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STAKEHOLDER ENGAGEMENT PLAN

MMBF Underground Gas Storage Project

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REPORT



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STAKEHOLDER ENGAGEMENT PLAN

Table of Content

1. INTRODUCTION	1
Project description	1
Legal requirements regarding stakeholder consultation and disclosure	2
Aarhus Convention	2
Related Environmental Act and Government Decree	2
Relevant company policies	4
2. PROJECT STAKEHOLDERS	5
Stakeholder categories	6
Government authorities	6
Local inhabitants.....	7
Consumer organisations.....	8
Neighbours potentially affected	8
People affected by land acquisition	8
Clients	9
Suppliers, service providers, construction contractors and their workers/unions.....	9
Company workers and contractors	10
Workers unions.....	10
Civil Society, including NGOs	10
Media.....	10
3. PREVIOUS CONSULTATION AND DISCLOSURE ACTIVITIES.....	11
4. CONSULTATION AND DISCLOSURE PLAN	11
Consultation Plan	12
Disclosure Plan.....	14
5. GRIEVANCE MECHANISM	17

STAKEHOLDER ENGAGEMENT PLAN

1 INTRODUCTION

The European Bank for Reconstruction and Development (EBRD) is considering financing the completion of the conversion of Szőreg-1 reservoir in the depleting Algyő oil field into an underground gas storage facility. In line with the EBRD's Environmental and Social Policy (2008), the project has been screened as Category B and it requires an environmental and social analysis of the investment programme to be financed and an environmental audit of the facility. The EBRD requires that the environmental and social analysis and audit be prepared in compliance with EBRD's Performance Requirements (PRs). A Stakeholder Engagement Plan (SEP) is also required for the project to meet the specific provisions of the EBRD's PR 10: Information Disclosure and Stakeholder Engagement.

This Stakeholder Engagement Plan (SEP) according to the TOR and the Proposed Outline of EBRD includes:

- Brief description of the project;
- Regulatory and lender requirements for consultation and disclosure (particularly in respect of public consultation activities that are directly required under the local permitting process);
- Identification of stakeholders of the project; ,
- Summary of previous consultation activities
- Action plan for further consultation and disclosure for the next stages of the project to meet EBRD's PR 10 and the relevant local requirements; and
- Grievance mechanism.

The level of detail of the plan is scaled to fit the needs of the project.

This report is based on the review of the available documentation in the data room, site visit and interview with Site / Company representatives, review of the additional documents required by MMBF / MOL Plc, personal (email and phone) communications.

1.1 Project description

The Project includes the conversion of a depleted oil field (Szőreg-I) in the south of Hungary (near Szeged and close to the Serbian and the Romanian border) into a 1.9 bcm (billion cubic meter) gas storage facility and its operation for both strategic (1.2 bqm) and commercial (0.7 bcm) storage of natural gas.

The project preparation phase was completed in the first half of 2008, by the time the facility received all necessary permits (e.g. environmental and building permits) to the construction works. As the owner, MMBF Plc contracted MOL Plc (following a tender process in 2006) to construct, commission and operate the Facility. The construction was more than 70% complete by the time of the site visit on the 15th April, 2009. The Facility is planned to be ready for the first testing in August 2009.

The Project includes surface and subsurface elements. The four units of gas handling and treatment location comprise:

- SZBT-1: compressor and gas pre-treatment station
- SZBT-2: gas gathering and distribution station
- SZBT-3: gas gathering and distribution station
- SZBT-4: gas gathering and distribution station

SZBT-1 is the central facility, functions as treatment unit for the natural gas at both pumping into and produce the gas from the geological formation. SZBT-2, -3 and -4 are objects of the same kind connected to SZBT-1 through a main pipeline, and distribute to or gather the gas from the wells depending on pumping in or extraction that takes place.

STAKEHOLDER ENGAGEMENT PLAN

Subsurface elements of the Project include the drilling and operation of 44 new wells in addition to the 163 existing ones. Out of the 207 wells, 193 are vertical and 14 are horizontal.

The predicted environmental and social impacts are expected to be low after appropriate mitigation mainly due to the fact that the Project is developed on an existing mining area. For over 40 years crude oil and natural gas production and treatment has been carried out here. Related facilities like treatment plants, wells and connecting pipelines are also to be found.

1.2 Legal requirements regarding stakeholder consultation and disclosure

Aarhus Convention

Hungary has ratified the Convention on Access to Information, Public Participation in Decision Making and Access to Justice in Environmental Matters (Aarhus Convention) and the Convention on Environmental Impact Assessment in a Transboundary Context (Espoo Convention).¹

The Aarhus Convention differs from international standards in that the responsibility for disclosure resides with the government and not the project sponsor. However, government representatives can only fulfil the requirements of the Aarhus Convention if a project sponsor has fully disclosed all information relating to environmental and social impacts.

The Espoo Convention provides general instructions to governments to notify neighbouring governments on all major projects that may have adverse environmental impact across boundaries.

Compliance with the national requirements will be fulfilled through the implementation of the international requirements outlined below.

Related Environmental Act and Government Decree

In Hungary the environmental permitting procedure and the project related public consultation and disclosure is regulated in the Environmental Act No. 53 of 1995 on the General Rules of Environmental Protection and in the Government Decree 314/2005 (XII. 25.) on Environmental Impact Assessment and IPPC procedure.

