



FÉMALK

**SUSTAINABILITY
REPORT
2018**



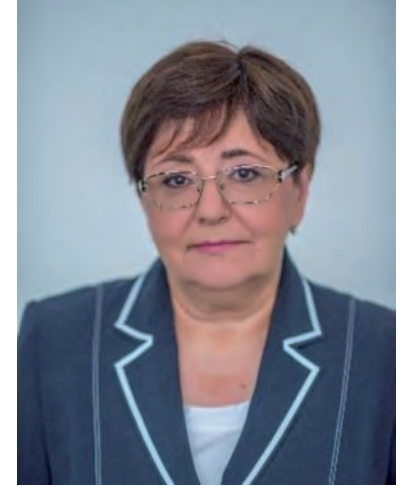
FÉMALK ZRT'S
SUSTAINABILITY REPORT
FOR THE FISCAL YEAR OF 2018

Contents

I. Foreword by the Chief Executive Officer	5	Water	26
II. Presentation of the Company and its activities	6	Our ongoing developments	27
Short history, activities and ownership of the Company	7	VIII. Environment protection, waste management, nature protection	28
Organizational structure	8	Air purity protection	30
Customers of the company	9	Soil and water protection. Sewage and rainwater drainage	32
Other partners, allies of the company	10	Waste management	33
III. Our sustainability vision and corporate values	12	Environmental awareness	34
Our sustainability vision	13	IX. Work safety and preservation of health in the workplace	37
IV. Supply chain regulation, sustainability in the supply chain	13	X. Employment policy, responsible employer attitude, continuous	
Sustainability expectations from our suppliers	14	development, diversity	38
V. Sustainability statement for quality management and assurance	15	Our aim as an employer	39
Our certificates	17	Employee statistics	39
VI. Innovation and digitization	18	Details of our employment policy	41
VII. Energy use and climate protection	22	XI. Social Responsibility, Charity, Sponsorship	43
Specific indicators	24	XII. Data privacy and Ethical operation	46
Electricity	25	Data privacy	47
Natural gas	25	Ethical operation and combat against corruption	48
Thermal energy	26	XIII. Key features of the report	49



I. Foreword by the Chief Executive Officer



I. Foreword by the Chief Executive Officer

DEAR READER!

It is with great pleasure that I publish for the first time the **Sustainability Report of FÉMALK Zrt.**, which presents three important dimensions for the year 2018 - economy, environment and society - to **demonstrate how important the World is for us, with the future of our children in it.**

As an automotive manufacturer and supplier, we play a significant role in continuously improving the environmental impact of industry operation and emissions. Recognizing that, we work with our customers and suppliers in order to streamline our processes and improve efficiency.

In addition, macroeconomic developments also have a significant impact on the company. As an employer of a significant number of workers, we also feel labor shortages and migration affecting the whole economy, which is why our employment policy needs to be reconsidered constantly.

Related to that, we conducted a psycho-social survey in the spring of 2018, in which a record high number of our employees took part, and gave their opinions and needs concerning the future of the Company.

Since this report is published for the first time now in a unified structure, we try to define our goals for each area in it, as well as our future development opportunities.

I thank all of our employees for their committed work, keeping in mind elements of sustainability; and I would like to thank especially our co-workers involved in preparing this Report, for their efforts, which enabled us to provide a truly comprehensive sustainability publication.

Best regards:

Márta Brunner (signed)
Chief Executive Officer

FÉMALK

II. Presentation of the Company and its activities

II. Presentation of the Company and its activities

SHORT HISTORY, ACTIVITIES AND OWNERSHIP OF THE COMPANY

The roots of our company date back to July 15 1989. It was at that time that the first enterprise bearing the name of FÉMALK was established, to which - after changes in legal form - FÉMALK Zrt. became a successor. Initially, the Company operated with several private owners, today Dr. József Sándor is the one-person owner. Our owner's repeatedly stated goal is to create a successful automotive company that also contributes to the development of the national economy.

Our company has been a major player in the automotive industry for thirty years. Its core business is the production of aluminum die castings and the surface treatment, machining and various assembly operations of these products.

The success of our company has laid the foundation for our further expansion, under which we opened our site in Dunavarsány, in addition to our plant in Csepel, on 15 July 2014. Due to its design, this site is among the top ones in the European ranking of plants with a similar profile.

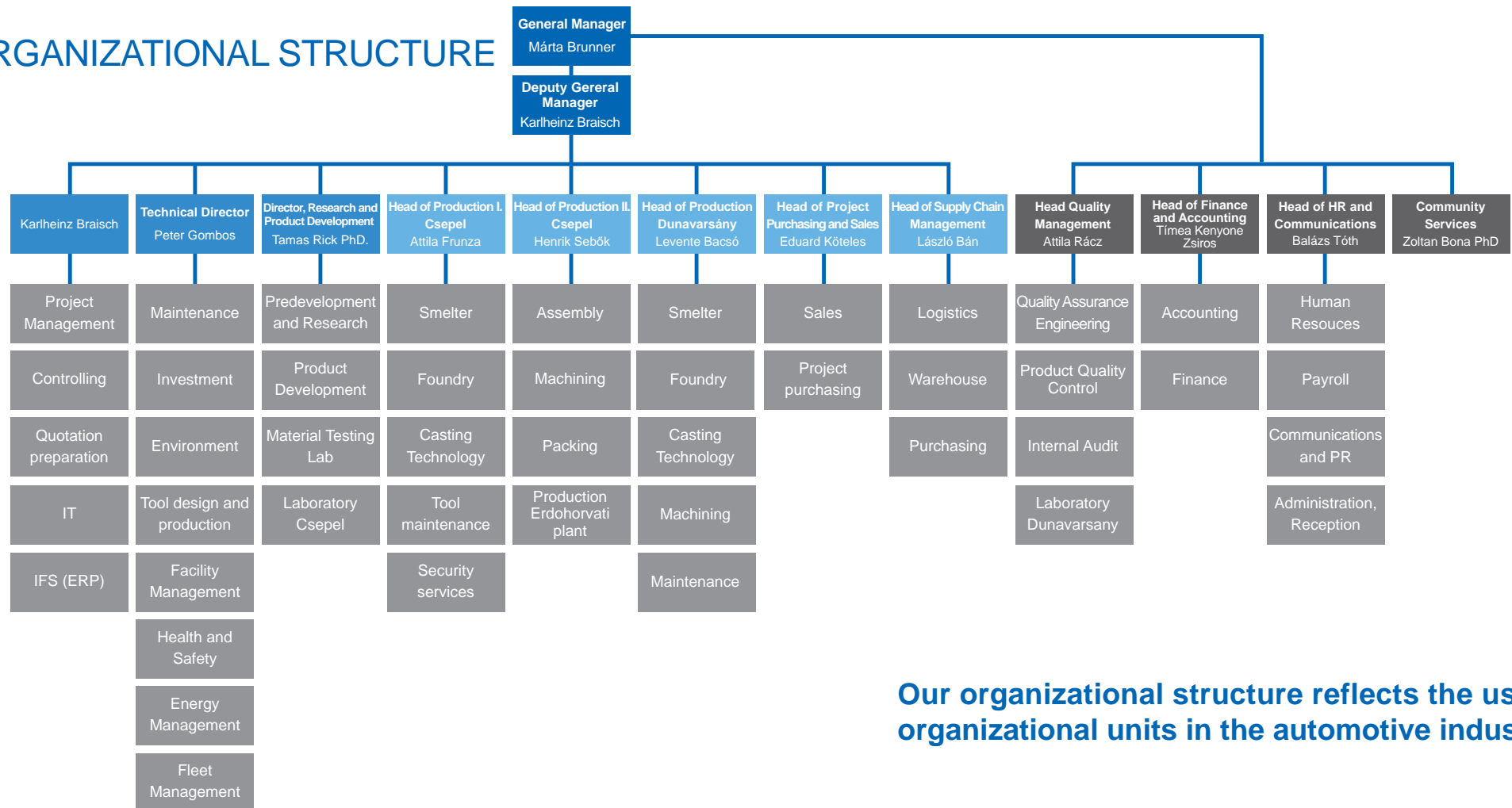
In addition, in June 2017 - as a greenfield investment - another plant was launched in Erdőhorváti, Borsod-Abaúj-Zemplén county.

