



FÉMALK

SUSTAINABILITY REPORT 2022



FÉMALK ZRT'S

SUSTAINABILITY REPORT

FOR THE FISCAL YEAR OF 2022

Contents

1. Foreword by the Chief Executive Officer	5
2. Presentation of the Company and its activities	7
3. Our sustainability vision and corporate values	11
4. Sustainability in the supply chain	14
5. Quality policy	17
6. Innovation and digitization	20
7. Energy use and climate protection	25
8. Environment protection, waste management	32
9. Work safety and preservation of health	39
10. Employment policy	44
11. Social responsibility	49
12. Data protection	53
13. Ethical operation	55
14. Key features of the report	58



1. Foreword by the Chief Executive Officer

1. Foreword by the Chief Executive Officer

DEAR READER!

With the help of this Report, we present our efforts for sustainability, our commitment to the realization of our goals, our environmental protection principles and the details of our social responsibility.

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. We encourage our subcontractors to have similar forward thinking.

It is an essential element of our long-term objectives to create harmony between our commitments and the environment, and to develop partner and co-worker relationships based on mutual trust and cooperation.

Our sustainability philosophy is based on continuously raising the awareness of our employees who contribute to the success of our Company.

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

It is with great pleasure that I publish the **Sustainability Report of FÉMALK Zrt.**, which presents three important dimensions for the year 2022 - economy, environment and society - to **demonstrate how important the World is for us, with the future of our children in it.**

Best regards:
Karlheinz Braisch (signed)
Chief Executive Officer



2. Presentation of the Company and its activities

2. 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 15th 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.

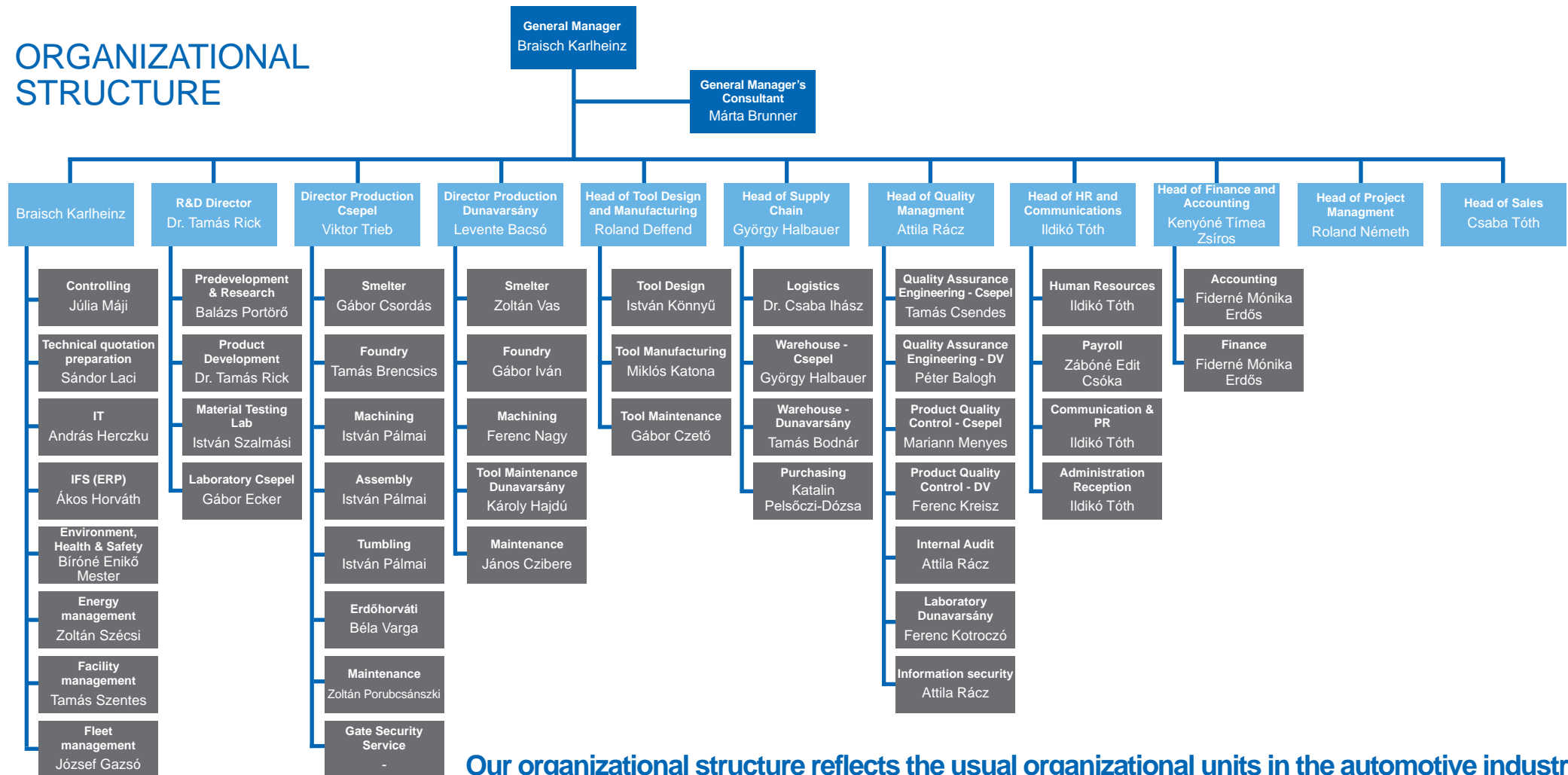
We strive for the greatest professional complexity and flexibility. In addition to our core business, we have also built up our own product development, product testing, tool design, tool manufacturing and maintenance departments. This allows for quick and independent response in any situation, as well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