According to this Decree, the following procedures must be carried out to the necessary permits of the project elements:

Project elements	Stages of the environmental permitting procedures
Underground gas storage facility–new gas operation (SZBT-1)	<ul style="list-style-type: none"> – Preliminary Assessment (PA) – Environmental Impact Assessment (EIA) – IPPC² procedure
34 new vertical gas wells with a maximum capacity of 500 000 m ³ /day	<ul style="list-style-type: none"> – Preliminary Assessment (PA)
10 new horizontal gas wells with a maximum capacity of 900 000 m ³ /day	<ul style="list-style-type: none"> – Preliminary Assessment (PA) – Environmental Impact Assessment (EIA)
Three remote gathering and distribution stations (SZBT-2, -3, -4.)	<ul style="list-style-type: none"> – Preliminary Assessment (PA) – Environmental Impact Assessment (EIA) – IPPC procedure

¹ National Act No. 81 of 2001 on the availability of the environmental related information, on the participation of the public in the decision making and assurance of right for justice, annunciation of the Aarhus Convention approved on 25th June, 1998.

² In Hungary it is called unified environment use permitting procedure (Egységes környezethasználati engedélyezési eljárás). The procedure corresponds to an Integrated Pollution Prevention and Control (IPPC) assessment in other EU countries.

STAKEHOLDER ENGAGEMENT PLAN

The licensing authority is the Lower Tisza Regional Inspectorate for Environment, Nature and Water. Since the Environmental Inspectorate is not competent in all relevant issues, according to the Government Decree, the permit review involves other authorities (e.g. Service of the National Public Health Officer, Regional Safety Authority, Mining Authority, local government) in the decision process.

The related public consultation and disclosure required by the legislations are the followings:

Preliminary Assessment phase:

- Announcement about the permit application and the feedback possibilities in the office and on the website of the Environmental Inspectorate. The announcement also includes possibilities for review of the preliminary assessment study (PAS) and the Inspectorate's decision possibilities on the project.
- The PAS and the announcement are sent to the affected local municipality by Environmental Inspectorate.
- The PAS is made available by the concerned municipalities to the public 21 days long for review and formulate an opinion about it. During this period the public including the population and civil organisations can submit their complaints and comments on the project in writing, either to the municipality or to the Environmental Inspectorate. The public is informed of this possibility by a displaying a notice and by other types of local publicity.
- After receiving comments from the public, discussion meeting on the project between Environmental Inspectorate and the competent authorities involved in the project and permit application.
- The Environmental Inspectorate makes its decision based on the results of the assessment and the opinions of the concerned parties (authorities and public), and then declares this in a statement. This decision statement is published in the office and the website of the Environmental Inspectorate. The decision statement is also sent to the competent authorities and to the municipalities, who have to announce it.
- If the project is not rejected, the decision statement also includes conditions and requirements for the planned activity and for its further assessment.
- Appeal against the PA decision can be lodged within 15 days after publication of the decision statement.

Environmental Impact Assessment phase:

- Announcement about the start of the EIA procedure and the feedback possibilities in the office and on the website of the Environmental Inspectorate. The announcement includes also possibilities for review of the EIA study and the Inspectorate's decision possibilities on the project.
- The EIA study is sent to the competent municipalities who must ensure its availability to the public for at least 30 days. An announcement including a summary of the study and information on the availability of the completed study is published.
- Public hearing in the concerned settlements organized by the Environmental Inspectorate. The information about the hearing is to be announced in a local or national daily paper and also sent to the municipalities for disclosure at least 30 days in advance. The Environmental Inspectorate also notifies the applicant, the authorities involved in the permitting procedure and interested NGOs about the hearing.
- Minutes of the public hearing is sent to the applicant, to the authorities and to the concerned municipalities for disclosure.
- The Environmental Inspectorate discusses and evaluates the comments of the public with the competent authorities and considers these during the decision-making.
- The decision statement is sent to the involved parties and must be announced by the municipalities. The decision statement is also available at the Environmental Inspectorate and on its home page.

STAKEHOLDER ENGAGEMENT PLAN

- Appeal against the EIA decision can be lodged within 15 days after publication of the decision statement.

IPPC procedure phase:

- The Environmental Inspectorate announces the start of the IPPC procedure and the feedback possibilities on its website and its own notice board.
- The application and the IPPC study are sent to the concerned municipalities, who make them available to the public for 15 days. During this period, stakeholders can submit their comments in writing, either to the municipality or to the Environmental Inspectorate. The public must be informed of this possibility by displaying a notice and by other types of local publicity.
- The decision statement of the Environmental Inspectorate is announced by the concerned municipalities. The decision statement is also published at the Inspectorate and on its website. In the case of a positive decision, the decision statement is comprised of the IPPC permit, which includes all conditions and requirements regarding the project.
- Appeal against the IPPC decision can be lodged within 15 days after publication of the decision statement.

1.3 Relevant company policies

During the project preparation phase, including all authorization procedures, the investor considered the national legal regulations as an obligation in terms of involving the public.

