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MMBF Underground Gas Storage Project

Environmental and Social Action Plan
Update Ver01

10 May 2017

Mott MacDonald
Átrium Park F7
Váci út 45
1134 Budapest
Hungary

T +36 1 288 2020
F +36 1 288 2010
mottmac.com

MMBF
1037 Budapest
Montevideo u 16/B

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Contents

Abbreviations	1
Executive summary	2
1 Introduction	3
1.1 Original Action Plan	3
1.2 Methods and baseline information to the update	4
2 Action Plan	6

Abbreviations

AESR	Annual Environmental and Social Report
bcm	billion cubic meter
CDDP	Conceptual Decommissioning and Demolition Plan
DDP	Decommissioning and Demolition Plan
E&S	Environmental and social
EBRD	European Bank for Reconstruction and Development
EIA	Environmental Impact Assessment
EMP	Environmental Management Plan
ESAP	Environmental and Social Action Plan
ESMP	Environmental and Social Management Plan
ESMS	Environmental and Social Management System
EU	European Union
HEO	Hungarian Energy Office (see as MEKH)
HSE	Health, Safety and Environmental (Requirements)
IPPC	Integrated Pollution Prevention and Control (on Industrial Emissions)
ISO	International Organization for Standardization
MEKH	Hungarian acronym for Hungarian Energy and Public Utility Regulatory Authority (former Hungarian Energy Office)
MMBF	Hungarian acronym for Natural Gas Storage Plc
MOL	Hungarian acronym for Hungarian Oil and Gas Company Plc
OHSAS	Occupational Health and Safety Assessment Series
PA	Preliminary Assessment for EIA screening
PR	Performance Requirement (EBRD)
QA	Quality Assurance
SEP	Stakeholder Engagement Plan
SMP	Social Management Plan

Executive summary

This document is an update on the Environmental and Social Action Plan (ESAP) of the MMBF (Szőreg-1) Underground Gas Storage Facility (the Facility) for changing the initial project development conditions (i.e. preparation, construction and planned operation) to current operational purposes. The update has been launched by the beneficiary MMBF Natural Gas Storage Plc (MMBF) upon request by the European Bank for Reconstruction and Development (EBRD) co-financing the installation, following the Bank's relevant guidelines.

The Facility was built on the Szőreg-1 field, a depleting oil and gas reservoir in 2009, and serves mainly strategic and additionally commercial purposes. EBRD categorized the Facility as Category B defined by the Bank's Social and Environmental Policy. Category B projects' adverse impacts are typically site-specific, and/or readily identified and addressed through mitigation measures.

The original ESAP was made by Golder Associates (Hungary) Ltd in association with Mott MacDonald Hungary Ltd in 2009. The aim of the Plan was to provide a consolidated Process Description jointly accepted by the EBRD and MOL/MMBF that summarises actions to assure compliance with EBRD's requirements. The ESAP and all the actions it contains formed the basis of future E&S activities' regulation for the Facility.

The present update is based upon the original ESAP document reviewed for text and content by Mott MacDonald Hungary Ltd on assignment by MMBF, owner and operator of the Facility. Planned actions have been reviewed and verified for relevance among operational conditions and for necessity.

By working on the update of the ESAP both, relevant principles of EBRD requirements and compliance with legal requirements have been reviewed. Compliance with national regulations and other official (e.g. permit) prescriptions however are considered as minimum requirements and not enlisted in the Plan. Compliance has been found adequate by the on-site verification.

Furthermore, the Facility operates by its internal management systems based upon ISO 9001; 14001; 50001 and OHSAS 18001 standards, having the corresponding certificates. Company ESMS is considered to be covered by the ISO management systems in terms of environmental- and energy management and occupational health and safety. Compliance with ISO 14001 ensures that sub-contractors, suppliers and service providers comply with the relevant environmental specifications and regulations as well.

Management of social issues is partly dealt by provisions in the Business Code of the company as well as the original EMP and SMP are still in place. It is recommended to review the original EMP and SMP by customizing them for MMBF specifically.

1 Introduction

This document is an update on the Environmental and Social Action Plan of the MMBF (Szőreg-1) Underground Gas Storage Facility for changing the initial project development conditions (i.e. preparation, construction and planned operation) to current operational purposes. The update has been launched by the beneficiary MMBF Natural Gas Storage Plc upon request by the European Bank for Reconstruction and Development following the Bank's relevant guidelines.

1.1 Original Action Plan

The European Bank for Reconstruction and Development (hereinafter EBRD or the Bank) was involved in financing the completion of the MMBF Underground Gas Storage Site (hereinafter the 'Project' or the 'Facility') in the neighbourhood of Algyő, in the vicinity of the city of Szeged, South Hungary.