2. Presentation of the Company and its activities

2. Presentation of the Company and its activities

ORGANIZATIONAL STRUCTURE



2. 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

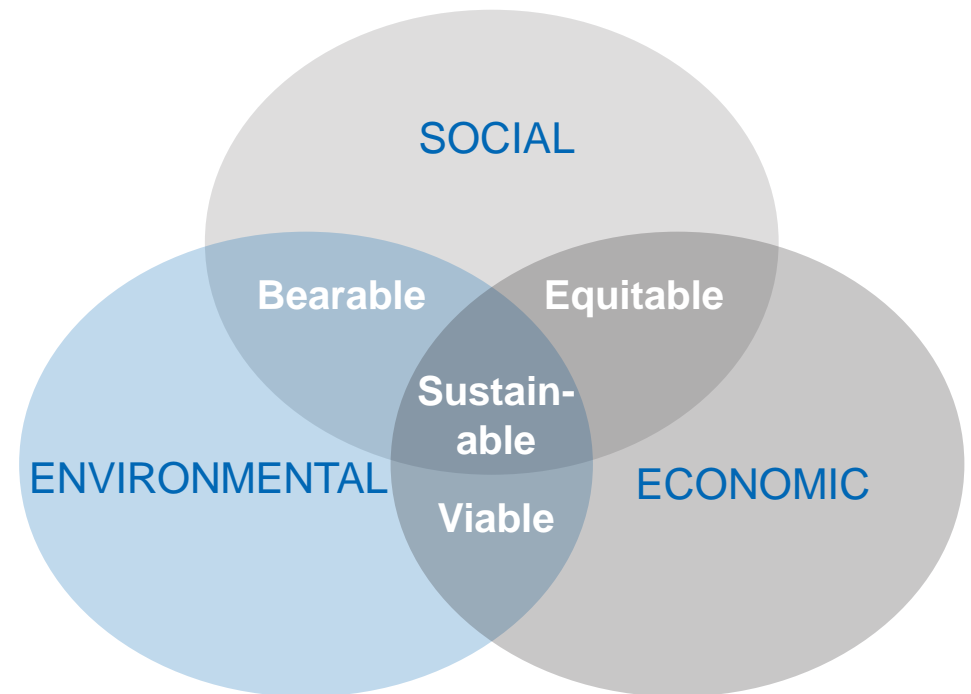
- Hungarian Foundry Association
- National Association of Hungarian Vehicle Parts Manufacturers
- Hungarian Foreign Economic Association
- Csepel Association of Employers and Industrialists
- Public Benefit Association for Responsible Family Enterprises in Hungary
- German-Hungarian Chamber of Commerce 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

3. Our sustainability vision and corporate values

3. 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**.



Source: Wikipedia – United Nations (UN)

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

3. 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.



4. Sustainability in the supply chain

4. Sustainability in the supply chain

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.



Sustainability expectations for our suppliers

- 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.

4. Sustainability in the supply chain

FÉMALK Zrt. stands up for human rights in every case, for the prohibition of:

- modern slavery (i.e. slavery, servitude, forced labour and human trafficking);
- child labour;
- discrimination, harassment, physical violence;
- corruption, bribery, fraud, embezzlement, money laundering;
- conflict of interest and prohibition of insider trading;
- unfair market competition
- illegal trust and cartel activity
- political position

and ensures:

- to apply equal pay and benefits for equal work – in compliance with local legislations;
- the allocation of working time according to legislations;
- safe and healthy working conditions
- the right to association and freedom of collective bargaining
- data protection and data security
- reporting any abuse and protection against retaliation

Our sustainability expectations are:

- reduction of greenhouse gas emissions
- energy efficiency
- effort to use renewable energy
- soil and water protection, sewage and rainwater drainage
- air quality protection
- responsible chemical handling
- sustainable resource management
- waste management
- responsible supply chain management

and we expect our suppliers to demonstrate a similar attitude concerning the points listed above!

Our policies apply to the entire integrated chain of suppliers.



5. Quality policy

5. Quality policy

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. 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.

5. Quality policy

OUR CERTIFICATES



MANAGEMENT SYSTEM CERTIFICATE

Certificate no.:
194279-2016-AQ-BUD-IATF Rev. 1
IATF Certificate No:
0381077

Valid:
15 January 2021 – 14 January 2024

This is to certify that the management system of

Fémalk Zrt.

