 2012 (up 29% y-o-y) that further strengthened the Group's financial position. As a result, our net gearing ratio decreased to 27.7% from 2011 year's end.

For more information, please visit our [2012 Half Year Report](#).

#### Direct economic value generated and distributed

Data in this section is calculated using GRI definitions about economic sustainability reporting (see more detail about this on the [MOL website](#)).

MOL Group **revenues** increased by 4.5% in H1 2012 compared to H1 2011, reflecting a higher average sales prices. **Operating costs** increased by 14% mainly as a result of increasing raw material costs due to the increase in the purchase price of crude oil and a weaker HUF. **Company cash added value** decreased by 23% mainly due to the increase in payments to capital investors and the drop in profit during this period. **Employee wages and benefits** exceeded the base value and were mainly determined by a weakened HUF and the conversion of foreign subsidiary data to HUF. **Payments to Capital investors increased** as a result of the dividends paid to shareholders based on Y2011 profits. **Payments to governments** were slightly less than for the same period of the previous year due to the decrease in corporate tax on the lower profit made in H1 2012.

#### Direct economic value generated and distributed

Indicator	Unit	H1 2009	H1 2010	H1 2011	H1 2012	Change 2012/2011	GRI code
Revenues	bn HUF	1 409,0	1 966,5	2 573,2	2 689,2	4,5%	EC1
Financial assistance received from government	bn HUF	0,2	0,5	0,4	0,6	50,0%	EC4
Operating costs	bn HUF	1 048,5	1 495,1	1 940,6	2 204,3	13,6%	EC1
Cash added value (company cash)	bn HUF	360,5	471,4	632,6	484,9	(23,3%)	EC1
Employee wages and benefits	bn HUF	70,5	128,6	126,9	130,2	2,6%	EC1
Capital investors	bn HUF	20,2	112,9	32,5	68,8	111,7%	EC1
Payments to governments	bn HUF	81,5	128,8	138,2	133,7	(3,3%)	EC1
Economic value retained	bn HUF	188,3	101,1	335,0	152,2	(54,6%)	EC1

Notes: data above is non-audited.

## Performance Data

Short Name	Unit of Measurement	2010	2011	2010 H1	2011 H1	2012 H1	Change 2012 H1/ 2011 H1 (%)	GRI Code ***
<b>Climate Change</b>								
<b>Greenhouse Gas Emissions</b>								
CO <sub>2</sub> under ETS	mn tonnes	4.87	4.73	2.25	2.39	2.09	-13	EN16
CO <sub>2</sub> INA	mn tonnes	2.13	2.02	0.97	0.83	0.74	-11	EN16
Total Indirect GHG (Scope-2)	mn t CO <sub>2</sub> eq	1.47	1.54	n.a.	n.a.	0.75	n.a.	EN17
Total Indirect GHG from product use (Scope-3)	mn t CO <sub>2</sub> eq	55.44	57.14	25.89	27.34	24.81	-9	EN17
<b>Energy Consumption*</b>								
Total primary energy consumption	mn GJ	103.8	100.9	33.8	46.0	43.4	-6	EN3
Total indirect energy consumption	mn GJ	19.2	20.2	10.2	9.1	9.9	9	EN4
<b>Total energy consumption</b>	<b>mn GJ</b>	<b>123.1</b>	<b>121.1</b>	<b>43.9</b>	<b>55.0</b>	<b>53.3</b>	-3	
<b>Environment</b>								
<b>Water</b>								
Total water withdrawals	th m <sup>3</sup>	94,162	95,930	59,118	50,458	43,145	-14	EN8
<b>Waste</b>								
Hazardous waste	tonnes	92,918	89,895	30,088	38,785	33,313	-14	EN22
Non-hazardous waste	tonnes	77,604	68,783	23,973	21,332	24,257	14	EN22
<b>Spills and discharges*</b>								
Number of spills	pieces	26	28	10	18	27	50	EN23
Volume of spills	m <sup>3</sup>	186	525	26	283	637	125	EN23
<b>HSE related expenditures*</b>								
For provision release	mn HUF	2,478	n.a.	549	1,136	1,430	26	
HSE related penalties	mn HUF	11.06	53.35	4.20	8.72	5.39	-38	EN28
Number of environmental non-monetary sanctions	pieces	0	0	0	0	0	n.a.	EN28
<b>Health and Safety</b>								
Lost Time Injury (LTI)	pieces	104	120	33	63	55	-13	LA7
Lost Time Injury Frequency (LTIF)		2.25	2.15	2.31	2.26	1.97	-13	LA7
Total Reportable Occupational Illnesses Frequency (TROIF)		0	0	0	0	0	0	LA7
Fatalities - employees	pieces	1	1	1	0	1	100	LA7
Fatalities - contractors	pieces	2	5	2	5	3	-40	LA7
Fatalities - 3 <sup>rd</sup> parties	pieces	1	5	0	3	0	-100	LA7
LTI for contractors	pieces	42	50	20	28	21	-25	
Number of fires	pieces	29	40	7	18	19	6	
Fire damage	mn HUF	975.4	3,177.2	537.5	71.5	16.9	-76	
Road accident rate (RAR)		1.22	1.70	1.09	1.34	1.64	22	LA7
<b>Human Capital</b>								
<b>Employees</b>								
Total workforce	ppl	32,601	31,732	34,673	32,004	31,392	-2	LA1
Number of part-time employees	ppl	191	261	185	232	280	21	LA1
Number of full-time employees	ppl	32,410	31,471	34,488	31,772	31,112	-2	LA1
Leavers	ppl	3,243	2,338	105	229	230	0	LA2
Employee turnover rate	%	9.9	7.4	0.3	0.7	0.7	-3	LA2
<b>Communities</b>								
Donations	mn HUF	1,861	3,230	282	281	561	100	EC8
In-kind giving (products and services)	mn HUF	47	49	14	31	52	64	EC8
Corporate volunteering	hours	2,304	3,348	1,493	380	1,047	176	EC8