The investor regulates all activities and guidelines related to the information and engagement of the stakeholders in its Operational and Organisational Regulations (OOR) and in its Social Management Plan (SMP) developed for the project specifically. The SMP primarily covers the construction period and makes suggestions for the operation period, but the final stakeholder engagement action plan for the operation will be developed considering this SEP after signing contract with the operator.

Two departments of MOL Plc's Exploration and Production Division (hereafter E&P) are responsible for public relations: a Department for Authority & Community Relations (ACR)³ and the Department for Upstream Sustainable Development and Health, Safety and Environmental Protection (US SD&HSE)⁴.

The most important internal guidelines of the OOR related to the involvement of stakeholders are included in the SMP, too. These are the followings:

- We are committed towards health and environmental protection, secure operation and community values: we feel responsible towards our colleagues and host communities. We intend to carry out our activities in such a way that we exceed legal requirements. (OOR, Vision)
- We respect local cultures: we respect the diversity and values of our local and national cultures, which constitutes the bases of our multinational corporate culture. (OOR, Vision)
- Regarding our operation and decision making procedures, we intend to involve the widest range of stakeholders possible, and we plan on a long run. (OOR/1 Standard Sustainable Development Guidelines)
- During relationships with internal and external stakeholders we realise the principle of transparency, we continue active dialogue with stakeholders in order to demonstrate our commitment and achievements. (OOR/1 Standard Sustainable Development Guidelines)
- We strive to prevent the occurrence of emergency situations, employment casualties, fire and pollution. (OOR/2 Standard HSE Guidelines)

³ In Hungarian: Hatósági és Társadalmi Kapcsolatok (HTK)

⁴ In Hungarian: Fenntartható Fejlődés és Egészségvédelem, Biztonságtechnika és Környezetvédelem (FF és EBK)

STAKEHOLDER ENGAGEMENT PLAN

- We believe in open communication and we seek constructive multilateral dialogue. (OOR/2 Standard HSE Guidelines)
- We develop procedures to enhance preventive measures, mitigate material damage and avoid accidents. We report, record and examine all accidents and security related events. (OOR/4 Standard Security Guidelines)
- We encourage our leaders to meet and establish regular dialogue with the leaders of the local communities and the representatives of social organisations interested in our operations; we carry out regular consultations with stakeholders and authorities to develop relationships, acquire direct information, and to accurately represent the interests of MOL Group. (OOR/5 Standard Public Relation Guidelines)
- We establish a strong and constructive cooperation with members of the local community; aside from respecting the interests of the MOL Group, we consider the local community's needs and expectations. (OOR/5 Standard Public Relation Guidelines)
- We are committed to inform stakeholders about our operations, we provide relevant information to them. (OOR/5 Standard Public Relation Guidelines)

The Social Management Plan contains also project specific guidelines and requirements. These can be summarised as follows:

Pledges and regulations in terms of land acquisition and compensation (SMP)

It is the task of MOL Plc to secure the land necessary to carry out the project.

During the activities related to securing the construction site the main contractor endeavours to come to an agreement with the owner of a particular land. In order to achieve this he contacts the owner in writing or in person, to inform the owner (user/tenant) fully about his intention on using the land.

Within the framework of the sale-purchase procedure according to civic principles main contractor endeavours to protect the equality of the parties, and he sets out a fair purchase price, according to the characteristics of the particular land and the relevant regulations.

Procedures related to the employees

Social aspects are included within the training schedules that are provided for the engineers, workers and technological conductors participating in the onsite construction works.

The general content of the social training is:

- Expected social impacts of the implementation activities;
- Contents of the SMP;
- Activities required within the contractual framework regarding public relations (arrangements, documentation, reports); and
- Managing emergency events, complaints and relations with the authorities.

The location and activity-specific contents of the training material are to be managed by the MOL's ACR manager for each course.

2 PROJECT STAKEHOLDERS

Stakeholders are persons or groups who are directly or indirectly affected by the project, as well as those who may have interests in a project or the ability to influence its outcome, either positively or negatively. Many stakeholders are obvious, such as government authorities responsible for permitting and local communities adjacent to the Project. Also as stakeholders can be identified interested groups, organisations and individuals that may not appear to be directly involved.

STAKEHOLDER ENGAGEMENT PLAN

2.1 Stakeholder categories

During the project preparation phase and the environmental assessments the stakeholders have been identified by the project investor. According to the stakeholder identification included in the *Szöreg Underground Gas Storage – Social impact assessment study*, furthermore through desktop research and consultation with MOL Plc's and MMBF Plc's representatives, the project stakeholders can be recorded in the following categories:

- Interested parties:
 - Government authorities at the national, regional and local levels;
 - Local inhabitants;
 - Consumer organisations at national and local levels.
- Affected or impacted parties:
 - Neighbours potentially affected by construction impacts such as noise, traffic, dust etc. and/or the operation of the facility;
 - People affected by land acquisition.
- Clients;
- Suppliers, service providers, construction contractors and their workers/unions;
- Company workers and contractors;
- Workers unions and other professional organisations having relevance to the Project;
- Civil Society, including NGOs;
- Media.

2.2 Government authorities

National level

The *Hungarian Government* can be identified as interested party since it issued the national Act No. XXVI of 2006 on Strategic Storage of Natural Gas that was intended to enhance the security, transparency and competitive environment of natural gas provision in Hungary.