2336 Dunavarsány, Neumann János utca 3., Hungary
3935 Erdőhorvát, hrsz. 805/2., Hungary

and, if applicable, the remote supporting locations as mentioned in the Appendix accompanying this Certificate

has been found to conform to the 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, 11 January 2022



For the issuing office:
DNV - Business Assurance
1400 Ravello Drive, Katy, TX, 77449-5164, USA

Sherif Mekawy
Management Representative

Lack of fulfillment of conditions as set out in the Certification Agreement may render this Certificate invalid.
ACCREDITED UNIT: DNV Business Assurance USA Inc., 1400 Ravello Drive, Katy, TX, 77449-5164, USA - TEL: +1 281-396-1000. www.dnv.com



Certificate no.: 194279-2016-AQ-BUD-IATF Rev. 1
IATF Certificate No: 0381077
Place and date: Katy, TX, 11 January 2022

Appendix to Certificate

Fémalk Zrt.

Extended Manufacturing Site(s) included in the certification are as follows:

Site Name	Site Address	Site Main Activities
Fémalk Zrt.	3935 Erdőhorvát, hrsz. 805/2., Hungary	Machining, Assembly

Remote Support Locations included in the certification are as follows:

Site Name	Site Address	RSL Activities	Certification Body
Fémalk Zrt.	1211 Budapest, Öntöde utca 2-12., Hungary	Calibration, Contract Review, Facilities Management, Human Resources, Information Technologies, Internal Audit, Management Review, Policy Making, Quality System Management, Policy Making, Production Equipment Development, R&D, Sales, Strategic Planning, Supplier Management, Training	DNV



Lack of fulfillment of conditions as set out in the Certification Agreement may render this Certificate invalid.
ACCREDITED UNIT: DNV Business Assurance USA Inc., 1400 Ravello Drive, Katy, TX, 77449-5164, USA - TEL: +1 281-396-1000. www.dnv.com



6. Innovation and digitization

6. 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.

By renovating and optimizing our melting furnaces, we have achieved a further reduction in specific gas consumption. This is also true for our heat-retaining furnaces, where advanced masonry materials increase the insulating capacity, resulting in electricity savings.

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

6. Innovation and digitization

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 for Dunavarsány, and 3 additional ones as replacement of old machines.

Further machine purchases will also have energy-efficient systems, and the equipment we have ordered will also be equipped with this.

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 electric boiler. It is in this system that we have introduced the waste heat of the above-mentioned technological cooling, by which we save 30% annually. In addition, our plans include fitting a water-to-water heat-pump into the system, which will allow us to achieve additional savings.

At our Dunavarsány site, we have achieved savings in electricity and improved cooling performance by dividing the cooling system into two parts (similarly to our Csepel site). Since the start of operation of our Dunavarsány plant, the waste heat from the process water has been recycled and used to preheat the waste water. The waste heat generated by the operation of the compressors on the site is also used to heat our production hall during the transition and winter periods.

6. Innovation and digitization

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%. At our Dunavarsány site, the waste heat generated from the extraction of flue gases in the melting plant is used to preheat blocks for one type of metal, so the 20°C blocks go into the furnace at 32-35°C, in an effort to try to reduce our natural gas consumption.

Starting in 2023, the briquetting and remelting of the aluminium shavings produced at the site will begin in the smelter in Dunavarsány. This means that the amount of aluminium waste to be transported will be reduced. With this, we achieve a reduction in CO2 emissions and transport costs. It will certainly be necessary to purchase and deliver less raw materials equal to the amount of aluminium recovered.

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.



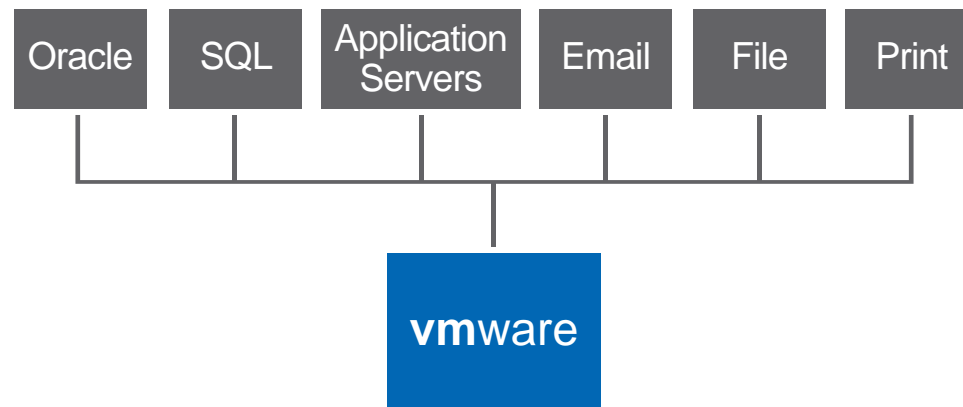
6. Innovation and digitization

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.

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 and some quality and production processes (training, tool repairs, self-inspection) are also handled in digital form.





7. Energy use and climate protection

7. 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.