Golder Associates (Hungary) Ltd was appointed on the 9th of April, 2009 to conduct an Environmental and Social Due Diligence audit on the Facility. The objective of the assignment was to identify potential environmental and social impacts and the risks associated with the design, construction, operation and future decommissioning of the Facility, and to assess how these were being, had been and will be managed.

To perform the assignment within the given short timeframe, Golder involved Mott MacDonald Hungary Ltd (together: Team), who had knowledge of the Facility through a social and environmental review of the application based on the Equator Principles, carried out in 2008, and prepared the Environmental Management Plan (EMP) and the Social Management Plan (SMP) for the project.

The Facility was built on the Szőreg-1 field, a depleting oil and gas reservoir being under exploitation at the time of project preparation. The Facility serves strategic and commercial purposes: 1.2 bcm (billion cubic meter) of natural gas is held for strategic reasons (fulfilling the requirements prescribed in national Act XXVI of 2006, the Act on Strategic Storage of Natural Gas) while 0.7 bcm is available for commercial utilisation.

As the owner, MMBF contracted MOL to construct and commission the Facility, the contract for operation went under the approval process of the Hungarian Energy Office (HEO or MEKH). The construction was more than approximately 70% complete on 15th of April when the Team visited the site for the purpose of making action plans in 2009.

The Facility was planned to be ready for the initial commissioning in August 2009. EBRD categorized the Facility as Category B¹ as defined in the Bank's Social and Environmental Policy, which was published in May 2008 and came into effect in November 2008. Category B projects can have potential adverse environmental and/or social impacts. These impacts, if arising, are typically site-specific, and/or readily identified and addressed through mitigation measures. These impacts can derive from past, current or future activities.

As part of the assignment the Team prepared the Environmental and Social Action Plan (hereinafter ESAP or Plan). The aim of the Plan was to provide a consolidated Process Description jointly accepted by the EBRD and MOL/MMBF that summarises actions to assure compliance with EBRD's requirements². Compliance with national regulations and other official (e.g. permit) prescriptions are considered as minimum requirements and not enlisted in the below table.

¹ EBRD categorises proposed projects as A/B/C/FI based on environmental and social criteria to: (i) reflect the level of potential environmental and social impacts and issues associated with the proposed project; and (ii) determine the nature and level of environmental and social investigations, information disclosure and stakeholder engagement required for each project, taking into account the nature, location, sensitivity and scale of the project, and the nature and magnitude of its possible environmental and social impacts and issues.

² EBRD Environmental and Social Policy, May 2008

The ESAP and all the actions it contains formed the basis of future E&S activities' regulation for the Facility.

Actions related to the construction of the Facility were targeted at the remaining relatively short time of the construction phase, and included activities that were still actual at that time. Past activities, like design and the major part of the construction of the Facility had previously been reviewed, and no individual actions were identified for the past activities in the Plan.

Actions addressing the mitigation and handling of the identified gaps were included in the tabular Plan. Gaps were not merely identified, but discrete actions were clearly assigned to provide practical solutions to filling them.

The original ESAP listed the actions which required immediate implementation prior to commissioning of the Facility.

The ESAP did not provide full method statements for the execution of these actions but aimed to identify and highlight the necessary measures that needed to be taken. References to previous reports (Gap Report, Stakeholder Engagement Plan) and EBRD's Performance Requirements were identified where applicable.

Also, identification of responsibilities and resources were provided in order to help the management to assess the requirements of the implementation of these actions. Targets and/or evaluation criteria form an important part of this assessment, since these set the effective evidence base that needs to be provided to ensure that the action in question has been addressed and carried out adequately. It also provides a clear mechanism for management to monitor the compliance with this action plan.

1.2 Methods and baseline information to the update

The present update is based upon the original ESAP document reviewed for text and content by Mott MacDonald Hungary Ltd (hereinafter Consultant) on assignment by MMBF, owner and operator of the Facility.

Planned actions have been reviewed and verified for relevance among operational conditions and for necessity.

For understanding the operation, as well as for reviewing environmental and social actions and reporting by the Facility a site visit and interviews with company representatives were carried out by the Consultant. In addition, review of documents provided by MMBF, personal (email and phone) communication were used for working out the updated SEP.

Checking of operational procedures involved gaining information on extents and possible contractual control over external services, such as varied connections to the facilities operated by MOL (MOL Gas Technology, Algyő) having relevance in environment protection (e.g. excess water main collector, gas torches, power and water supply, etc.).

Changes to the facility equipment (maintenance, commissioning and decommissioning) are planned in the annual Technical Operational Plan that gets approval of the Mining Authority. Environmental impacts of considerable changes are assessed by the review of the relevant IPPC licence for adjusting or adding prescriptions for pollution control.