The primary purpose of the implementation of Szöreg-I gas storage facility is fulfilling the requirements prescribed in this national Act. The Facility will be able to provide uninterrupted natural gas supply to commercial and industrial users in case of disruption of gas supply or extreme and prolonged winter conditions, during a continuous period of 45 days.

The following government authorities are responsible for the adequate implementation and operation of the project at the national level:

- Ministry of Transport, Telecommunication and Energy
- Ministry of Environment and Water,
- Hungarian Energy Office

The Ministries are directly involved in the project only in case of issues on national level, otherwise their relevant regional bodies are responsible for the licensing and supervision of the project and for managing related questions.

The Hungarian Energy Office is a government body with various roles, including authority, but also market and other regulating functions.

*STAKEHOLDER ENGAGEMENT PLAN*Regional level

All regional authorities that are competent in the licensing procedure and supervision of the project are stakeholders. The most important licensing procedures were the environmental permitting procedures (PA, EIA and IPPC) which involved the following regional authorities:

Licensing authority

- Lower Tisza Regional Inspectorate for Environment, Nature and Water (hereafter Environmental Inspectorate)

Special authorities involved in the decision-making process

- Southern Great Plain Regional Institute of the National Public Health and Medical Officer Service
- District Land Register Office
- Regional Office of Cultural Heritage, Szeged
- Csongrád County Directorate for Disaster Management
- Hungarian Mining and Geological Authority District Mines Inspectorate, Szolnok (Hereafter Mining Authority)
- Regional Office of the Hungarian Trade Licensing Authority
- Directorate of Plant and Soil Protection of Csongrád County Agricultural Management Authority

The environmental studies have been sent for evaluation by the Environmental Inspectorate to the above listed authorities. The position of the authorities, their requirements for further assessments, as well as their stipulations toward the actual implementation are in each case included in the decision of the Environmental Inspectorate.

Since the start of the project preparation the Company has ongoing contact and regular consultation with the regional Mining Authority due to the characteristic of the project. The Mining Authority is competent also in the building permitting procedure and the supervision of the project.

Local level

Due to the location of the Facility the government authorities concerned on the local level are the Municipality of Algyő and Szeged. These municipalities were also involved in the environmental licensing procedure. Furthermore the Municipality of Algyő is the decision-making authority in the building permit procedure besides the Mining Authority.

The project also results in a significant tax-income increase of local authorities.

2.3 Local inhabitants

Following the year of 1996 the Szeged Production Branch of MOL Plc had significant contribution to the economic growth of the region. During the last 5 years despite of the intense economic growth in the project area, due to the decrease of the natural gas and oil reserves the employment indicators show falling trends. Therefore the interest of local inhabitants (Algyő and Szeged) is the number of available and quality workplaces.

The development of the project will result in an increase of the supplying service demand of local mining industrial activities as well as demand increase in the local labour market. Within the project implementation period the labour market impact of the project is significant since it offers many constructional jobs.

The project will raise a considerably big demand towards local entrepreneurs to supply the facility with services and products. As hydrocarbon industry is slackening in the region due to the depletion of natural

STAKEHOLDER ENGAGEMENT PLAN

fields, the local service industry is also slowing down resulting in decreasing economic activity and taxes in the region. The implementation of the project means new possibilities for the local service and supplier companies and similarly for the local inhabitants.

In addition the local inhabitants as well as all Hungarian citizens have interest in the success of the project, since it supports the security of gas supply for the country.

2.4 Consumer organisations

Under the above act, MMBF is required to purchase and store a national strategic gas reserve of 1.2 bcm, with an output capacity of 20 mcm/day during a continuous period of 45 days. In case of disruption of the existing gas supply or extreme and prolonged winter conditions the gas from the reservoir will be provided through the Hungarian gas transmission network to the end users such as *industrial users and citizens*.

So thus the implementation of the strategic natural gas storage is rendered as possessing public interest, since the implementing law refers to the need of continuous supply of most exposed consumers on the gas market.

There are no official interest representation fora for small gas consumers. There are various NGOs and small groups working besides others on the field of interest representation, but their activity or the scope of representation are limited. The major gas users are represented by Industrial Energy Consumers' Forum.

2.5 Neighbours potentially affected

According to the Environmental Impact Assessment study during the construction period the noise and air emission of truck traffic and the drilling noise can affect the neighbours and residents of Algyő and Szeged along the transportation route.

The air emission impact area of the truck traffic is about 50 meters along the transportation routes. Mainly the residential area of east-Szeged and most part of Algyő is concerned.

The drillings causes bearable noise emission in the area, mainly in farmsteads (less than 10) located close to the Facility. The organization of the drilling has taken into account the proximity of the farmsteads therefore simultaneous drilling activities were not performed in the vicinity of the affected farmsteads.

In the operation phase the main air emission sources of the new facilities are the gas engines of the SZBT-1 compressor and gas pre-treatment station, heaters of glycol regeneration and heaters used for social buildings. Based on calculations performed and presented in the EIA the impact area of the SZBT-1 facility is not influencing the NO_x impact area of the existing facility. Impact area calculated for the emissions of the facility is a radius of 1747 m. Some farmsteads are within the impact area. The operation of the gas engines during the injection phase will increase NO₂, CO and SO₂ concentration in the vicinity but all calculated concentrations will be under the legislative threshold.