We strive for the greatest professional complexity and flexibility. In addition to our core business, we have also built up our own product development, product testing, tool design, tool manufacturing and maintenance departments. This allows for quick and independent response in any situation, as well as the comprehensive fulfilment of the needs of our customers within a short timeframe.



II. Presentation of the Company and its activities

ORGANIZATIONAL STRUCTURE



Our organizational structure reflects the usual organizational units in the automotive industry.

II. Presentation of the Company and its activities

CUSTOMERS OF COMPANY

The key customers of the Company are automotive original equipment manufacturers (OEMs) direct or indirect (TIER 1 and TIER 2) suppliers. Thus, among others, the following companies are our respected customers: **BASF, BMW, Boge, VW, Bosch, Porsche, Bentley, Audi, Hella.**

BUSINESS EFFECTIVENESS

Our company constantly takes care to ensure the sustainability and development of its business model. The business model provides the opportunity to carry out scheduled maintenance and replacements, to make the investments necessary for advancing. Our business effectiveness is due to the efficiency of human resources and machine-equipment.

OTHERS PARTNERS, ALLIES OF THE COMPANY

- Hungarian Foundry Association
- National Association of Hungarian Vehicle Parts Manufacturers
- Hungarian Foreign Economic Association
- Csepel Association of Employers and Industrialists
- Public Benefit Association for Responsible Family Enterprises in Hungary
- German-Hungarian Chamber of Commerce and Industry
- Budapest Chamber of Commerce and Industry voluntary membership
- German Foundry Association (Bundesverband der Deutschen Gießerei Industrie)
- **Furthermore:**
 - Local Organizations and Civil Communities
 - Authorities
 - Universities and Secondary Schools

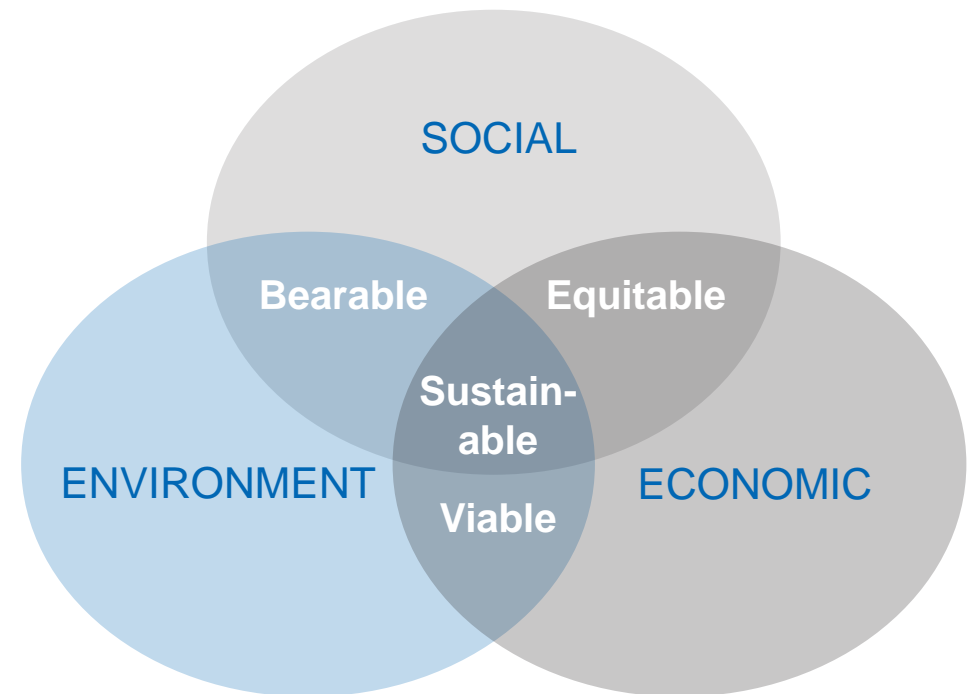


III. Our sustainability vision and corporate values

III. Our sustainability vision and corporate values

OUR SUSTAINABILITY VISION

Recognizing the importance of sustainable development and the fact that this is essential for future business, FÉMALK Zrt. assumes obligation and responsibility for conducting its operations, corporate governance and activities in Hungary in that spirit, in such a manner that it should exert a significant positive impact on the **society**, on the **environment** and on the **economy**.



It will always be important for FÉMALK to preserve and maintain our values.

III. Our sustainability vision and corporate values

OUR CORPORATE VALUES

Independence: Independence and stability have always been important aspects for FÉMALK. By achieving this, we are able to make our own decisions to the highest extent without any external influences.

Creativity: Creativity has always been a fundamental value for FÉMALK. If necessary, we find the unconventional, yet correct solutions through our excellent and creative staff.

Customer satisfaction: It is always important for us to know what our customers' most important goals are. It is only by exploring their expectations that we can serve them the best, and provide them with tailor-made solutions and products. We are ready to support our customers in urgent and unforeseen situations as well.

Talent management: For FÉMALK, it is always important to be a company of excellent people whom we support in their personal development needs, and even when they face problems in their private lives. It is necessary to have highly motivated employees working with us, we support their free ideas while providing them with the necessary technical background to enhance their own skills, and thereby we can also enhance the opportunities of the company.

Social and environmental care: Environmental protection has always been fundamental for FÉMALK, and we contribute to its sustainability within the automotive industry by leaving the smallest possible ecological footprint. In particular, we strive for this in our narrower environment, in our sites. As an active corporate citizen, beyond protecting the health of our employees, we support and strive to develop schools, churches, sports clubs, and persons with disabilities or impairment.

It will always be important for FÉMALK to preserve and maintain our values.

IV. Supply chain regulation, sustainability in the supply chain

IV. Supply chain regulation, sustainability in the supply chain

SUSTAINABILITY EXPECTATIONS FROM OUR SUPPLIERS

The aim of our company is to ensure the high quality and competitiveness of our products and services, and we are constantly working to optimize our environment, processes and products. FÉMALK Zrt. is committed to the goal of sustainability. We believe it is important that the performance of our suppliers should continuously improve in terms of sustainability, so we expect our partners and suppliers to comply with our guidelines. Furthermore, any matters not regulated here are subject to the General Terms and Conditions (GTC) of FÉMALK Zrt. and our concluded contracts.



- The Supplier should guarantee that its pre-contract declarations are truthful.
- The products/services to be delivered should meet the applicable environmental, legal, statutory and regulatory requirements.
- The supplier must be committed to environmental and social engagement.
- The supplier should be aware of the statutory requirements applying to “conflict minerals” and “REACHes” and should observe these. In addition, it should do its best to avoid using these raw materials.
- FÉMALK Zrt. condemns and rejects the following items in all respects:
 - child labor, forced labor, human trafficking;
 - discrimination, harassment, physical violence;
 - corruption, bribery, fraud, embezzlement, money laundering;
 - conflicts of interest and insider trading;
 - taking political positions

and expects its suppliers to demonstrate a similar attitude concerning the points listed above!

V. Sustainability statement for quality management and assurance

V. Sustainability statement for quality management and assurance

The main goal of FÉMALK Zrt. is to satisfy the needs of its partners and customers reliably and fully. Starting from the planning of our processes, we take into account the needs of our stakeholders.

We are constantly improving our activities and regularly train our employees. The management is committed to operating in a sustainable manner. Process owners with appropriate powers have been appointed, to represent the processes of the company.

In order to ensure customer satisfaction, we track the products throughout their lifetimes, we ensure the best quality, in consideration of the feedback received we constantly improve our processes and strive to accomplish the 0 ppm quality target, i.e. fulfillment without errors.

Every year, we formulate clear quality goals reflecting on the needs of our customers and our internal needs, and we communicate these throughout the organization. We share customer feedback and accomplishment of our goals within the organization. We create awareness in our co-workers of the importance and significance of these goals, which must be borne in mind for the success of FÉMALK Zrt.

Our quality management system clearly defines the responsibilities, as well as the required documentation management, product manufacturing and control procedures. In case of a possible deviation, we follow a regulated intervention process.