Short Name	Unit of Measurement	2010	2011	2010 H1	2011 H1	2012 H1	Change 2012 H1/ 2011 H1 (%)	GRI Code ***
<b>Economic Sustainability</b>								
<b>Economic data</b>								
Revenues	bn HUF	4,350.4	5,448.3	1,966.4	2,573.2	2,689.2	5	EC1
Financial assistance received from government	bn HUF	2.0	0.8	0.5	0.4	0.6	50	EC4
Operating cost	bn HUF	3,300.8	4,288.2	1,495.3	1,940.6	2,204.3	14	EC1
Employee wages and benefits	bn HUF	272.0	255.9	128.6	126.9	130.2	3	EC1
Payments to capital investors	bn HUF	80.7	58.8	113.0	32.5	68.8	112	EC1
Payments to governments	bn HUF	278.4	289.8	128.7	138.2	133.7	-3	EC1
Economic value retained	bn HUF	418.6	555.6	100.9	335.0	152.2	-55	EC1
Research and development spending	mn HUF	1,842.7	1,909.9	728.3	390.7	636.1	63	
<b>Ethics</b>								
Ethical notifications	number	11**	38	6**	24	19	-21	
Ethical investigations	number	7**	20	3**	12	9	-25	
Ethical misconducts	number	4**	2	0**	2	2	0	

“n.a.” indicates where no data is available.

\* 2010 H1 data is without INA

\*\* Without INA

\*\*\* For more information about the GRI indicators please visit the [MOL website](#).



Exchange rate based on 2012 average

1 HRK = 39.32 HUF

1 EUR = 295.40 HUF

1 USD = 230.90 HUF

1 RON = 67.40 HUF

## Abbreviations Used

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**ADR** = International Transport of Dangerous Goods by Road

**CMS** = Career Management System

**EBITDA** = Earnings before interest, tax, depreciation and amortisation

**EIA** = Environmental Investigation Agency

**ENRAC** = Energy Rationalisation

**ENVID** = Environmental Impact Identification

**EWC** = European Works Council

**ETS** = Emission Trading Scheme

**FGD** = Flue-gas Desulfurization

**GHG** = Greenhouse Gas

**GRI** = Global Reporting Initiative

**HAZID** = Hazard Identification

**HAZOP** = Hazard and Operability Study

**HSE** = Health, Safety and Environment

**HVC** = High Value Chemical

**IPPC** = Integrated Pollution Prevention and Control

**ISCC** = International Sustainability and Carbon Certification System

**IR** = Investor Relations

**JSA** = Job Safety Analysis

**LDAR** = Leak Detection and Repair

**LOPA** = Layer Of Protection Analysis

**LTI** = Lost Time Injury

**LTIF** = Lost Time Injury Frequency

**MoC** = Management of Change

**NGO** = Non-Governmental Organisation

**PMS** = Performance Management System

**PSI** = Process Safety Information

**PSM** = Process Safety Management

**PTW** = Permit to Work

**R&D** = Research and Development

**RAR** = Road Accident Rate

**REF BREF** = Best Available Techniques in Refining

**RID** = International Transport of Dangerous Goods by Rail

**SD** = Sustainable Development

**SIL** = Safety Integrity Level

**SN** = Slovnaft

**SPC** = Slovnaft Petrochemicals

**TROIF** = Reportable Occupational Illness Frequency

**VOC** = Volatile Organic Compound