The main noise emission from the operation of the Facility will emerge from the operation of the gas engines and gas coolers with associated fans. Based on the calculations performed and described in detail in the EIA it was concluded that the impact area of the SZBT-1 compressor and gas pre-treatment station will include only one residential house in Szeged. The calculations performed proved that noise emission limits will be respected in case of this residential house. In order to ensure the fulfilment of the noise emission limits control measurements will be performed at this residential house during the trial operation period. Should these measurements prove the non compliance with regulations, additional noise abatement measures such as containment or passive acoustic protection will be applied.

2.6 People affected by land acquisition

Several people were affected by land acquisition in the project preparation phase. Land acquisition related to this project was in terms of purchase and easement. Central Geo Ltd., as a subcontractor of

STAKEHOLDER ENGAGEMENT PLAN

MOL Plc., identified the concerned lands and the owners and carried out the compensation and land acquisition procedures in the project preparation phase.

Land acquisition procedure consisted of all procedures related to ensure temporary or permanent ownership of the lands necessary for the implementation of the project in terms of removal affected land from agricultural use or to ensure security areas around project facilities.

As a first step the investor (or in the present case the subcontractor of the investor) contacts land owners related to the project implementation area. In the present case it happened in writing, Central Geo Ltd. contacted all land owners by mail. Within the mail they have informed owners of the following:

- Relevant legislation regarding the acquisition and land restoration procedures
- Aim, location and schedule of the project implementation
- Introduction to the acquisition procedure
- The owner's rights to file his complaint
- Adequate contact information
- Attachments of the letter included map of the project location and necessary agreement forms.

Owners were obligated to respond within 15 days to the letter. Those who did not respond within this period were considered to disapprove of the offer and their cases were forwarded to the second step of case management, the public administration phase. There were eight cases during the process where owners did not respond for various reasons, such as non-clarified ownership of the land, permanent absence of the owner and disapproval. Out of the eight only two cases were forwarded to the public administration phase; in both cases the decision was made in favour of the project. The rest of cases were managed within private initiative. The public administration procedure also set out the means of compensation in both cases. No cases were forwarded to the jurisdictional scope.

In those cases where the ownership of the land was necessary for project implementation MOL Plc. has put a purchase offer to the land. Altogether 416 easement and 22 purchase cases were carried out during the project preparation phase.

2.7 Clients

The gas supply from the strategic gas storage will be distributed to national and regional gas supplier companies.

Besides the gas stored for strategic purposes the Facility will serve as storage of 0.7 bcm natural gas for commercial utilisation.

The national, regional gas supplier companies and commercial gas companies as client of MOL Plc can be identified as stakeholders.

2.8 Suppliers, service providers, construction contractors and their workers/unions

Several manufacturer, supplier, service provider and construction companies have interest on the project. The appointed companies are chosen according the MOL Plc's selection process.

In the construction period the following categories of stakeholder companies can be identified as main contractors:

- Manufacturers of key equipments (e.g. compressors, pipelines) for gas injection and withdrawal,
- Equipment installation companies,
- Supervisors of installations,

STAKEHOLDER ENGAGEMENT PLAN

- Quality assurance company for quality management of all steps of construction,
- Security and housekeeping company.

Some of these supplier and manufacturer company will be contracted also for the operation phase (for example for the maintenance work and testing), other companies will be chosen in the future stages.

2.9 Company workers and contractors

For both company workers and contractors their primary interests can be identified as follows:

Contractors

During construction period manual work is carried out by contractors. Their interest is to have jobs for this period. They are interested in giving high quality work so as to qualify or remain qualified as approved suppliers of MOL Plc in order to gain contracts for further projects.

Security service is provided by a contractor. Their interest is the same as that of contractors for the technical work but extended to all periods of project as security is a necessary service for the whole lifecycle of the project.

Company workers

During construction period planning, management, control, technical supervision of the project are carried out by qualified and skilled company experts. During operation period the actual operation and maintenance will be performed by a team of approximately 30 workers of MOL Plc. The interest of experts and workers is in safe, secure and high-quality execution of all project-related tasks to have a long-term job and get recognition for outstanding work.

2.10 Workers unions

MOL Plc workers have well-functioning labour unions which represent workers' interests. The unions' interest is for the project employees to join them or remain members to further strengthen the unions' lobbying potential.

2.11 Civil Society, including NGOs

Civil Societies, including NGOs especially can be identified as potential stakeholders. Although none of them has shown any interest during the project preparation phase and the construction work their inquiry in the operation phase can not be excluded.

2.12 Media

Since the project is important for securing the entire country' gas supply high level of national and local media interest is expectable. During planning and at the beginning of the implementation of the Project, the media coverage was good. Countless of reports, were broadcasted and articles were published on the Project and its effects. Further media interest is more than likely during the test operation phase, at the start of the operation and certainly if the strategic reserve will have to be mobilised (e.g. suppliers cease the provision of gas for any reasons).

The stakeholders had many occasions to orientate themselves and to voice their opinion about the project in the project preparation phase (see Chapter 3).

STAKEHOLDER ENGAGEMENT PLAN

3 PREVIOUS CONSULTATION AND DISCLOSURE ACTIVITIES

During the project preparation, licensing and construction period to date the public were informed about the project in different ways and the stakeholders had several possibilities to orientate themselves, ask questions, formulate their opinion and make complaint.