Our production is controlled by state-of-the-art instruments, such as spectrometer, X-ray machine, 3D coordinate measuring machine, 3D scanner, measuring projector, tightness control device, tensile strength testing machine, and staff members with up-to-date knowledge ensure the efficiency of control.

Our employees document the controls into a Babtec CAQ system, which accelerates and improves the efficiency of the evaluation of our inspections, reduces the time of interventions, thus improving the quality of our products.

FÉMALK Zrt. operates a quality management system compliant with the IATF 16949:2016 standard applying to its every site, furthermore, it also operates an ISO 9001 system in the tool plant. Compliance with the applicable quality management system requirements is regularly verified by the quality management organization, and an independent third party also certifies the operation of our system in the prescribed manner.

V. Sustainability statement for quality management and assurance

V. Sustainability statement for quality management and assurance

OUR CERTIFICATES

Tanúsítvány

A SYS CERT Rendszertanúsító Kft. igazolja, hogy a(z)

FÉMALK Fémöntészeti és Alkatrészgyártó Zrt.

H-1211 Budapest, Öntöde u. 2-12.
H-2336 Dunavarsány, Neumann János u. 3.

környezetirányítási rendszert vezetett be és alkalmaz
a következő tevékenységi területen

**Alumínium nyomásos öntvények gyártása
és értékesítése**

A SYS CERT Rendszertanúsító Kft. által elvégzett audit során
bizonyítást nyert, hogy a környezetirányítási rendszer megfelel az

MSZ EN ISO 14001:2015
szabvány követelményeinek

A tanúsítás dátuma: 2017.08.31.
Első tanúsítás dátuma: 2014.09.01.

A tanúsítvány érvényessége: 2020.08.30.
A tanúsítvány érvényességének feltétele az évenkénti sikeres felülvizsgálat

A tanúsítvány sorszáma: SC/122/17

Budapest, 2017.08.31.

Ügyvezető igazgató
SYS CERT Rendszertanúsító Kft.
H-1023 Budapest, Árpád fejedelem útja 26-28.
www.syscert.hu

MAH-AUTOSERT
ALUMÍNIAZSOLÉRTÉK
TANÚSÍTÓ SZERVEZET

SYS
SYS CERT RFT

DNV-GL

**IRÁNYÍTÁSI RENDSZER
TANÚSÍTVÁNY**

Tanúsítvány száma: 251140-2017-AQ-BUD-RvA
Értékelés dátuma: 2015.április 17.
Érvényes: 2018.április 17 - 2021.április 17.

Jelen tanúsítvány igazolja, hogy a(z)

Fémalk Zrt.
1211 Budapest, Öntöde u. 2-12.

irányítási rendszere megfelel az alábbi szabvány követelményeinek:
ISO 9001:2015

Jelen tanúsítvány a következő tevékenységi körre érvényes:
Öntvénygyártási szerszámok tervezése és gyártása.

Kiállítás helye és dátuma:
Budapest, 2017. december 14.

Kiállítás szervezet:
DNV GL - Business Assurance
1143 Budapest XIV. Stefánia út 101-103.,
Hungary

Adott László
Vezetőség képviselője

The RvA is a signatory to the IAF MLA

A tanúsítás szerződésben meghatározott feltételek teljesítésének hiányában a tanúsítvány érvénytelenül válik.
www.dnv-gl.com, DNV GL Business Assurance B.V., 2600 GPBOS, B-1304 BE, Belgium, Belgium, IATF 16949:2016, TR 15140:2016

DNV-GL

**MANAGEMENT SYSTEM
CERTIFICATE**

Certificate No.: 194279-2016-AQ-BUD-IATF Rev. 1
IATF Certificate No.: 0283301
Valid until:
20 December, 2017 - 19 December, 2020

This is to certify that the management system of

Fémalk Zrt.
Neumann János u. 3 Dunavarsány, 2336, Hungary
HRSZ 805/2 Erdőhorváti, Hungary, 3935
and, if applicable, the remote support locations as mentioned in the Appendix
accompanying this Certificate

has been found to conform to quality management system standard:
IATF 16949:2016

This certificate is valid for the following Scope:
**MANUFACTURING OF ALUMINIUM HIGH-PRESSURE DIE
CASTING PARTS**

EXCLUSION: 8.3 PRODUCT DESIGN

Place and date:
Katy, TX, 10 January 2018

For the issuing office:
DNV GL - Business Assurance
Budapest, Hungary

Robert Kozák
Management Representative

Link of fulltext of conditions set out in the Certificate Agreement may render the Certificate invalid.

Page 1 of 2



VI. Innovation and digitization

VI. Innovation and digitization

By innovation and digitization our Company means all the internal activities that contribute to sustainable development and **reduce the environmental footprint of the Company by:**

- new, more modern products,
- a more efficient product design process,
- more efficient production and organizing processes.

Our Company is 100% an automotive supplier, so indirectly the products we make and develop have an impact on the emissions of the automotive industry and those of transport. Therefore, when designing the parts, we produce, we use state-of-the-art design tools and software to create low-weight components that meet the requirements. Using topology optimization for geometries where this method has not been used before, we can achieve a 5-20% weight reduction. For a casting of 1.4 kg, if we manage to reduce the weight by 150 g, we contribute to sustainable development by a CO2 emission reduction of 1.4g/100km. When designing manufacturing processes, if it is technically feasible, we require the use of auxiliary materials that pollute the environment to a lesser extent or not at all.

Considering the operating environment of the components, we make such suggestions on choice of materials for our customers that contribute to avoiding future polluting surface treatment technologies.

Our production areas - foundry, cutting, assembly - are part of our daily operations, with optimizing our processes, quality, productivity, energy and environmental goals in mind. Shorter cycle times, properly selected cutting tools and auxiliary materials all contribute to achieving the set goals.

This year we purchase the MAGMA software, which is the most up-to-date casting technology support program. It enables a significant reduction in the incidence of scrap, furthermore, the number of repair, remodelling works of casting tools can also be reduced substantially.

Since 2016, in every new purchase of casting machine we have only bought „Energy Saving” casting machines; the consumption of these machines is only 30 to 40% of the consumption of the old ones. Since 2016 we have purchased 10 casting machines of this type as part of capacity expansion, and 3 additional ones as replacement of old machines.

VI. Innovation and digitization

Due to the significant material and goods movement, we have many forklifts and other material handling equipment. We use only electric forklifts at our site in Dunavarsány, the number of gas-driven forklifts at our Csepel site is higher for the time being, but since 2015 we have replaced our forklifts in need of replacement from gas-driven models to electric ones. The maintenance of electric forklifts is much more favorable compared to the gas-driven ones, the operating costs of electric forklifts is 60-70% lower than those of the gas-driven ones. Last but not least, electric forklifts have no emission of harmful substances.

The cooling water system at the Csepel site was divided into two separate sections. One cooling water system is used for cooling casting and die cutting machines, this system works with water of 30°C. We applied another system to cool the technological units. This system carries water of 40°C. By separating the two systems, we use significantly less energy, while substantial savings are accomplished, in the volume of 30MWh/month. The Csepel office building and tool plant are heated by district heating. It is in this system that we have introduced the waste heat of the above-mentioned technological cooling, by which we save 30% annually.

By continuously optimizing salt use in the area of the smelter and using environmentally friendly melt treatment salts, we minimized the emissions of health-damaging substances. By this we managed to reduce the metal content of the slag by 20-30%.

A major advancement was the introduction of the new mold release technique - minimum lubrication - which reduced the company's water consumption and significantly increased the life of the casting tools. Thus multiple products can be made by one tool, while reducing the raw materials of tools.

With today's technology, it is easier to manage cooling, placement, and management processes arising from multiple computers. Virtualization is such a solution, which was introduced by FÉMALK Zrt. as well.