SPECIFIC INDICATORS

Resource/Year	2014(base)	2015	2016	2017	2018	2019	2020	2021	2022
Electricity Specific Indicator (MWh/t)	0,74	0,72	0,76	0,74	0,74	0,77	0,857	0,862	0,768
Natural gas specific indicator (m3/t)	81,60	91,65	96,10	92,37	92,17	96,96	106,781	106,239	98,781
Thermal energy specific indicator (GJ/t)	0,18	0,12	0,12	0,11	0,08	0,06	0,094	0,090	0,050
Water specific indicator (m3/t)	1,73	1,46	1,22	0,84	0,71	0,66	0,692	0,690	0,533

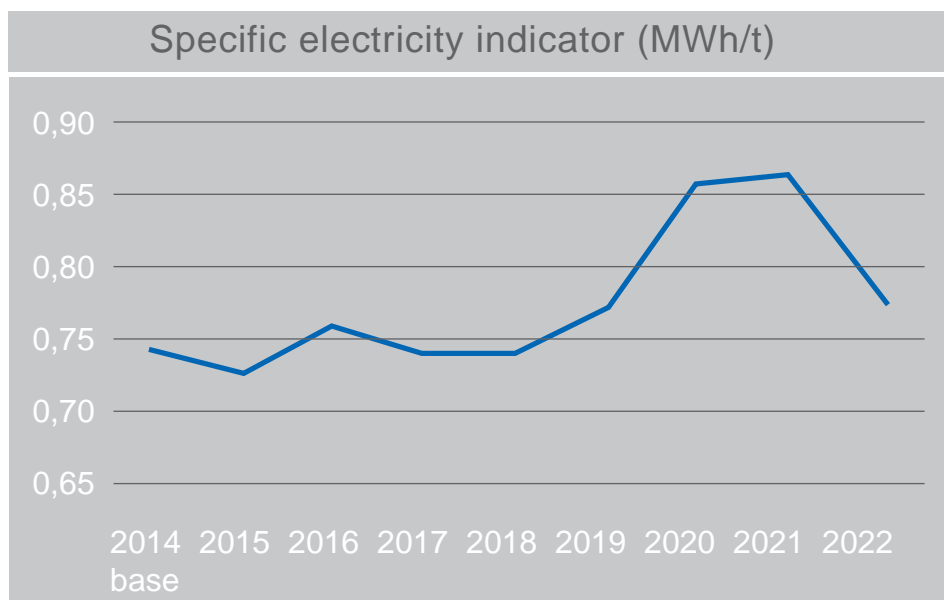
7. Energy use and climate protection

SPECIFIC INDICATORS

Resource type/year	2014 (base)	2015	Change on base period (%)	2016	Change on base period (%)	2017	Change on base period (%)	2018	Change on base period (%)	2019	Change on base period (%)	2020	Change on base period (%)	2021	Change on base period (%)	2022	Change on base period (%)
Electricity (MWh)	17 596	21 323	121%	22 585	128%	28 180	160%	30 341	172,43%	28 853	163,98%	22 536	128,07%	24 929	141,67%	24 214	137,10%
Natural gas (m3)	1 939 110	2 697 523	139%	2 864 900	148%	3 508 000	181%	3 766 123	194,22%	3 632 486	187,33%	2 808 231	144,82%	3 071 463	158,39%	3 102 997	160,02%
Thermal energy (GJ)	4 309	3 646	85%	3 430	80%	4 043	94%	3 297	76,51%	2 332	54,12%	2 470	57,33%	2 595	60,22%	1 573	36,50%
Water (m3)	41 007	43 088	105%	36 272	88%	32 058	78%	29 170	71,13%	24 705	60,25%	18 188	44,35%	17 936	43,74%	16 751	40,85%
Gross Cast Weight (t)	23 763	29 433	124%	29 812	125%	37 977	160%	40 863	171,96%	37 464	157,66%	26 299	110,67%	28 911	121,66%	31 413	132,19%

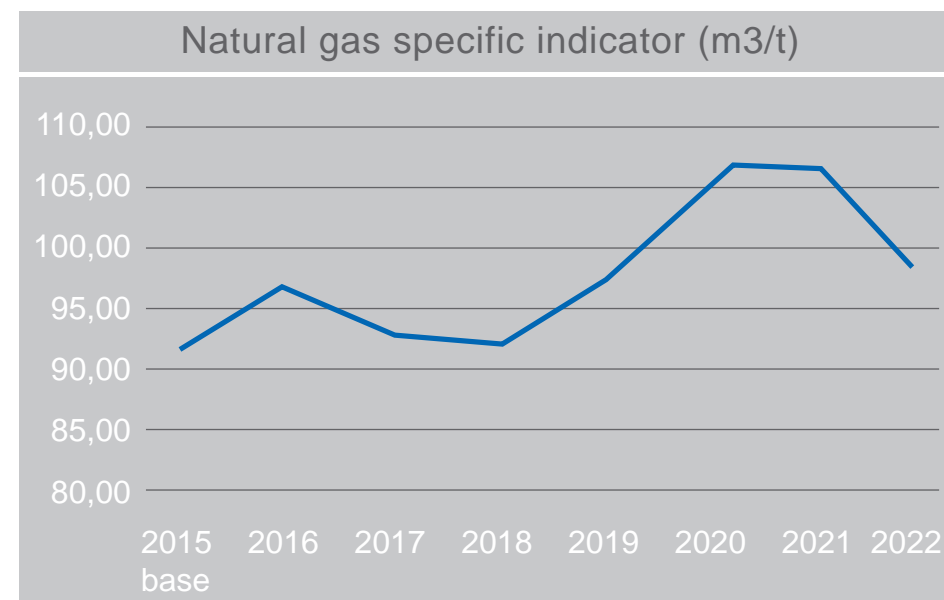
7. Energy use and climate protection

ELECTRICITY



In 2022, compared to the previous period, the specific indicator decreased, which indicates that we managed to increase our efficiency in the field of electricity utilization. In addition to decreasing electricity consumption, we increased the production volume, which was due to the increase in machine replacements and machine utilization.

