

MOL GROUP MATERIALITY ASSESSMENT REPORT

July 2021



INTRODUCTION: A NEW MATERIALITY

During H2 2020, an **in-depth materiality assessment** was undertaken to identify (and confirm) sustainability related issues that are the most material for the Group. The assessment was partly undertaken with a view to ensure that the most material issues are continually highlighted and described in more detail across the Integrated Annual Report, whilst aligning MOL Group's reporting practice to the recently updated and published 2030+ strategy. The outcome of the assessment is a **new Materiality Matrix** which presents the most material issues facing the Group based on a combination of impact to the Group and importance to external stakeholders.

The materiality assessment and the subsequent materiality matrix seeks to reflect the rapidly changing and constantly evolving sustainability landscape as well as its growing complexity. One of the objectives for redesigning our materiality methodology was for the process to provide greater insights into the ever-expanding eco-system of sustainability related matters, risks and opportunities. The assessment allowed us to understand how sustainability issues have evolved since the last assessment, and to analyze and understand the increasing interdependence and interconnectedness of financial and non-financial (sustainability) issues and the ways in which these issues link and overlap so as to influence, impact and amplify each other (for example the link between refinery production/maintenance, air emissions, air quality, community grievances and community engagement).

APPROACH, UNDERSTANDING AND OBJECTIVES OF MATERIALITY

Materiality assessments at MOL Group are mainly conducted for the purposes of informing sustainability disclosures towards capital markets as well as the Group's wider stakeholder base. Renewal of the materiality matrix provided us with a fresh check on whether we are disclosing the right information, being transparent in the right areas, and using the right indicators.

From a reporting point of view, the Group's materiality assessment and materiality matrix were applied in order to determine how much information to include in corporate reports so as to achieve the Group's **reporting objectives** and make the information useful to audiences, especially providers of capital (shareholders, analysts, lenders etc.) in their efforts to integrate sustainability information into core investment and stewardship activities.

Insights gathered from materiality assessments continue to inform the Group's disclosure and transparency efforts on material and non-material issues. However, materiality assessments conducted at the Group will likely fulfill a greater purpose beyond satisfying reporting and disclosure requirements. Our materiality assessments are also used to engage various external stakeholders whilst involving internal staff as it supports the efforts of raising the profile of sustainability topics across the Group. Furthermore, materiality assessments can be used to elevate these into a more strategic decision-making role, the findings of which being absorbed by different divisions, functional areas and risk management systems. The concept of materiality can be applied in a range of contexts including prioritize risks, understand impacts, make internal decisions, develop strategic direction and set key performance indicators. Furthermore, materiality assessments can feed into strategic discussions and ultimately inform strategic decisions.

DEFINITION OF MATERIALITY

There is a wide range of definitions of materiality that could all potentially apply to the Group. However, given the company specific nature of materiality, MOL Group created the following the definition that helped us inform the process of defining material topics:

In determining whether or not a matter is material, the Group considers whether the issue substantively affects, or has the potential to substantively affect, the Group's strategy, our business model, our operations, the financial health of the Group, and is of such relevance that it could change the assessments of providers of financial capital with regard to the organization's ability to create value over the short, medium and long term, and is of such importance to our stakeholders that it could potentially affect the relationship with them.

BOUNDARY, ISSUE IDENTIFICATION & CATEGORIZATION

The boundary of the 2020 materiality assessment was determined to be an operational control approach in line with the Group's sustainability report. The first step was to collect an initial list of sustainability related topics drawing using both in-house expertise and a number of external sources. These external sources include but were not limited to:

- **Industry peers:** MOL Group assessed industry peers operating across the entire hydrocarbon value chain where MOL Group is currently operating. These included integrated Oil & Gas companies, but also stand-alone (pure play) companies in the following sub-industries: Exploration & Production, Refining & Marketing, Petrochemicals and Fuel retailers, which are MOL Group core businesses. Additionally, given the long-term strategy of MOL Group transforming from fuel to chemicals and from fuel retail to convenience retail, the benchmarking was further expanded to include a number of stand-alone (pure play) specialty and diversified chemical companies, as well as a number of companies operating in consumer discretionary (restaurants, coffee chains) and consumer staples (hypermarkets, food retail).