By working on the update of the ESAP both, relevant principles of EBRD requirements and compliance with legal requirements have been reviewed.

EBRD's Performance Requirement 1 (PR 1) defines the need of establishing an ESAP in case of Category B projects relating to existing facilities, or where the project does not meet the PRs from the outset. For utilizing the existing facilities on site as well as because compliance with PRs was assessed and adjusted after outset of the project the ESAP was deemed necessary.

Implementation of the ESAP is monitored by the Bank during project monitoring based upon regular reports provided by the client on the environmental and social performance (AESR) as well as site

visits. In general, based on the monitoring results the client identifies and reflects any necessary corrective and preventive actions and amend the ESAP. Although corrective and preventive actions were not identified till this time, EBRD requested MMBF to update the ESAP by focussing on operation, leaving behind references to the commissioning phase to re-establish consistency with the current status of the project.

The basic studies and documents, such as EIA or PAs (or ESIA) have not been reviewed and the EMP and SMP have not been updated by the process of updating the ESAP. E&S management plans are only available in their original form (accessible on MMBF's homepage).

Legal requirements to be complied with means firstly Hungarian norms and the specific prescriptions by the project's permits and licences. Since the legal environment is set by the EU legislation and complies consequently or in addition with international conventions these are met inherently.

Compliance with the national environmental and social norms involves:

- Fulfilling the requirements set in the IPPC licences (some taken over from the environmental permit in essence) including reporting monitoring and environmental performance data to the environmental authority;
- Renewing the licences to deadline;
- Reporting GHG emissions;
- Accomplishing the requirements for upper-tier establishments in the Seveso regulation and cooperation with the mining and disaster management authority;
- Operating according to the current labour standards and equity norms;
- Acting in line with the established stakeholder engagement plan;
- Contribution to social advance in supporting local communities.

Official documents and communication on fulfilling environmental monitoring and reporting, renewal of IPPC licences, as well as compliance with the Seveso requirements have been presented to the Consultant by the HSE and QA representatives in the on-site office of MMBF.

Legal compliance is considered as minimum requirement; no action is planned for this purpose by the update.

Furthermore, the Facility operates by its internal management systems based upon ISO 9001; 14001; 50001 and OHSAS 18001 standards, having the corresponding certificates. All certificates and policies on these management systems (Quality-, Environmental-, Occupational Health and Safety- and Energy Efficiency Policy) are available on MMBF's homepage (<http://mmbf.hu/hu/vallalatiranyitasi-rendszerek>).

Company ESMS is considered to be covered by the ISO management systems in terms of environmental- and energy management and occupational health and safety. Compliance with ISO 14001 ensures that sub-contractors, suppliers and service providers comply with the relevant environmental specifications and regulations as well.

Management of social issues is partly dealt by provisions in the Business Code of the company as well as the original EMP and SMP are still in place. It is recommended to review the original EMP and SMP by customizing them for MMBF specifically.

2 Action Plan

Table 1: Updated action plan

No	Action	Environmental and Social Risks Liability / Benefits	Legislative requirement/ PRs3 /Best practice	Resources/ Responsibility	Timetable	Target and Evaluation Criteria	Comment
1	Compliance with the updated Stakeholder Engagement Plan	Stakeholder engagement to perform by requirements	(PR10) 11, 21 (PR10) 16	Management and worker's time Public relations & customer service team by MMBF	Continuously	Documentations required by SEP	
2	Update and implementation of the Environmental Management Plan and the Social Management Plan to comply with PRs.	EBRD expectations will be adequately managed	(PR1) 20, 21	MMBF Management time	Continuously.	Updated EMP and SMP	No former updates available Action for 2017
3	Operation of adequate training procedure for the employees with social task	Adequate management of disclosure and communications with the Stakeholders	(PR1) 18	Management and attending workers time by MMBF	Continuously when onboarding new workers or subcontractors	Training document with attendance sheet or list of recipients (in case of e-mail dissemination)	Ensure compliance with updated SMP
4	Preparation and provision of annual reports to EBRD in the standard AESR format	Public relations are transparent and well-maintained	(PR1) 24 (PR3) 15 (PR10) 14, 22, 23, 25	Management's time by MMBF	Annually	A copy of each report.	
5	Site-specific training of security personnel	Ensuring appropriate conduct of security personnel in all situations.	(PR4) 23	MMBF and security contractor management	Before start of guarding the site In case of change of personnel or change of service provider	Contract between MMBF and security company	Continuous contract with external service provider
6	Monitor performance of Security Firm, including investigation of any allegations of unlawful or abusive acts of security personnel.	Ensure security of workers and community	(PR4) 25	MMBF and security contractor management	Continuously	Annual evaluation of contractual performance Documentation of investigation	

Source: Updated ESAP 2017