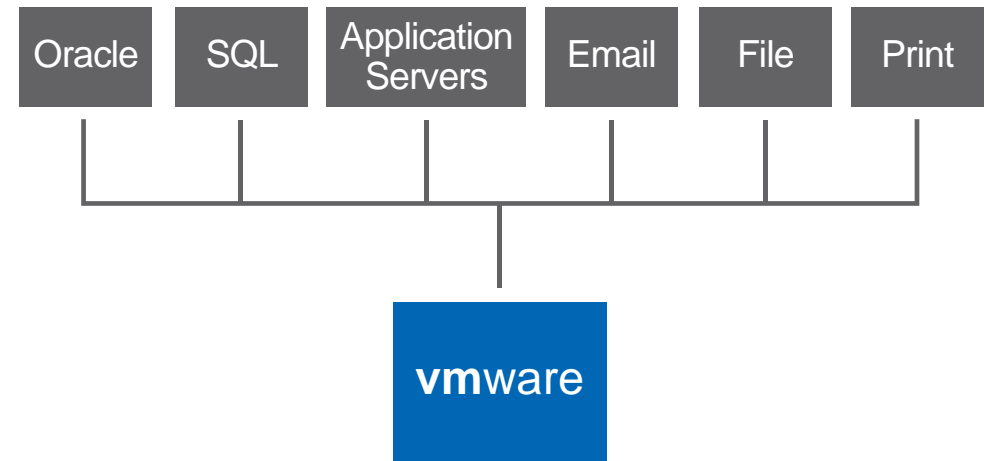
The essence of virtualization is getting rid of the hardware constraints, and increasing the utilization of our hardware. The benefits provided by this technology include a high level of flexibility and scalability.

VI. Innovation and digitization

In addition, the chargeable solutions of certain vendor's offer the opportunity of high availability, continuous operation and the fast and flexible configuration of the back-end systems. Some additional components can provide an effective solution to support back-up processes. Using virtualization, we can run multiple computers functioning on different operating systems at the same time on a host machine.

This allows different computers to be migrated into the virtual space, reducing energy consumption and cooling energy, not to mention the space freed up.

The introduction of document management is a significant step in reducing paper consumption. The purpose of this is primarily to implement a solution for efficient storage, digitization and fast retrieval of documents. This solution makes the approval system fully electronic, and the received invoices, delivery notes are also processed in digital form.





VII. Energy use and climate protection

VII. Energy use and climate protection

FÉMALK Zrt. strives for efficient energy use, which we accomplish in our current market situation by purchasing state-of-the-art (BAT) production equipment, renovating, replacing or converting less energy efficient equipment, targeted energy management and capital investments aimed at improving energy efficiency. We monitor the development of energy consumption and

strive for rapid intervention in the case of consumption anomalies. For example, in the case of detection of outstanding water consumption due to a pipe break, minimizing the outage with the help of the service provider. Or in the case of outage owing to the shutdown of a transformer, we handle the situation by the installation of direct cooling, iron core temperature monitoring and use of a reserve transformer.

Developments in resource use at company level in recent years

Resource type/year	2014 (base)	2015	Change on the base period (%)	2016	Change on the base period (%)	2017	Change on the base period (%)	2018	Change on the base period (%)
Electricity (MWh)	17 596	21 323	121%	22 585	128%	28 180	160%	30 341	172,43%
Natural gas (m3)	1 939 110	2 697 523	139%	2 864 900	148%	3 508 000	181%	3 766 123	194,22%
Thermal energy (GJ)	4 309	3 646	85%	3 430	80%	4 043	94%	3 297	76,51%
Water (m3)	41 007	43 088	105%	36 272	88%	32 058	78%	29 170	71,13%
Gross Cast Weigh (t)	23 763	29 433	124%	29 812	125%	37 977	160%	40 863	171,96%

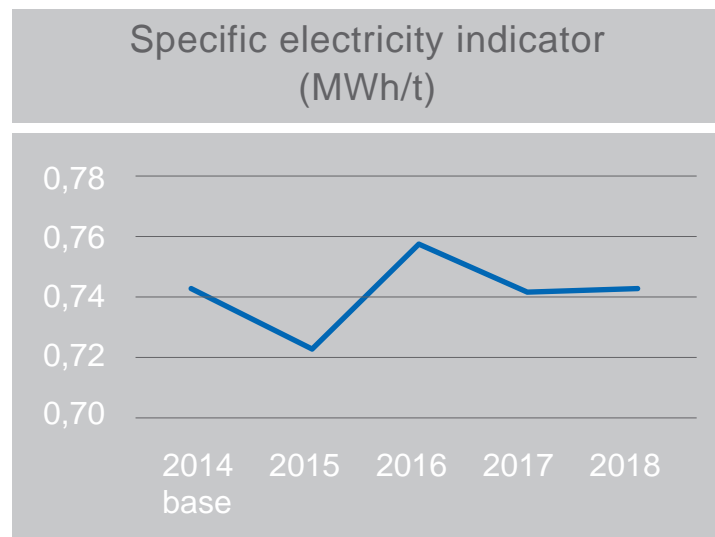
VII. Energy use and climate protection

SPECIFIC INDICATORS

Resource/Year	2014(base)	2015	2016	2017	2018
Electricity Specific Indicator (MWh/t)	0,74	0,72	0,76	0,74	0,74
Natural gas specific indicator (m3/t)	81,60	91,65	96,10	92,37	92,17
Thermal energy specific indicator (GJ/t)	0,18	0,12	0,12	0,11	0,08
Water specific indicator (m3/t)	1,73	1,46	1,22	0,84	0,71

VII. Energy use and climate protection

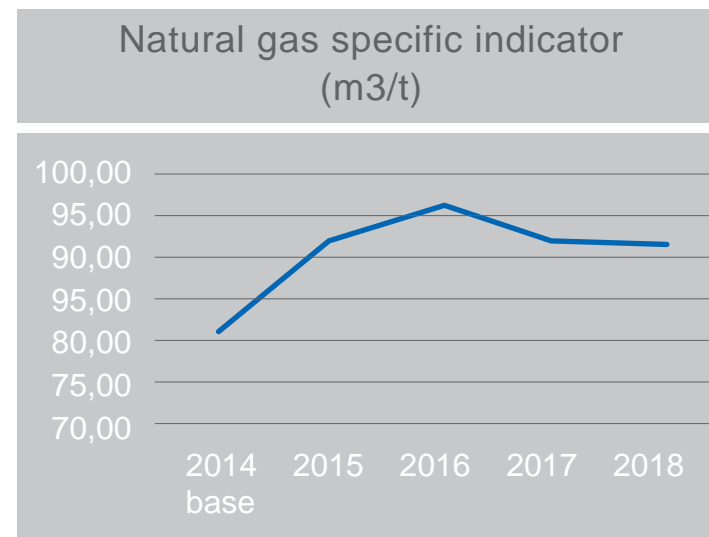
ELECTRICITY



There has been a downward trend over the last three years, which can be partly explained by the following:

- replacement of conventional production machines for 'energy saver' equipment: casting machines, machining centers, electrical discharge machines, compressors
- With the ramp-up of the Dunavarsány site, the utilization of production and servicing equipment increased.

NATURAL GAS

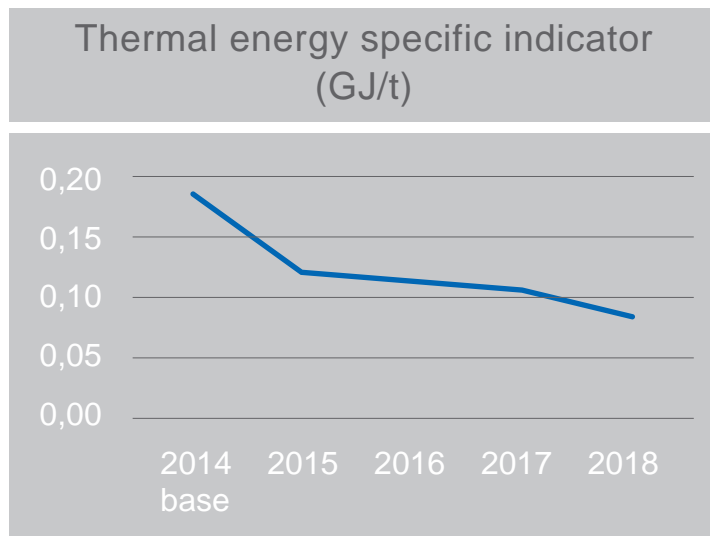


There have been changes similar to electricity in the case of natural gas, the reasons for which are:

- In 2016 and 2017, at the Csepel site we managed to reduce specific indicators at company level by melting furnace replacements,
- at the start of the Dunavarsány site, the initial high specificity indicators turned into a nice downward trend, and will decrease until maximum plant utilization is reached.