- **Reporting Standards and Frameworks:** Though a variety of standards and frameworks exist, MOL Group applied key reporting frameworks/standards from three different source: IPIECA, SASB, GRI and the WBCSD. These included the [Mapping the oil and gas industry to the Sustainable Development Goals: An Atlas](#), and the [Sustainability reporting guidance for the oil and gas industry](#) both published by IPIECA, although the latter in conjunction with the American Petroleum Institute (API) and the International Association of Oil & Gas Producers (IOGP). Furthermore, MOL Group incorporated the Sustainability Accounting Standards Board (SASB) [Materiality Map](#) in the assessment in two ways. 1) it helped test our own materiality assumptions against sustainability issues that SASB sees likely to affect the financial condition or operating performance in industries in which MOL Group is currently operates (**state of being material**): Oil & Gas – Exploration & Production, Oil & Gas – Midstream, Oil & Gas – Refining & Marketing (*Extractives & Minerals Processing*). And 2) it helped us identify sustainability issues that are likely to affect the financial condition or operating performance of companies in industries in which MOL Group is expanding into (**process of becoming material**): including chemicals (*Resource Transformation*), Car Rental & Leasing (*Transportation*), Multiline and Specialty Retailers & Distributors (*Consumer Goods*), as well as Biofuels (*Renewable Resources & Alternative Energy*). Additionally, pending the publication of the revised [GRI sector standard for oil and gas](#) in H2 2021, we applied the G4 Sector Disclosures for the Oil & Gas industry. Finally, we included two Climate-related financial disclosure reports created by the World Business Council for Sustainable Development (WBCSD) for both [oil and gas](#) and [chemical sector](#) companies.

- **ESG Ratings and index firms:** these included topics included in the Group's submission of response to MSCI, Sustainalytics, SAM Corporate Sustainability Assessment (OGX Oil & Gas Upstream & Integrated), CDP and Ecovadis. Furthermore, several others were included, such the S&P Global [ESG Risk Atlas](#) or the [Bloomberg Environmental & Social Scores \(Oil & Gas\)](#).

- **Industry Associations and Others Organizations:** MOL Group assessed a number of publications from industry associations of which some MOL Group is a member, including from IOGP, CEFIC and Fuels Europe. Thought papers, in-depth studies and industry reports are continuously included in the materiality assessment process.

Based on this research, we gathered more than 100 topics that are **relevant** for the oil & gas industry as a whole (see LIST OF ISSUES AND TOPICS on the last two pages of this document). These topics were then clustered into twenty different so-called "issues". The list of these 20 issues can be seen below:

CLIMATE CHANGE & ENVIRONMENT	HEALTH & SAFETY	PEOPLE & COMMUNITIES	INTEGRITY & TRANSPARENCY
Emissions & Air Quality	Occupational Health & Safety	Labor Practices	Business Ethics
Energy Use	Process Safety	Employee Engagement	Supply Chain
Effluents & Waste		Community Engagement	Governance Structure & Oversight
Water		Human Rights	Trusted Products
Biodiversity			Site and Cyber Security
Low Carbon & Circular Economy			Public Advocacy
Sustainable Investing			Shared Wealth & Economic Impact

The list of issues presented above was, wherever possible, aligned with up-to-date external ESG terminology, taking into consideration Group strategy, policies, and processes. These twenty different issues were then placed under each of the Group's four **Focus Areas** for sustainability: Climate & Environment, Health & Safety, People & Communities, and Integrity & Transparency. This ensures both consistency with the Group's reporting practices and its sustainability strategy.

Following the collection of 100 sustainability topics, and the clustering of these into the 20 issues above, the next step was to determine which of these are **material** to MOL Group. When determining whether an issue is material, it would need to meet two conditions based on the definition of materiality. Firstly, it impacts our business significantly in terms of growth, cost or risk. And secondly, it is important to our stakeholders and they expect us to take action on the issue.