In Annex 1. we summarize the consultation and disclosure activities carried out starting from the project preparation to date (April, 2009). This presentation is based on the available documents (e.g. records, minutes of meetings, permits) and the written information provided by MOL Plc. The availability or lack of any records on the consultations is indicated in the table.

Based on the environmental and IPPC permits the information disclosure during the permitting procedure complied with the national requirements. It has ensured that the affected communities were adequately informed about the purpose, the duration, the risks and impacts of the project, furthermore about the consultation and participation opportunities. The information disclosure took place according to legal requirements, the local expectation and expertise.

In the project preparation, licensing phase only during the public hearing in Szeged-Tápé were two questions raised regarding the project:

- The representative of the local municipality asked whether the public roads damaged by the usage during the construction work would be restored. The investor ensured that the road damages will be assessed and restored, if the claim for damages is justified.
- Two inhabitants asked who would compensate them regarding the depreciation of their lands. The investor emphasized that according to the related law the mining company (in this case the MOL Plc.) is obligated for paying compensation.

Only one complaint was filed since the launch of the project, during the construction phase. Regional Office of Public Road Authority has complained that the pavement of some road sections was damaged by the track traffic during the construction work. An agreement was done between the Office and the investor which includes that:

- the investor maintains the quality of the roads and carries out immediate reparations when necessary in the project construction phase;
- following the project construction phase representatives of the Office and the investor review the status of the roads and according to the results of the review investor undertakes the restoration of the affected roads.

4 CONSULTATION AND DISCLOSURE PLAN

MMBF Plc commissioned Mott-MacDonald Ltd. in July 2008 to develop a Social Management Plan (SMP) and an Environmental Management Plan (EMP) in order to identify, describe and regulate stakeholder engagement activities.

Besides the stakeholder engagement activities, the SMP regulates all activities related to monitoring and project improvements, the documentation requirements and the grievance mechanism.

In this chapter we present the stakeholder engagement activities prescribed in the SMP and the additional planned public consultation and information activities for the rest of the construction period and for the operation to fulfil all relevant requirements of EBRD.

After approval of the SEP report and ESAP, all stakeholder engagement activity will be implemented in the Environmental and Social Management Plan of the project investor.

All consultation and disclosure activity must be documented.

STAKEHOLDER ENGAGEMENT PLAN

4.1 Consultation Plan

Table 4.1. Consultation Plan

Stakeholder	Consultation method	Time frame	Responsibility
Government authorities			
<u>at the national level</u> <ul style="list-style-type: none"> Ministry of Transport, Telecommunication and Energy Ministry of Environment and Water Hungarian Energy Office 	Meeting	<ul style="list-style-type: none"> On demand of the authority In case of emergency situation In case of relevant question at national significance 	Departments of Exploration and Production Division (hereafter E&P) ⁵ : Upstream Sustainable Development and Health, Safety and Environmental Protection (hereafter US SD&HSE) ⁶ and Department for Authority & Community Relations (hereafter ACR) ⁷ MMBF Ltd.
<u>at the regional levels</u> <ul style="list-style-type: none"> Mining authority 	Meeting	<ul style="list-style-type: none"> monthly during the rest construction phase as regular as necessary in the operation phase In emergency situation On demand of the authority 	Departments of E&P: US SD&HSE and Department ACR MMBF Ltd.
<ul style="list-style-type: none"> Environmental Inspectorate Regional Institute of the National Public Health and Medical Officer Service 	Meeting	<ul style="list-style-type: none"> In emergency situation In case of relevant questions On demand of the authority 	Departments of E&P: US SD&HSE and Department ACR

⁵ In Hungarian: Kutatás- Termelés Divízió (KTD)

⁶ In Hungarian: Fenntartható Fejlődés és Egészségvédelem, Biztonságtechnika és Környezetvédelem (FF és EBK)

⁷ In Hungarian: Hatósági és Társadalmi Kapcsolatok (HTK)

STAKEHOLDER ENGAGEMENT PLAN

Stakeholder	Consultation method	Time frame	Responsibility
<ul style="list-style-type: none"> Csongrád County Directorate for Disaster Management 	Meeting	<ul style="list-style-type: none"> As regular as necessary during the preparation to implement the SEVESO directive In emergency situation In case of relevant questions On demand of the authority 	
<u>at the local level</u> <ul style="list-style-type: none"> Municipality of Algyő and Szeged 	Meeting	<ul style="list-style-type: none"> In emergency situation In case of questions at local interest On demand of the authority 	Departments of E&P: US SD&HSE and Department ACR MMBF Ltd.
Local inhabitants	Public forum about the project status and the related environmental and social performances, grievances.	If a public need occurs /on demand.	Departments of E&P: US SD&HSE and Department ACR
	Public forum Radio / TV message Press release in the local free media / flyers	<ul style="list-style-type: none"> In emergency situations At the start of the operation 	Departments of E&P: US SD&HSE and Department ACR
	Annual meeting	<ul style="list-style-type: none"> Yearly (e.g. after issue of the Annual environmental and social performance report). 	
Neighbours	One to one interviews	<ul style="list-style-type: none"> On demand In emergency situations 	Departments of E&P: US SD&HSE and Department ACR
	Meeting		
	Annual meeting	<ul style="list-style-type: none"> Yearly (e.g. after issue of the Annual environmental and social performance report). 	
Consumers End users	Radio /TV/ press messages	<ul style="list-style-type: none"> At the start of the operation In case of necessity of gas withdrawal 	MMBF Plc
Clients	Client survey	Once a year	MMBF Plc.