VII. Energy use and climate protection

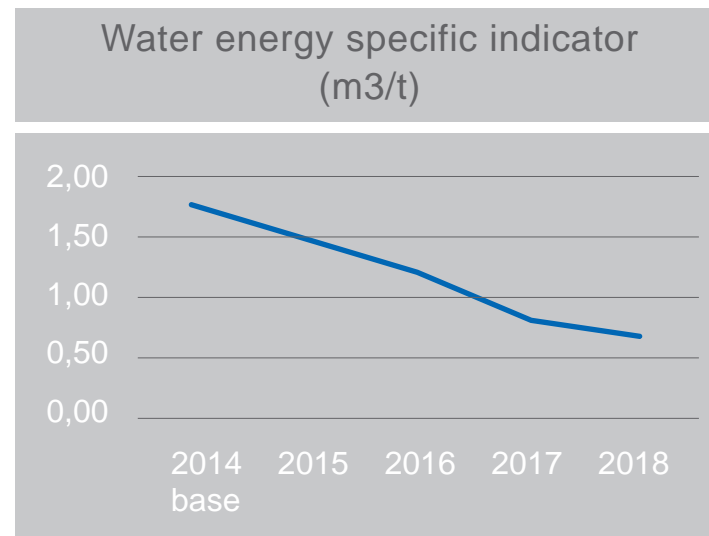
THERMAL ENERGY



The purchased thermal energy - district heating - is used at our Csepel site for building heating, due to the local conditions.

The declining trend is more pronounced here, due to the fact that we have built a heat recovery system for the utilization of the waste heat of the plant, which derives from the cooling of casting machines and tools, and is used for building heating.

WATER



There is also a declining trend for water use, due to the following:

- continuous replacement of mould release technology, with minimal lubrication,
- replacement of the gravity water cooling tower with technological cooling by coolant,
- recycling the water into the system in processes of abrasion, vacuum distillation,
- stopping the wasting of water.

VII. Energy use and climate protection

All in all, the company keeps in mind the efficient use of resources, which is also an economic and sustainability interest.

In addition to the above explanations, we consider it important to mention energy procurement, because with market monitoring and timely action, energy costs can be kept lower and thus the company can spend more on energy-efficient production equipment and energy efficiency investments and education.

According to the decision of the management, the ISO 50001: 2018 EIR system will be introduced at FÉMALK before the end of this year. Here is why we decided to introduce the system, as opposed to the energy audit obligation once every 4 years:

- Formulation of the energy policy, energy strategy;
- Transparency of energy use is a quick intervention, response opportunity for each type of use;
- Dedicated EIR team, centralized energy management;
- Continuous goals, transparent, traceable reported implementation;
- Focus on energy procurement

Our ongoing developments:

- Introduction of ISO 50001: 2018;
- Installing a new transformer - receiving a higher voltage at 10kV - at the Csepel site, to replace as much as possible low-voltage power feeding coming directly from the grid distributor, and to make the receipt of electricity less expensive;
- Implementation of remote reading and monitoring of water meters;
- Rationalization of utility hot water use by installing water-saving taps at the Csepel site.



VIII. Environment protection, waste management, nature protection

VIII. Environment protection, waste management, nature protection

By its operation, FÉMALK Zrt. exerts an inevitable impact on the natural and built environments. By law we are a **major user of the environment** owing to our daily melting capacity, therefore our Company continues to take steps year by year, through continuous factory and production developments, in the field of responsible operation and environment protection.

Environmental protection has been an important part of FÉMALK Zrt's basic philosophy since 2005. Our environmental management system, which has been operating successfully for more than 13 years now, provides a sufficiently safe basis for achieving our goals. Our goal is always to prevent environmental pollution, to reduce the use of the environment, to monitor environmental factors and to improve environmental performance. For that purpose, we use energy-efficient melting furnaces, invest in energy-saving casting machines, utilize waste heat, replace our gas-powered forklifts with electric ones, compact and bale our waste, and operate flue gas separators on a voluntary basis. Our environmental strategy, which sets clear objectives, key indicators and actions, provides the framework for our environmental activities.

In the field of environmental protection, sustainability is the goal that we have in mind in the careful use of base and auxiliary materials, in the responsible production of our castings, all the way to the recycling of waste. It was in 1996 that the Company first hired an environmental consultant.



VIII. Environment protection, waste management, nature protection

AIR PURITY PROTECTION

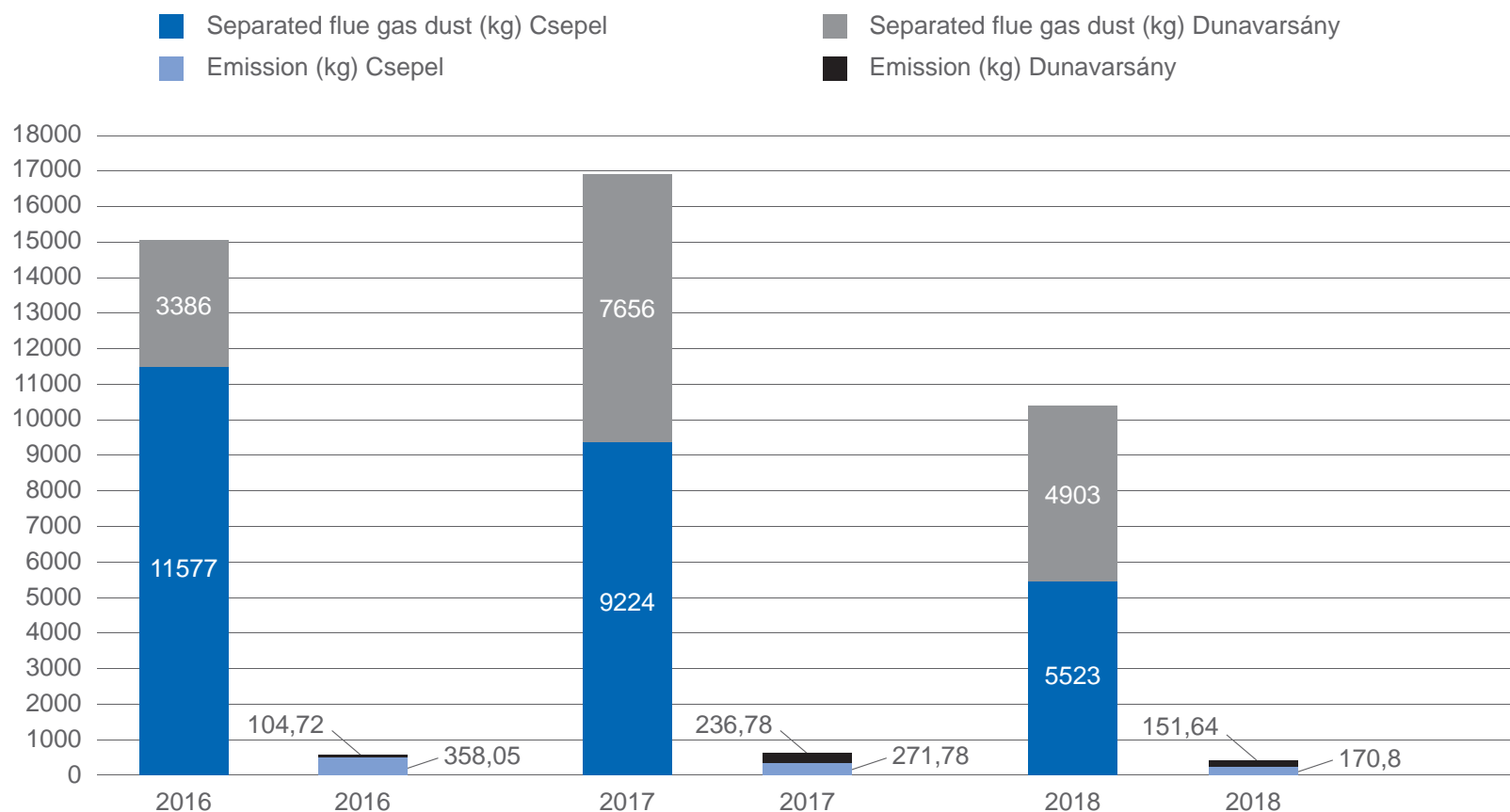
In 2018, a total of 10 point sources operated at the premises of FÉMALK Zrt., in addition to these, we also had 5 more back-up point sources. The flue gases of our melting furnaces contain nitrogen oxides, carbon monoxide, solids, chlorine and fluorine, while our abrasive blasting machines load the air with solid substances. Each site has a single environmental permit that includes specifications for point sources, measurements, and threshold values. Applying the best available technique is a fundamental consideration in the operation and establishment of our sites.