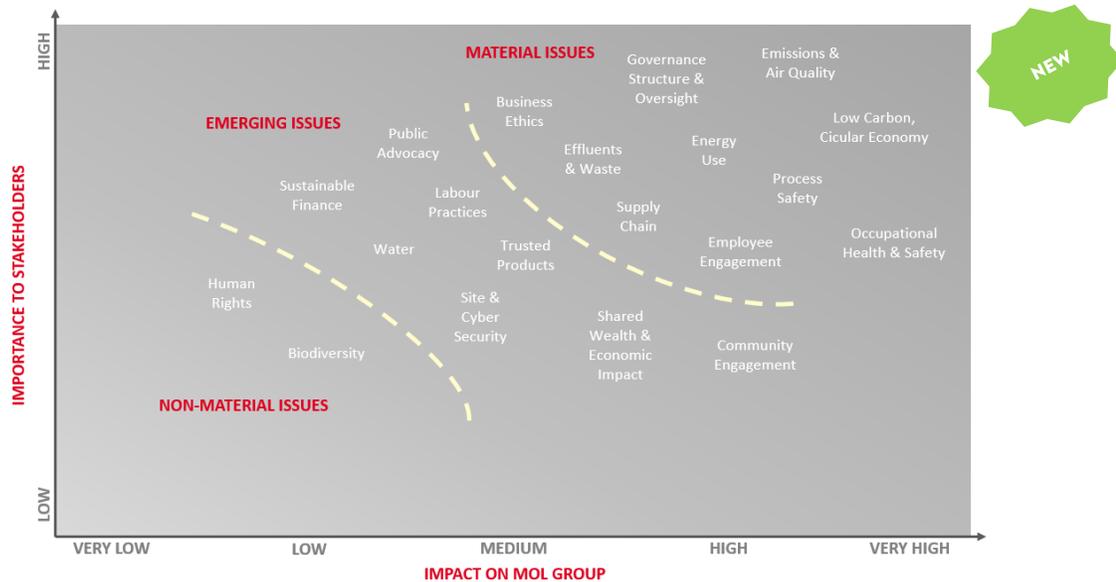
We then proceeded to prepare a list of both internal staff and external stakeholders that were determined to be key in providing a meaningful perspective on MOL Group's current sustainability landscape and future risks and opportunities. Internal stakeholders included but were not limited to Group-level senior management, divisional managers (Upstream, Refining, Logistics, Petrochemicals, Retail etc.), managing directors of all major Downstream sites, country CEOs, as well as subject matter experts from across the Group. External stakeholders included but were not limited to capital market participants, customers, NGOs and unions. Each of the 20 issues were discussed in-depth with all internal stakeholders on a separate basis with individual responses not shared amongst participants. The individual response to each of the 20 issues was scored using a 1-5 range. The range of 1 to 5 was done as follows:

1	2	3	4	5
Very low	Low	Moderate	High	Very High

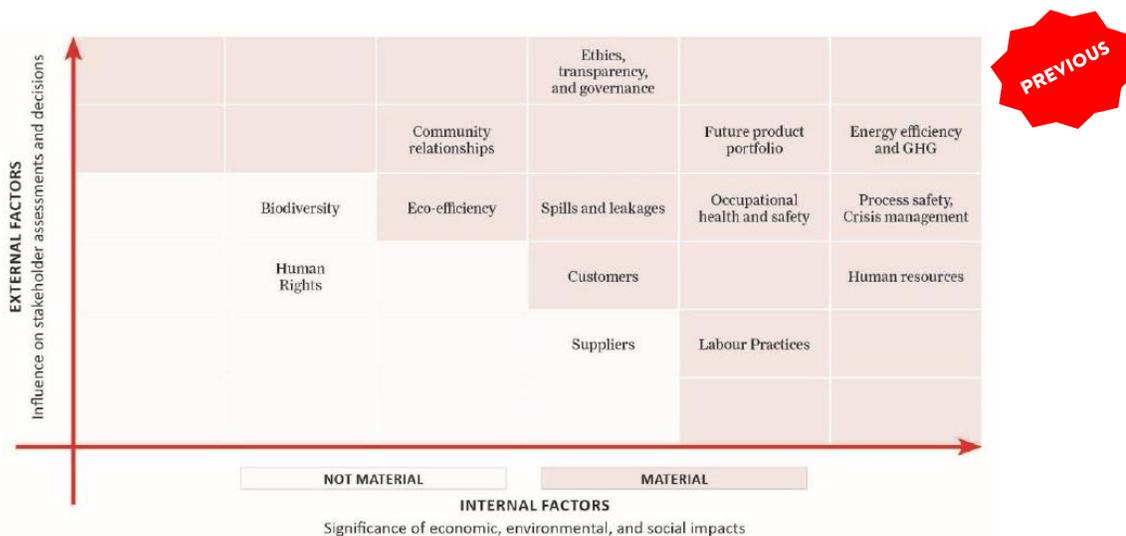
During the discussions, the so-called **double materiality** was introduced so as to steer the conversations and responses towards both the impact of MOL Group to the external environment as well as the external environment impact on MOL Group.