STAKEHOLDER ENGAGEMENT PLAN

Stakeholder	Consultation method	Time frame	Responsibility
	One to one interviews	On demand of clients	
Suppliers, service providers, construction contractors and their workers/unions	One to one interviews	On demand of suppliers, service providers, contractors	Departments of E&P: US SD&HSE and Department ACR
Company workers and contractors	One to one interview	<ul style="list-style-type: none"> – At employ/ start of the work – On demand 	Departments of E&P: US SD&HSE and Department ACR MMBF Plc.
	Coordination meeting	Weekly, monthly	
	Forum	<ul style="list-style-type: none"> – Yearly – In emergency situations 	
Workers unions and other professional organisations having relevance to the Project	Meeting	<ul style="list-style-type: none"> – On demand of workers unions – In emergency situations 	Departments of E&P: US SD&HSE and Department ACR MMBF Plc.
Civil Society, including NGOs	Meeting Forum	On demand of Civil Societies	Departments of E&P: US SD&HSE and Department ACR MMBF Plc.
Media	Interview Press release	<ul style="list-style-type: none"> – At start of the operation – In case of withdrawal of the gas 	Departments of E&P: US SD&HSE and Department ACR MMBF Plc.
Emergency responders	Meeting	In emergency situations	Departments of E&P: US SD&HSE and Department ACR
EBRD	Monitoring visits	On request of EBRD	Departments of E&P: US SD&HSE and Department ACR

4.2 Disclosure Plan

Table 4.2. Disclosure Plan

Documents to disclose	Disclosure location	Duration of the disclosure	In what language
Announcement on date and location of public forum. (The public forum will be organized on demand - see the table above.)	<ul style="list-style-type: none"> – In the regional journal (Délmagyarország). 	One week long prior to the forum	Hungarian
	<ul style="list-style-type: none"> – On the notice board of the local Municipalities. 	Three weeks long before the forum.	Hungarian
	<ul style="list-style-type: none"> – On the project site's notice-board. 		
	<ul style="list-style-type: none"> – On the project website. 		

STAKEHOLDER ENGAGEMENT PLAN

Documents to disclose	Disclosure location	Duration of the disclosure	In what language
Announcement where the project related information and reports are available (e.g. Address of the site office, the local Municipality's Client Service office, the website)	– In the regional journal (Délmagyarország).	Once after issue of any report of public interest (see below), but at least once a year	Hungarian
	– On the notice board of the local Municipalities.	Continuously and updated notice three months long after issue of any report of public interest.	Hungarian
	– On the project site's notice-board.		
	– In the local news portal (www.szeged.hu and www.algyo.hu).	At least one week long every half a year	Hungarian
	– Press release in the local free media outlets	At least once a year	Hungarian
Site and company contact information (to ensure questions, comments and grievances can be easily submitted to appropriate staff)	– On the project website.	Continuously	Hungarian
	– On the project site's notice-board.	Continuously	
	– On the notice board of the local Municipalities.	Continuously	
	– In the regional newspaper (Délmagyarország).	Once at the beginning of the operation.	
	– Press release in the local free media outlets	Every three months during the construction Once a year during the operation	
Construction work schedule (for the rest of the construction phase) and expected date of the operation start. Information on the characteristics and the possible impacts of the work, furthermore the planned mitigation measures.	– On the project website.	Continuously until start of the operation.	Hungarian
	– At the project site.		
	– In the local Municipality's Client Service office.		
Updated information on – the status of the project, – potential environmental and social impacts and ongoing issues, – implementation of the mitigation measures, – risk assessment – potential emergency situations, – summary of emergency prevention and response	– On the project website.	Continuously	Hungarian
	– At the project site.		

STAKEHOLDER ENGAGEMENT PLAN

Documents to disclose	Disclosure location	Duration of the disclosure	In what language
Information on test of the emergency prevention and response plan.	<ul style="list-style-type: none"> – On the project site's notice-board. – On the project website. 	Two weeks long before the test.	
Annual environmental and social performance report. (Non-technical summary of annual environmental report required by the environmental authority and supplemented with information on risks, potential impacts and benefits of the project, furthermore social performances).	<ul style="list-style-type: none"> – On the project website. – At the project site. 	At least three months long after publishing the issue of the report. (First issue: After the first environmental report was submitted to the environmental authority.)	Hungarian
Environmental Social Action Plan (ESAP)	<ul style="list-style-type: none"> – On the project website. – On the project site. 	Continuously until updating of the ESAP.	Hungarian
Annual progress report on implementation of the ESAP including any issues that the consultation process or grievance mechanism has identified. The report will be provided to EBRD, too.	<ul style="list-style-type: none"> – On the project website. – At the project site. . 	At least three months long after publishing the issue of the report.	Hungarian
Grievance mechanism and the related contact information. The information includes that the grievance mechanism can be used also for express concerns about the security arrangements and acts of security personnel.	<ul style="list-style-type: none"> – On the project website. – On the project site's notice-board. – On the notice board of the local Municipalities. 	Continuously	Hungarian
Ongoing grievance process and its management.	<ul style="list-style-type: none"> – On the project website. – On the project site's notice-board. – On the notice board of the local Municipalities. 	Continuously	Hungarian
Report on implementation of grievances processes.	<ul style="list-style-type: none"> – On the project website. – At the project site. 	At least three months long after publishing the issue of the report. Issue of the report: at least once a year.	Hungarian