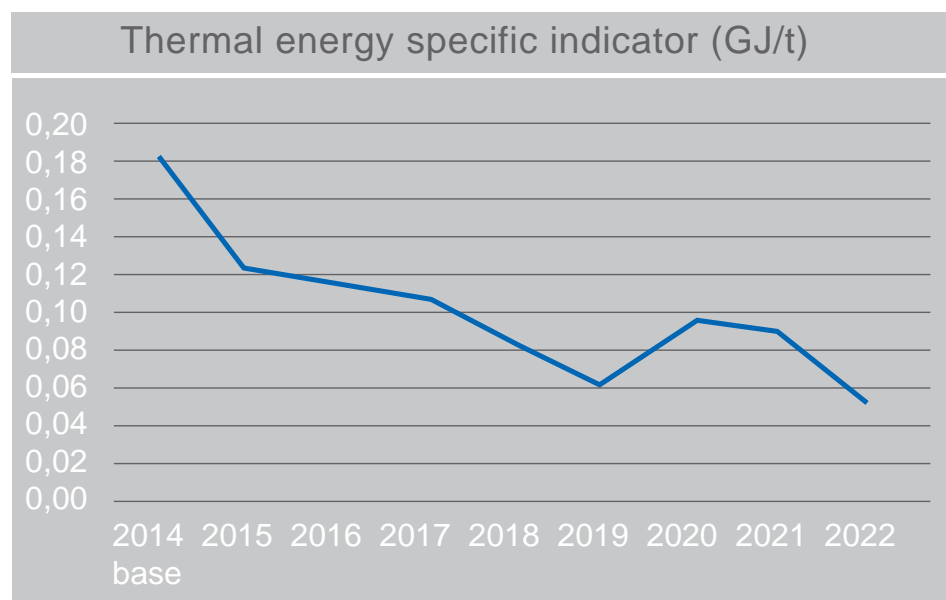
NATURAL GAS



The specific natural gas consumption indicator improved in 2022. Compared to the previous period, we produced a larger production volume, proportionately from less natural gas, which is due to energy efficient investments.

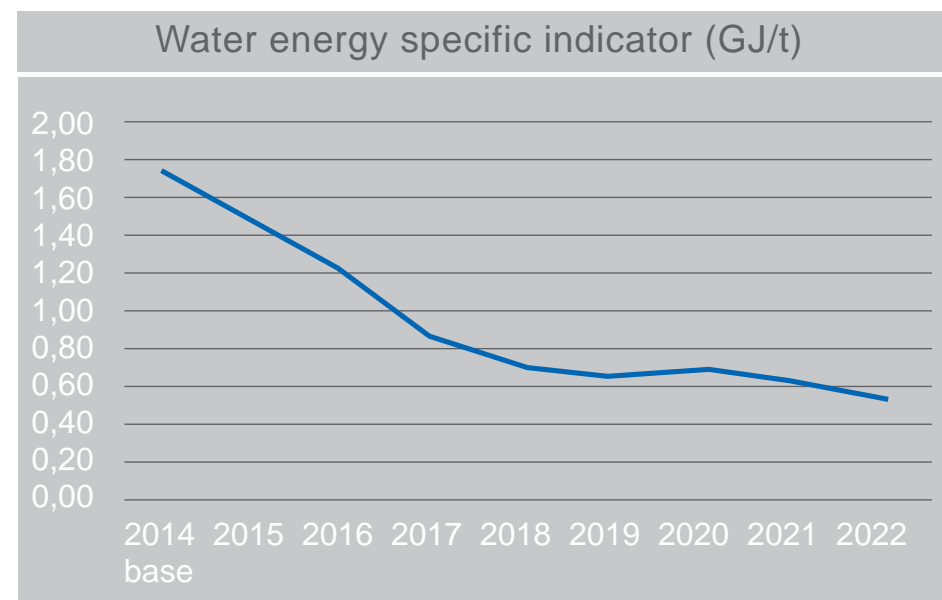
7. Energy use and climate protection

THERMAL ENERGY



The specific indicator of thermal energy also improved from 2021 to 2022. The reason for this is that the heat utilization system continues to operate during the transition periods, furthermore, that in September 2022 we will completely switch off from district heating energy in Csepel and will produce the thermal energy needed for building heating ourselves. In addition to the heat utilization system, we produce the necessary thermal energy with electric boilers and by utilizing the remaining gas boiler capacities.

WATER



In 2022, compared to the previous periods, to a small extent but we were able to further moderate our specific water consumption.

7. Energy use and climate protection

In 2022, compared to the previous period, it was possible to maintain and even slightly improve the specific energy consumption indicators, overall. Operating conditions were not ideal for growth in 2022 either, but our energy procurement activity at least ensured favourable prices in the unpredictable energy market.

According to the decision of the Management, the ISO 50001: 2018 Energy Management Policy was introduced at FÉMALK. 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 Energy Management team, centralized energy management;
- Continuous goals, transparent, traceable reported implementation;
- Focus on energy procurement

7. Energy use and climate protection

7. Energy use and climate protection



Certificate

We hereby certify that



FÉMALK
Fémöntészeti és Alkatrészgyártó Zrt.