Each internal interview was placed inside either of three major divisions of the Group: Upstream, Downstream (incl. Refining, Petrochemicals and Logistics,) and Consumer Services (incl. Retail and Mobility). In order to properly reflect the weight of each response, Upstream specific responses were weighted against production for each operating country, Downstream activities were weighted using capacity, whereas Consumer Services was weighted using the size of each retail network for each country. The result of this bottom-up approach was that we were equipped with three different understanding of materiality for each of

the three main divisions (Upstream, Downstream and Consumer Services), which from a reporting point of view helps the Group reporting objectives in determining the matters to be included in the Group's Annual integrated report, not only on a Group level, but also by focusing MOL Groups divisional reporting in the MD&A to material issues further useful to external audiences. The three individual scores for Upstream, Downstream and Consumer Services were then combined into a single Group level materiality scores using a basket of KPIs including but not limited to revenues, capital expenditures, earnings etc. External responses were equally weighted using a simple average so as not to create an overweight of one group at the expense of the other external groups. The outcome from the results of all internal/external conversations is the below **Materiality Matrix**:



The expanded number the materiality issues compared with the previous materiality matrix (below) reflects not only the Group's strategy, but an approach of aligning topic names with the constantly evolving sustainability landscape, and the continually expanding ESG terminology used by financial and non-financial stakeholders. The new terminology applied in the new matrix should allow all stakeholders to better understand the major sustainability areas that are material to the Group, both current and emerging.



Group level issues considered material in the new materiality matrix are related to **climate change and environment** (emissions, waste, spills, energy and the transition to a low-carbon circular economy), **health and safety** (occupational and process safety), **integrity and transparency** (ethical behaviour, good governance and supply chain), as well as **people** (employee engagement). We also introduced the concept of emerging materiality in order to classify issues and make reporting clearer.

REPORTING OF MATERIALITY

Material issues are predominantly addressed inside the sustainability report (SR). However, other parts of the Integrated Annual Report also cover material and emerging issues, including Management Discussion & Analysis (MDA), Corporate Governance Report (CGR) and Financial Statements & Accounts (FSA). Supportive background information is covered in the GRI Reporting Table (GRI) with the Data Library (DL) containing 600+ ESG indicators broken down, where applicable, by country, site, age group, gender etc. Overview of where to find each issue can be obtained below:

MATERIAL ISSUES	INTEGRATED ANNUAL RERPORT				ESG REPORTS	
	MDA	CGR	FSA	SR	DL	GRI
Emissions and Air Quality	X		X	X	X	X
Low Carbon, Circular Economy	X			X	X	X
Energy Use				X	X	X
Governance Structure and Oversight		X			X	X
Process Safety	X			X	X	X
Occupational Health & Safety	X			X	X	X
Effluents and Waste	X			X	X	X
Supply Chain				X	X	X
Employee Engagement	X			X	X	X
Business Ethics				X	X	X

EMERGING ISSUES	INTEGRATED ANNUAL RERPORT				ESG REPORTS	
	MDA	CGR	FR	SR	DL	GRI
Labor Practices				X	X	X
Trusted Products	X					X
Site and Cyber Security				X		X
Shared Wealth and Economic Impact			X	X	X	X
Employee Engagement				X		X
Water				X	X	X
Public Advocacy				X		X
Sustainable Capital Markets	X					X

NON-MATERIAL ISSUES	INTEGRATED ANNUAL RERPORT				ESG REPORTS	
	MDA	CGR	FR	SR	DL	GRI
Biodiversity					X	X
Human Rights				X	X	X

DIVISIONAL MATERIALITY

Whilst there are common material issues given that each division is after all present on different stages of the hydrocarbon value chain, it also became clear that despite operating across the hydrocarbon value chain, **differences in materiality** among each of Group's three main divisions exist as they operate different facilities in different geographies with a diverse set of stakeholders. Disclosure of divisional differences should in turn strengthen the understanding of the sustainability risk profile of MOL Group as a whole (disclosure of material information was expanded towards divisional level for the 2020 Integrated Annual Report). Divisional level issues considered material are presented throughout the Management, Discussion and & Analysis as well as the Sustainability Report and includes a number of indicators cross-referenced to SASB Accounting Metric codes alongside supportive narrative. The five issues with the highest impact for each division (based on the internal feedback) are presented below, including page reference:

UPSTREAM	DOWNSTREAM	CONSUMER SERVICES
Process Safety	Occupational Health & Safety	Employee Engagement
Emissions and Air Quality	Employee Engagement	Business Ethics
Occupational Health & Safety	Emissions and Air Quality	Trusted Products
Low Carbon, Circular Economy	Low Carbon, Circular Economy	Occupational Health & Safety
Effluents and Waste	Process Safety	Low Carbon, Circular Economy