STAKEHOLDER ENGAGEMENT PLAN

5 GRIEVANCE MECHANISM

Purpose

As part of its work with stakeholders, MMBF Plc and MOL Plc has developed a formal Grievance Mechanism within the SMP to receive and facilitate resolution of the affected communities' concerns and grievances related to the company's environmental and social performance.

Potential complainants

Potential complainants of the project are the customers, workers, suppliers and other subcontractors of the project, neighbours of the project area such as land owners and local residents; and last, but not least NGOs working in the field of protection of natural and built environment, cultural and community heritage.

Grievance mechanism

Within the scope of the planned Operational and Maintenance Contract between MMBF Plc and MOL Plc, MOL Plc will have the responsibility to implement the mechanisms listed below. According to this, three regulations are relevant in terms of grievance procedures, determining the nature of complaints and mechanism to follow:

- MOL Plc's Code of Business Conduct on Customer Service (CBC)
- MOL Plc's Code of Ethics (CE)
- Social Management Plan of the project (SMP)

SMP is a relevant document throughout the whole project lifespan, and due to the Operational and Maintenance agreement between MOL Plc and MMBF Plc currently under development, the internal regulations of MOL Plc will apply to the project in the operational phase.

According the SMP relevant contact information is displayed on the site's notice board, on the notice board of the local Municipalities and in the regional newspaper. Further disclosure locations (e.g. project website) are appointed in the disclosure plan (Chapter 4) to ensure information is available for all stakeholders. The grievance mechanisms, the ongoing grievance processes and report on the implementation of the grievance process will be disclosed to stakeholders.

Complaints may be submitted in person, by phone or mail. The Grievance Mechanism may be used at no cost and without any fear of retribution from MMBF Plc.

Available mechanisms per complainant group are as follows:

- Project customers such as commercial and governmental consumers may turn to the Customer Services Office (CSO) of MOL Plc according to the CBC. The CSO records and examines all cases, contacts relevant company divisions and provides formal response to the complainant within 15 days. As higher authority, dismissed complaints may be handled in to the Hungarian Energy Office or Consumer Protection bodies enlisted in Annex 6 of the CBC.
- Project workers', suppliers' and other subcontractors' complaints are managed according to the CE. Complaints should be handled in to the superior of the complainant who is responsible to forward it to the relevant divisions. The Ethics Council is responsible for examining the cases and providing formal response to the complainant within 30 days. As a resort authority, the Ethics Council may be addressed directly with complaints. Complainants are guaranteed that no sanctions will be taken in respect of their complaints within the CE.
- The other external interested or affected parties, such as neighbours and NGOs may submit in their grievances according to the Social Management Plan of the project. Complaints are received at the project site by the project manager; or by the CSO in Budapest. The Local Municipality may be contacted as a resort authority by complainants. The project manager is the staff person responsible for coordination of the management of the Grievance Mechanism. The Project Manager does not have the authority to resolve grievances, but rather works to collect accurate information about a given issue to share with appropriate management bodies according to the Operational and Maintenance agreement (O&M) between MMBF Plc and MOL Plc. Complainants receive a formal response on their cases within 15 days.

STAKEHOLDER ENGAGEMENT PLAN

The formal response will provide additional information or, if appropriate, further instructions on proposed measures to resolve the issues, such as when further investigations will be done to collect more information about a grievance.

Regardless the means of submitting a complaint the above mentioned procedures are followed by forwarding the incoming complaint to the responsible bodies. In order to ensure proper management of the cases concerned bodies work closely and maintain active and up-to-date means of communications among each other.

In order to handle grievances and be able to properly forward incoming feedbacks, personnel of the project are trained regularly, but at least once when they are taking their position about the procedure of accepting grievance. The training of the personnel is registered properly containing date, location, topics and participants of the training.

Documentation

The importance of documenting all grievances is to make sure problems are accurately understood and handled appropriately.

The following information on all grievances submitted in any form will be documented in a record form: *name* and *contact details* (address, telephone, fax, email) of complainant, *organisation and position* (if relevant), *details of the grievance* (any important details; date of the incident, location, etc.), *most effective means to send a response*, *date* of the grievance, *form of submission*, *route* of forwarding (responsible body/person to resolve the complaint). Written submissions will be attached to the record form. The submitted grievances will not be used in any way to intimidate the person or organisation submitting the complaint.

Grievances received anonymously will be treated as comments or issues and recorded, but no formal response will be issued.

While efforts will be made to resolve all grievances amicably, if a grievance cannot be resolved, MMBF will seek to involve other external experts, neutral parties or local and regional authorities, as necessary.

The implementation and outcome of the grievance process is also documented and disclosed.

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