In order to reduce harmful emissions, most of our equipment is operated with its own dust separator. In 2018, the daily average emissions of point sources did not exceed the technological limits at any site during the entire period of operation. At the flue gas separators of the melting furnaces, we tested the amount of solid powder released and separated. In 2017, both volumes increased, parallel with the include of the volume of production. However, in terms of proportions, there was a significant decrease in 2018, which can also be attributed to the quantitative change in production.



VIII. Environment protection, waste management, nature protection

AIR PURITY PROTECTION



VIII. Environment protection, waste management, nature protection

SOIL AND WATER PROTECTION. SEWAGE AND RAINWATER DRAINAGE

In our company, industrial wastewater is generated in connection with the casting process and abrasion. Wastewater from casting is gravitationally transported to a collection pool at both sites. No technological wastewater is discharged into the sewage network. Thus, by law our Company has no obligation to inspect wastewater. A significant volume of communal wastewater is generated. It is drained in Csepel through the canals of the Waterworks of Budapest (Power Plant of Csepel), and in Dunavarsány through the canals of the Industrial Park of Dunavarsány. Some of our water is evaporated or recycled into the system during technological use. In Csepel, rainwater is drained directly into the canals, while at our Dunavarsányi site we have a dedicated desiccating ditch designed for this purpose. It is important to mention that in this case the groundwater must be monitored continuously. In 2018, we had groundwater sampling and testing carried out at two points, where it was found that no threshold value was exceeded for any of the components. FÉMALK Zrt has 2 underground tanks and 2 pools recessed in the ground. We operate a system of monitoring wells for the tanks. In case of accidents or malfunctions, soil or groundwater contamination may occur. In 2018 no such contamination occurred.



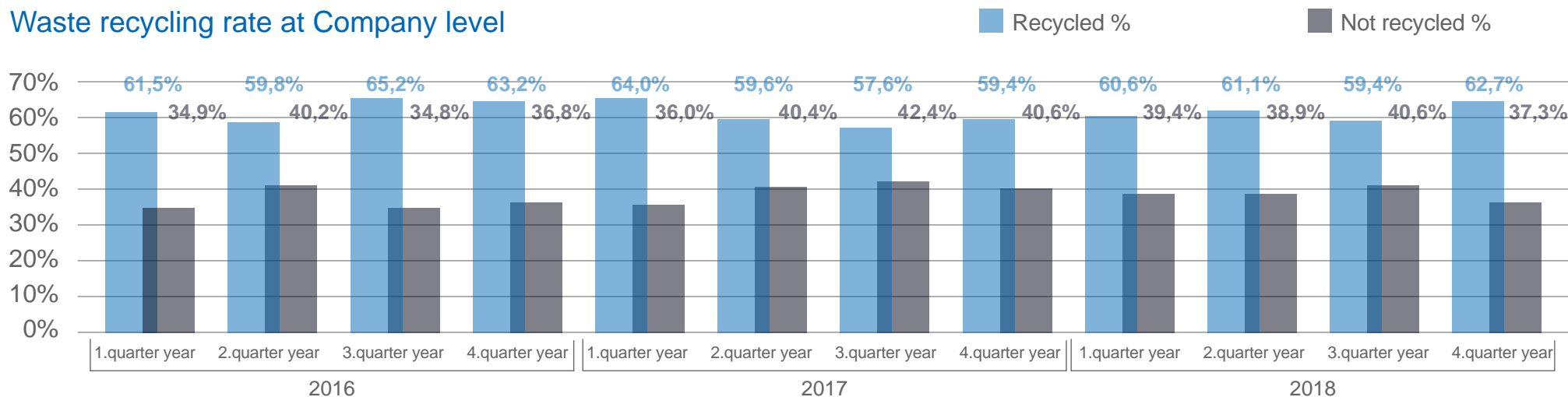
VIII. Environment protection, waste management, nature protection

WASTE MANAGEMENT

During the activities of FÉMALK Zrt., hazardous waste, industrial non-hazardous, municipal solid waste is generated, while maintenance waste is generated during demolition works. Disposal of the waste is carried out by contracted firms having appropriate permits. The amount of our waste has been going up, parallel with the constantly increasing production volume and the number of employees working for the Company. However, we still strive

to maintain the waste recycling rate of 60%. Thus most of the waste is recycled, other waste is incinerated or disposed of. The most significant quantities of hazardous waste can be directly associated with melting and machining processes. The largest amount of non-hazardous waste is the slag generated by melting technology.

Waste recycling rate at Company level



VIII. Environment protection, waste management, nature protection

ENVIRONMENTAL AWARENESS

FÉMALK actively promotes environment protection and introduces proactive measures to help us meet our targets in four key areas by 2020: "increase of environmental awareness", "maximizing waste recycling", "energy efficiency" and "reduction of the use of chemicals." The basic idea of our sustainability is to continuously increase the environmental awareness of our company's

employees, who are our assets. We also have measurable indicators based on tests completed in our environmental trainings. Between 2016 and 2018, we saw an almost 20% increase in the environmental awareness of our co-workers, which I would like to raise by another 5% by 2020.

Quantities of major types of production waste	2016	2017	2018	Change compared to 2017
Aluminum Slag (kg)	780 990	934 630	1 052 020	+ 12,56%
Grinding sludge (kg)	62 891	62 192	79 853	+ 28,40%
Flue gas dust (kg)	14 963	16 880	10 426	- 38,25%
Furnace disassembly waste (kg)	12 372	10 824	7 810	- 27,85%
Other hazardous waste (kg)	83 009	101 449	104 360	+ 2,87%
Emulsion (kg)	393 760	515 900	606 960	+ 17,65%

IX. Work safety and preservation of health in the workplace

IX. Work safety and preservation of health in the workplace

Our company is committed to work safety, so we consider it one of our important tasks to create a healthy and safe work environment for our employees. Our employees receive regular safety and fire safety training every year. We verify acquisition of the curricula of the trainings, the skills of our employees in the framework of the annual refresher training, mandated to be held each year, which significantly increases the awareness of work safety within the area.

Close cooperation with the different authorities will make it easier to manage any potential emergencies. The conduct of the regular training and the effectiveness of continuous control are confirmed by the fact that the number of work accidents in our company has been decreasing from 2017 onwards. Work accidents are investigated as per the regulations. In each case we conduct extraordinary occupational safety training, where we evaluate together with the workers what caused the accident and how it could have been avoided. It is also our goal to increase employee responsibility awareness, in order to prevent work accidents.

In its operations FÉMALK Zrt. always complies with all work safety and health regulations. In each case, workers have adequate personal protective

equipment and, if necessary, we also provide collective protective equipment. The development of work safety and health protection has been an important aspect of the investment projects that are implemented continuously at the Company.