Upstream and Downstream operate complex assets and significant physical infrastructure with a number of safety hazards, hence why Occupational Health & Safety and Process Safety are material issues. These two divisions constitute 99% of the Group emissions, and both will be impacted by rising carbon costs and the transition to a carbon constrained, circular economy, hence reducing carbon footprint, whilst adapting a low-carbon world are key issues. Waste in the form of spills is material for Upstream, whereas employee engagement is key for Downstream as it transforms itself from fuel to chemicals, with a need to attract and retain highly skilled STEM workforce. In contrast, the Group's Consumer Services division (retail and mobility) is a much more consumer-oriented business. The main material issues highlight the importance of engaged, honest and trained workforce (employee engagement and business ethics), offering trusted products to their retail and mobility customers. Furthermore, the transition to low-carbon economy and the electrification of transportation will impact fuel retail. And whilst less exposed to traditional safety hazards found in refineries or upstream sites, the spread of Covid-19 underscored safety as a fundamental issue given the high level of interaction between staff and the thousands of clients coming through the Groups retail chain network.

LIST OF ISSUES AND TOPICS

CLIMATE CHANGE & ENVIRONMENT		
Emissions and Air Quality		
Direct Greenhouse Gas Emissions	Indirect Greenhouse Gas Emissions	Flaring and Venting
Air Emissions	Smell, Dust and Noise	Emissions reduction targets
Emission Cap and Trade Schemes	Carbon Tax and Pricing	Carbon Border Tax
Energy Use		
Direct Energy Consumption	Indirect Energy Consumption	Energy reduction targets
Energy Efficiency	Clean Energy	
Effluents and Waste		
Non-hazardous materials	Hazardous and Toxic Materials	Spills (On- and off-shore)
Plastic Waste and Regulation	Industrial Waste	Consumer Waste
Water		
Water Stewardship	Water Scarcity and Stress	Drought
Rising sea-level	Flooding	
Biodiversity		
Land Acquisition and Use	Deforestation and Forest Degradation	Depletion of Flora and Fauna
Low Carbon, Circular Economy		
Renewable and Clean Energy	Electrification of Mobility	Alternative Fuels
Energy and Resource Efficient Products	Environmentally Friendly Properties	R&D and Innovation
Public and Shared mobility	Bio-based Materials and Refining	Waste Recycling
Sustainable Finance		
EU Taxonomy	Sustainable Investing	Green Finance
HEALTH & SAFETY		
Occupational Health & Safety		
Personal Safety	Road and Transportation Safety	Contractor Safety
Retail safety	Safety Culture and Compliance	Work-related Illnesses
Process Safety		
Equipment Malfunction	Corrosion and Metal Fatigue	Pipeline Integrity
Chemical Releases	Aging Infrastructure	Fires and Explosions
PEOPLE & COMMUNITIES		
Labor Practices		
Freedom of Association & Collective Bargaining	Diversity & Inclusion	Equal Remuneration
Maternity and Paternity Protection	Flexible Working Schemes	Living Wage
Non-discrimination	Child and Forced Labour	Compensation and Benefits
Employee Engagement		
Training and Development	Performance Appraisal	Attraction and Retention
Employee Wellbeing		
Community Engagement		
Local Employment	Land acquisition	Grievances and complaints
Volunteering	Decommissioning	Rural Development
Local Collaboration and Dialogue	Involuntary resettlement	
Human Rights		
Rights of Indigenous People	Cultural Resources	Land Rights
Modern Slavery	Security Providers	

INTEGRITY & TRANSPARENCY		
Business Ethics		
Bribery and Corruption	Antitrust and Fair Competition	Fraud and money-laundering
Insider Trading and Market Manipulation	Codes of Conduct	Integrity and Protection of Whistleblowers
Values and Culture		
Supply Chain		
Sustainable and Responsible Procurement	Ethical Sourcing	Supplier code of conduct
Contractors	Agency Workers	
Governance Structure and Oversight		
Board Composition and Independence	Regulatory Compliance	Management Incentives
Stakeholder Engagement	Transparency and accountability	External audits and third-party verification
Risk management	Policies and procedures	
Trusted Products		
Responsible Labelling	Responsible Marketing Practices	Product stewardship
Product Quality & Safety	Customer Experience and Satisfaction	Sourcing & Packaging
Customer Safety	Choice & Nutrition	
Site and Cyber Security		
Data Privacy and Protection	Social unrest	Terrorism, armed conflict
Cyber Security	Sabotage, criminal activity	
Public Advocacy		
Political Lobbying	Trade Association Membership	Climate Change Litigation
Shared Wealth and Economic Impact		
Tax Contributions	Payments to Host Governments	Joint Ventures, Partnerships and Acquisitions
Educational Partnerships, Grants and Funding	Dividends to Shareholders	Social investments

More Information, please refer to our Integrated Annual Report (pages 5-6) on the [MOL Group Website](#)

Investor Relations: investorrelations@mol.hu