Headquarters: 1211 Budapest, Öntöde utca 2-12.
Sites: see Appendix

in the following fields

aluminum die casting, tool manufacturing, casting processing

has introduced and applied an Energy Management System,
which satisfies the requirements of **ISO 50001:2018**

Expiry Date: 30 11 2025
Registration Number: 01-20497/22-15126
Certified since: 04 12 2019
Date of Issue: Budapest, 01 12 2022

Certificate is valid only with successful surveillance audits.
Validity of Certificate may be confirmed by scanning QR code.



Nagyvágyi T. D.
CERTOP Termék- és Rendszerbiztosító Kft.
H-1115 Budapest, Kerehátza u. 1-3.
<https://hu.certop.com>



Appendix of certificate

Registration Number of certificate: 01-20497/22-15126
Page number: 1/1



FÉMALK
Fémöntészeti és Alkatrészgyártó Zrt.

Headquarters

1211 Budapest, Öntöde utca 2-12.

Scope

aluminum die casting, tool manufacturing,
casting processing

Sites

2336 Dunavarsány, Neumann János utca 3.
3935 Erdőhorvát, hrsz. 805/2

Scope

aluminum die casting, casting processing
casting processing



Expiry Date: 30 11 2025
Certified since: 04 12 2019
Date of Issue: Budapest, 01 12 2022



Nagyvágyi T. D.
CERTOP Termék- és Rendszerbiztosító Kft.
H-1115 Budapest, Kerehátza u. 1-3.
<https://hu.certop.com>

8. Environment protection, waste management

8. Environment protection, waste management

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.

Our top Management is committed to the operation and constant development of the Environmental Management System, for which it provides the necessary resources. In addition, the Management is properly motivated, understands and applies the benefits derived from the application of the Environmental Management System. In order for the system to function efficiently, the Company sets measurable and achievable goals every year.

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 15 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.

8. Environment protection, waste management

FÉMALK actively works for environmental protection and introduces proactive measures that help us achieve our goals set by 2023 in four important areas: “increasing environmental awareness”, “maximizing waste recycling”, “energy efficiency” and “reducing environmental impact”.

In addition, we count and monitor our carbon footprint and strive to reduce it. We also further explore the possibilities of renewable energy sources.

The basic idea of our sustainability is to continuously increase the environmental awareness of our employees who contribute to the success of our Company.



8. Environment protection, waste management

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 increase the waste recycling rate which was nearly 60% in 2022. As a result, most of the waste is recycled, other waste is incinerated or landfilled. The most significant amounts of hazardous waste can be directly linked to the smelting and machining processes. The largest amount of non-hazardous waste is the slag produced by the smelting technology. We strive to generate as little waste as possible, and our primary goal for technological waste is to selectively collect and transport it, and recycle it where possible. Some of the remaining materials are reused during the melting technology.