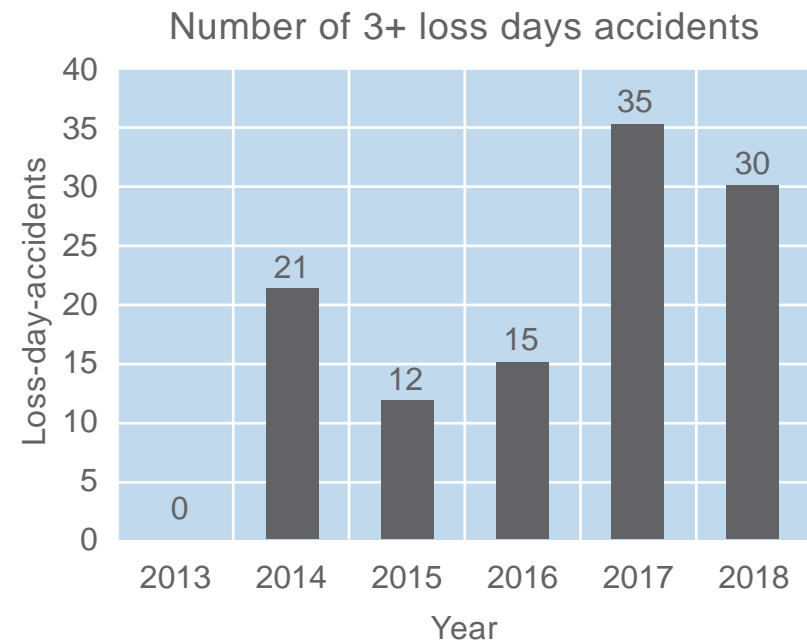
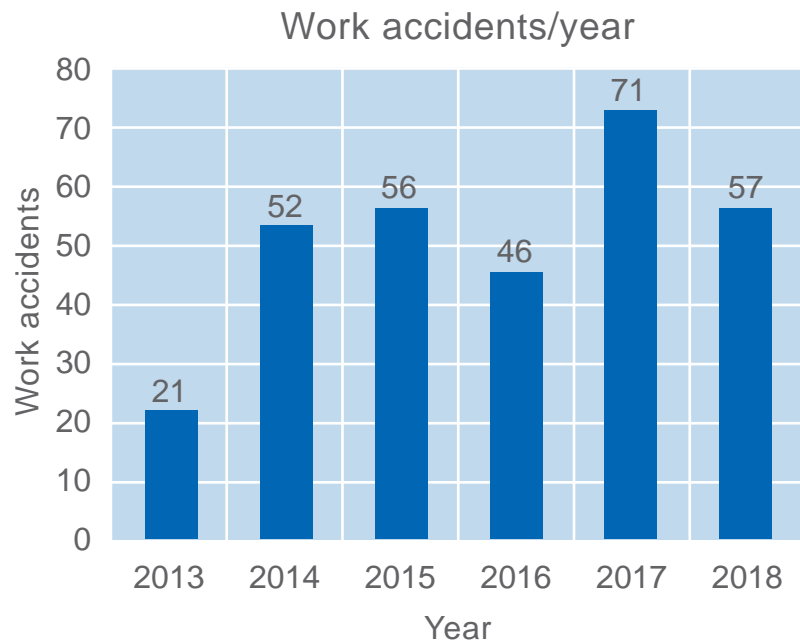
The management assesses the anticipated hazards before the start of each workflow. We prepare technical, organizational and personal action plans to protect against the identified hazards, and employees receive a special work safety training. These measures strengthen the awareness of our co-workers that they play a major role in work safety.

In order to improve our work safety and safety of health, we have set ourselves the following goals:

- developing proactive behavior rather than reacting to events,
- developing comprehensive solutions with employee collaboration, instead of occasional technical solutions; furthermore,
- to make the requirement of safety a natural part of daily working routine,
- resolution the deficiencies discovered in the various site inspections within deadline

IX. Work safety and preservation of health in the workplace

The following table shows the main occupational health indicators



Our occupational health and safety policies include a system of issuing work dresses and protective clothing.

In February 2018, our company held an election of work safety representatives, in accordance with the legal requirements.

X. Employment policy, responsible employer attitude

X. Employment policy, responsible employer attitude

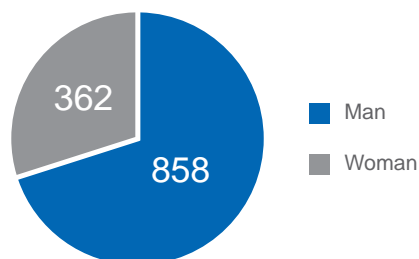
OUR AIM AS AN EMPLOYER

We set ourselves the goal of becoming an even **more attractive and retaining employer**. Therefore, through our activities related to the management and service of human resources, each day we strive to develop our employer's brand, the work environment, the processes affecting the everyday routine of our workers, such as: recruitment – selection, after that the processes of integration, training – development opportunities, administrative burdens, furthermore, the monitoring systems that enable the planning of human resources – headcount of appropriate quantity and quality.

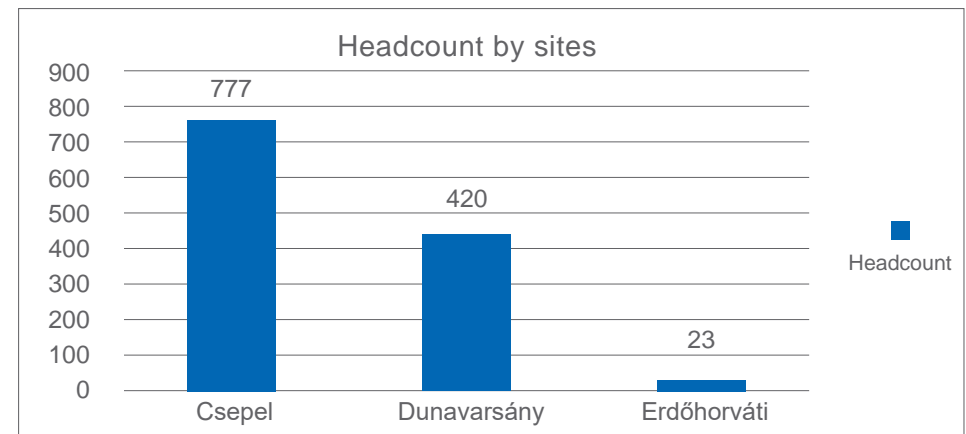
Employee statistics:

As of 31 December 2018, the Company had a closing headcount of 1220 persons, with a gender distribution of 362 women (29.7%) and 858 men (70.3%).

Headcount by gender

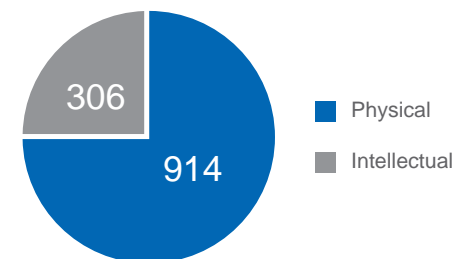


Our closing headcount distribution per site was as follows:



The ratio between blue collar and white collar workers is shown in the following figure:

Job classification headcount

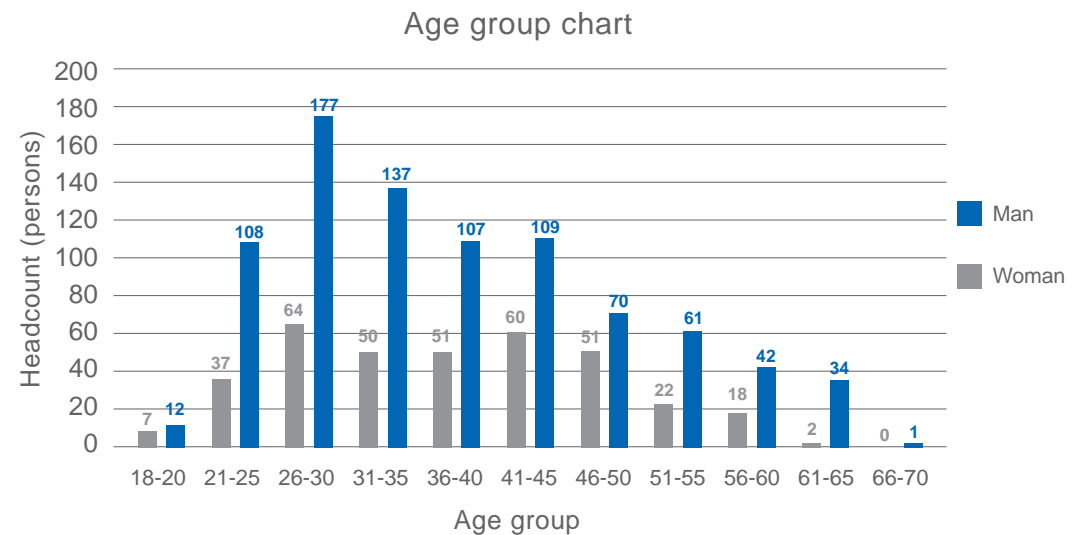


X. Employment policy, responsible employer attitude

We employ our workers in several types of legal relationships at our company, which were as follows at the end of December 2018:

Legal relationships of employment:	Headcount
Part-time with child care leave	2
Full-time with child care leave	25
Full-time with child care support	3
Part-time	11
Part-time pensioner	1
Full-time	1171
Full-time pensioner	7
Total	1220

As of 31 December 2018, the age group chart of FÉMALK Zrt. was the following:



X. Employment policy, responsible employer attitude

DETAILS OF OUR EMPLOYMENT POLICY

Our company attaches great importance to equal opportunities at all stages of employee life. In the selection process already, we provide the opportunity for each applicant to present their qualities, and then help successful integration with our enrollment and mentoring programs. In addition to improving business efficiency, it is also important for us to ensure individual, employee well-being, therefore for the first time in 2018, we had our employees complete a so-called psycho-social questionnaire, who expressed their opinions on the needs in the highest ratio of participation compared to similar questionnaire surveys conducted up to that time. It is owing to this questionnaire that several of our office and social rooms have been renewed, we switched to an employee-friendly work regime in several areas, and we made efforts to increase the everyday satisfaction of the employees by offering further trainings, organizational transformations, as needed.