8. Environment protection, waste management

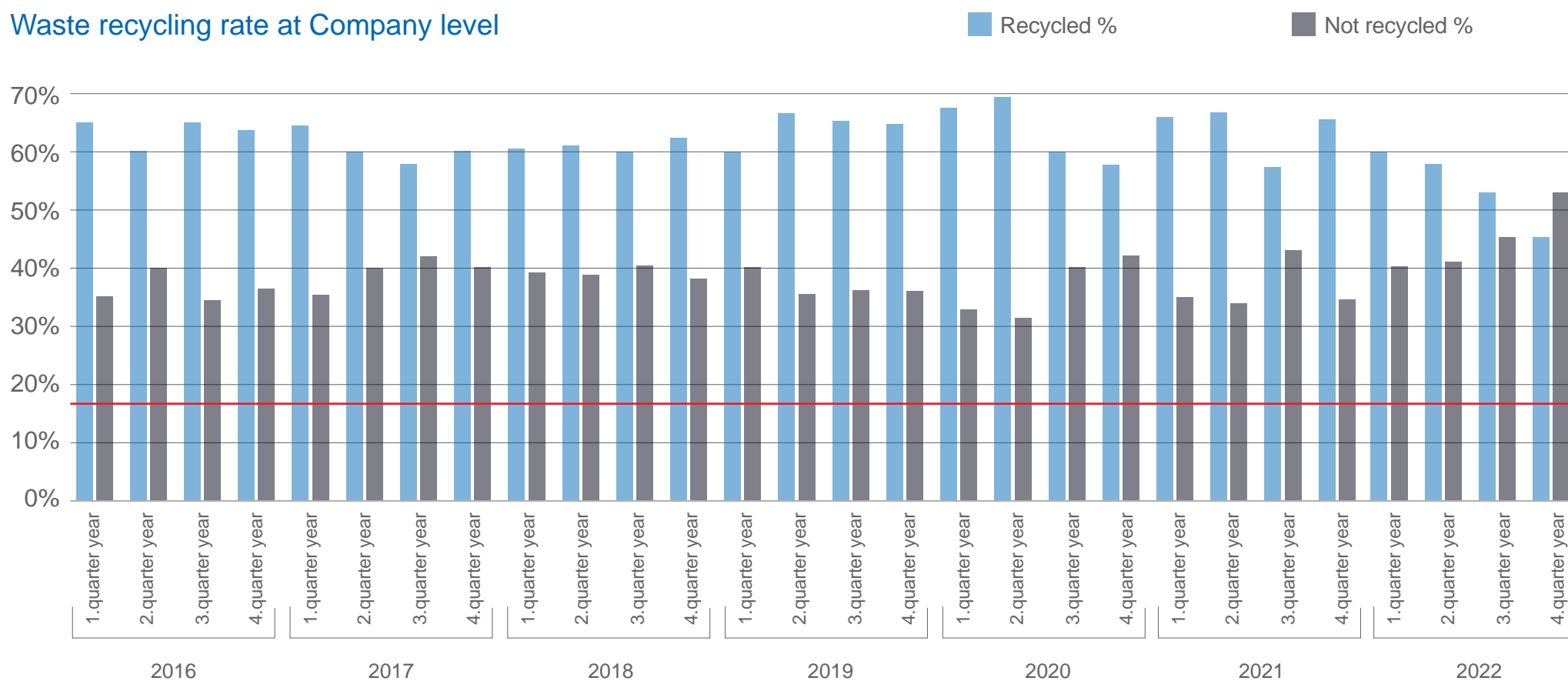
SOIL AND WATER PROTECTION. SEWAGE AND RAINWATER DRAINAGE

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 2022, 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 2022 no such contamination occurred.



8. Environment protection, waste management

Waste recycling rate at Company level



8. Environment protection, waste management

ANIMAL WELFARE, BIODIVERSITY

To the extent possible, the Company tries to be considerate of the fauna and flora in the industrial environment as well. In order to protect night-flying animals (e.g. insects), we use light sources that do not disturb them, minimize light pollution, noise and vibration load, and strive to minimize the burden on the environment during our activities. A bird feeder was installed during the winter months and a gardener takes care of the green area and planted flowers of the Dunavarsány site. Plants were planted in the parking lot in the spring of 2023 in Csepel and plants and flowers were placed in pots and balcony boxes. Since this site is mostly located in an industrial area covered by solid pavement, we have tried to make it as “green” as possible.

LANDS USE AND DEFORESTATION, SOIL QUALITY

During the 2022 annual review carried out at the Dunavarsány site, it was established that our activities have no impact on the area to be protected, soil, water and the environment’s wildlife. There was no soil contamination and no remediation activities were carried out. Our activity does not involve deforestation or active land use at any site. Our Company does not emit industrial waste water. Groundwater monitoring takes place annually in Dunavarsány to check the quality of the ground water. The quality of the soil is not affected by our activities, and impact assessments have concluded that it will not be affected in the future either. According to the decision of the Water and Water Protection Authority, no impact on surface water, underground waters, the geological environment and soil quality and quantity is expected as a result of our Company’s activities.



9. Work safety and preservation of health

9. Work safety and preservation of health

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.

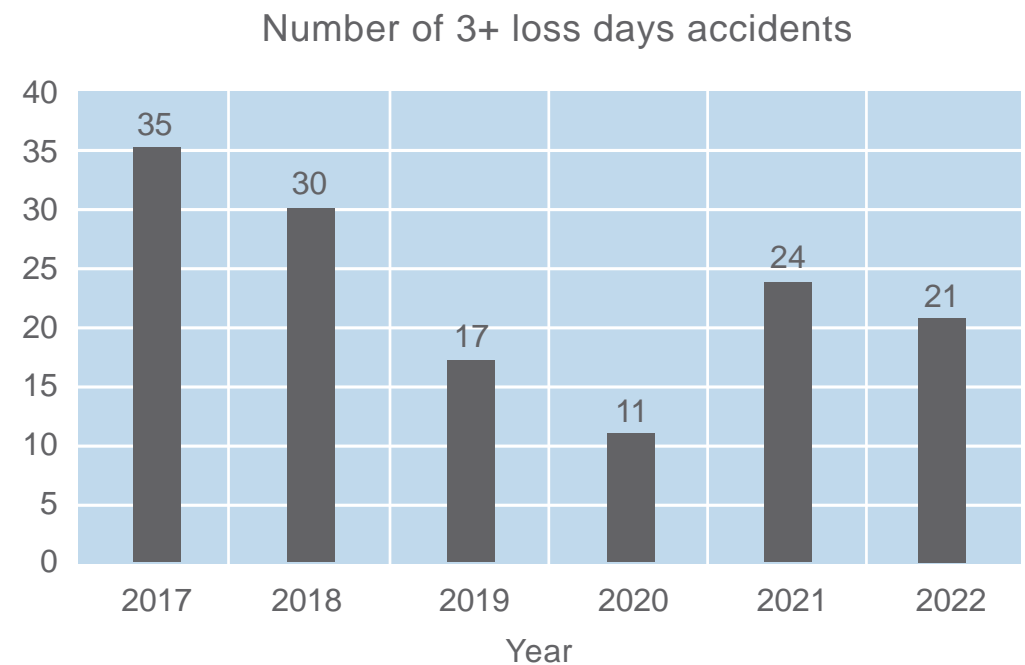
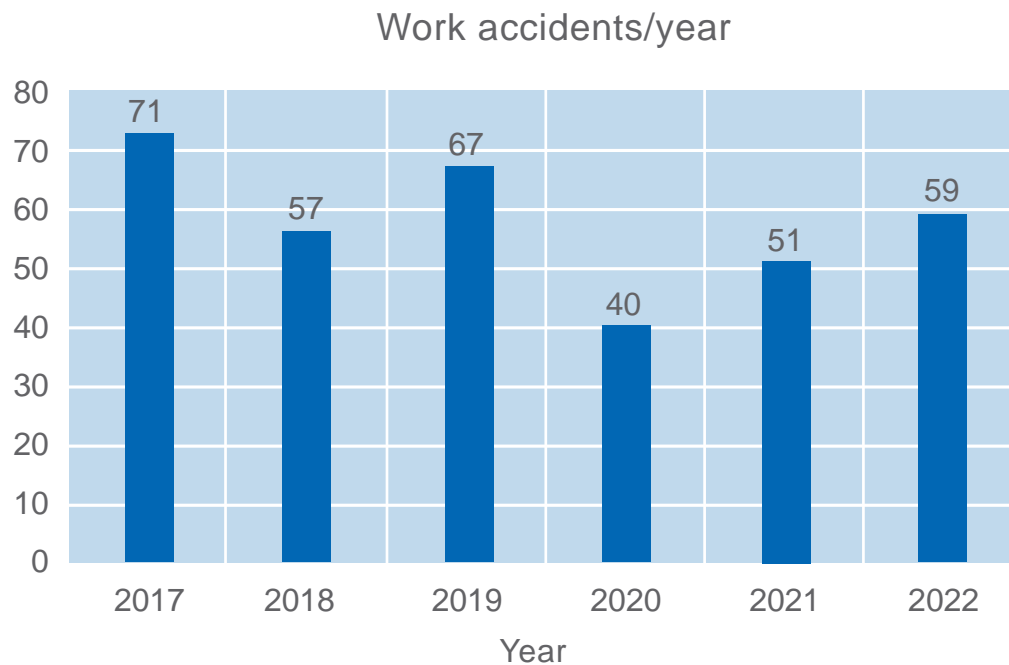
Close cooperation with the different authorities will make it easier to manage any potential emergencies. We strive to reduce the number of accidents by holding regular trainings and continuous monitoring. Work accidents are investigated as per the regulations. In each case we conduct extraordinary occupational 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.