In addition to responding to the shortage of labor force characteristic of the domestic labor market, it is an important goal in our employment policy to ensure that our employees feel appreciated in terms of compensation as well. Therefore, besides the continuous monitoring of wages, we operate a Cafeteria system of outstanding value by national standards, beyond that, we also provide more than 30 additional benefits and supports for the workers, from vacation and camping opportunities all the way to funeral support. The development of the individual is also important for us, so we can retain and motivate them. Every year our Company spends a large amount on offering such trainings to the employees that go beyond the mandatory training requirements, these can be professional, language courses or even leadership development. This gives them a chance to change their job assignments and careers.

X. Employment policy, responsible employer attitude

DETAILS OF OUR EMPLOYMENT POLICY

Our employment policy promotes the employment and reintegration of those returning from maternity or childcare leave. It gives the opportunity of working as a pensioner, part-time employment, furthermore, in the case of certain job assignments, establishing a balance between flexible working hours and private life. Care by the employer is an important element in the human policy of the Company, as are creating and maintaining equal opportunities, equal treatment in the workplace. Parallel with this idea, we have introduced a practice that is very rare in the country: several times a week our workers in need of help have the opportunity of personally speaking with our spiritual-community leader, of receiving human-mentoring, assistance. Subject to the legal requirements, our Company guarantees the right of association for our workers and treat the interest representation organizations, trade unions and works council as a partner. We do not have a collective agreement or a plant agreement.



XI. Social Responsibility, Charity, Sponsorship

XI. Social Responsibility, Charity, Sponsorship

As a responsible company, we have a duty to play an active role in society in addition to our economic activities. In the spirit of our corporate citizenship, we pay special attention to initiatives that are in line with our corporate mission and create value for our environment. The organizations and associations supported by FÉMALK Zrt. are mainly active in the fields of culture, education and sports. Our company strives to establish long-term relationships with its partners, thereby making it possible for organizations to use their resources as efficiently as possible, in line with the company's goals to the highest possible extent.

Training, including the training of highly qualified technical professionals, is one of the highlighted areas of our support. Since 2015, a long-term support agreement has been in place between A FÉMALK Zrt. and the University of Miskolc, the purpose of which is the provision of support to the training activity performed by the Technical Material Science Faculty on founding, assurance of the operating conditions of the Institute of Founding, the launch of the training of undergraduate material engineers in the form of work-study training, with the specialization of foundation, and provision of funding for its operating costs.



XI. Social Responsibility, Charity, Sponsorship

For many years, our company has been supporting the activities of the Faculty of Mechanical Engineering of Budapest University of Technology and Economics in the field of training and research. Our Company especially supports the participation of students in technical tertiary education in the Formula Student global contest, a competitor specialized for the construction of a Formula category race car.

Our Company considers it important to support not only tertiary, but also secondary level education. For several years, we have been supporting the Grammar School of the Reformed College of Sárospatak, whose entire building and laboratory system have been renewed with the support of FÉMALK. We also provided support for building a new handball hall for the grammar school, to be used by students for physical education and other sports.

Our company is committed to preserving cultural values and creating high quality entertainment and cultural opportunities that improve our quality of life. We support various artistic activities in the form of conducting programs,

events, and provision of support to the professional operation of cultural institutions. Our company is currently a gold sponsor of the Zemplén Festival, under which high-quality art programs have been organized for over a quarter of a century in Tokaj-Hegyalja. In addition, we provide increased support to Rákóczi Association and the Castle of Patak Foundation. Through Rákóczi Alliance, we help children of the Hungarian minority living beyond Hungary's borders, with preserving their Hungarian identity.





XII. Data privacy and Ethical operation

XII. Data privacy and Ethical operation

DATA PRIVACY

We keep in mind that data protection is increasingly pronounced in business and personal decisions, it is one of the benchmarks of business reliability. The security of our clients' and employees' data is also of special importance for us - in addition to strengthening the relationship of trust, we recognize that one of the aspects that our clients take into account when making decisions is the assessment of risks of data loss or the lack of data security.

The year 2018 was also special in that it was the year of preparations for compliance with the GDPR of the European Parliament. The new requirements have also encouraged us to renew, and for that purpose, a dedicated company project with the involvement of an external expert has been established, to ensure the compliance of our internal operations.

Our **Data Processing Policy** is fully available on our web site:

<https://www.femalk.hu/hu/dokumentumok>



XII. Data privacy and Ethical operation

ETHICAL OPERATION AND COMBAT AGAINST CORRUPTION

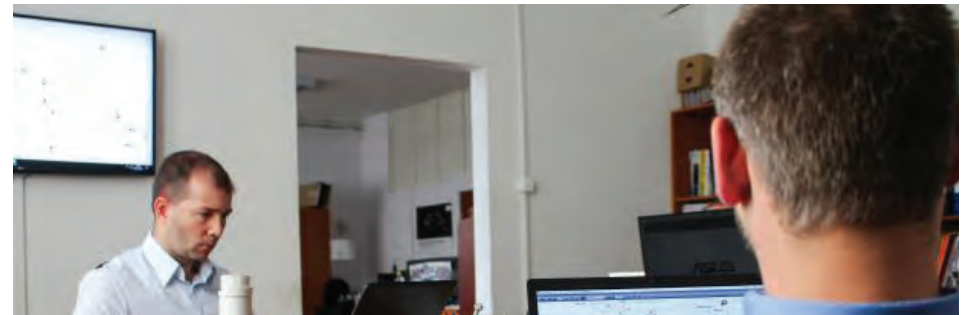
Our reputation is extremely important for our Company's continuous present and future. This is one of the reasons why our customers set up a business relationship with us, and why we keep attracting talented people to our organization. **Our Code of Ethics and Conduct** includes the description of ethical business operations.

Our Company is politically independent, not committed to any party, politician, or representative. Accordingly, we have not provided direct or indirect financial or in-kind support or contribution to any political party, representative or politician. In addition to our internal policies, our ethical operation is based on compliance with the relevant Hungarian and international legislation, primarily the statutes of the European Union.

If our employees notice any case of violation, they can report it confidentially and without retribution, personally or by phone or email. We take all report seriously, and investigate them.

FÉMALK Zrt. condemns and rejects the following in all respects:

- child labor, forced labor, human trafficking;
- discrimination, harassment, physical violence;
- corruption, bribery, fraud, embezzlement, money laundering;
- conflicts of interest and insider trading;
- taking a political position.





XIII. Key features of the report

XIII. Key features of the report

Reporting period: The calendar year of 2018.

Reporting cycle: annually

Availability: femalk@femalk.hu

Contents of the report: The report presents the essential items related to the sustainable operation of FÉMALK Zrt., as well as the programs and initiatives developed in connection with these.

Scope of the report: The report covers all of the Company's functional areas

Auditing: Our sustainability report on our operation is not audited by an independent third party.

Editor responsible for the report: Balázs Tóth, HR and Communication Manager

Publisher responsible for the report: Márta Brunner, Chief Executive Officer

Disclosure: according to the needs of our customers and partners, and on the Company's website (<https://www.femalk.hu/hu/rolunk/fenntarthatosag>)