9. Work safety and preservation of health

The following table shows the main occupational health indicators



9. Work safety and preservation of health

Our Company established and certified the MSZ ISO 45001:2018 Occupational Health and Safety Management System. Continuous maintenance of the system and annual audits provide us with the opportunity to apply the highest level of system, according to our capabilities, perfecting it year after year.

Benefits of using the Occupational Health and Safety Management System:

- reduction in the number of accidents at work, lost time, cost reduction
- ensuring compliance with occupational safety regulations and standards, legal certainty
- assessment of existing risks, reduction of workplace risks, prevention
- identifying and exploiting opportunities for rationalization
- existence of safety in production, design and consumption
- general corporate cooperation in the field of Health and Safety at work, i.e. more own responsibility and less control
- increase in employee satisfaction (motivation)

In addition to the Hungarian legal regulations, the Occupational Health and Safety Management System Standard defines additional requirements that the Company, before certification, must meet in order to have a successful audit.

9. Work safety and preservation of health

9. Work safety and preservation of health





10. Employment policy

10. Employment policy

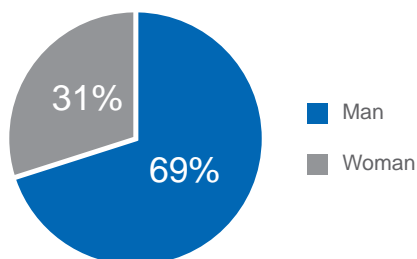
OUR AIM AS AN EMPLOYER

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.

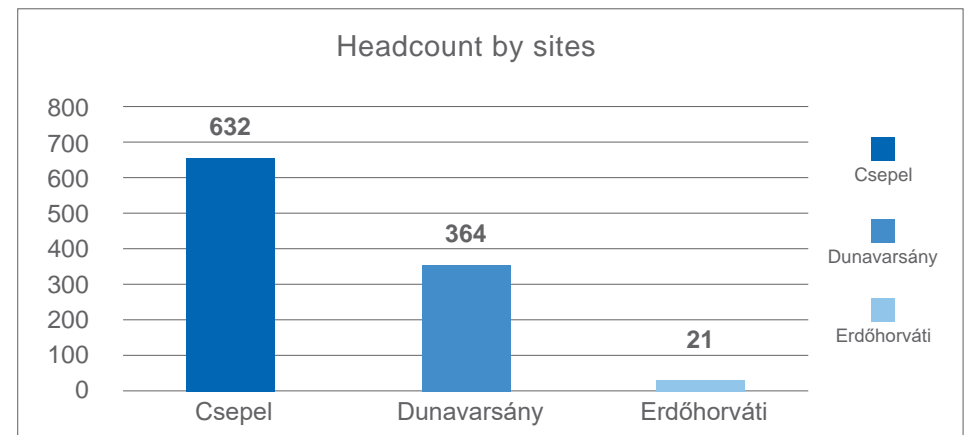
Employee statistics:

On 31 December 2022, the closing number of employees of our Company was 1017 with a breakdown by gender of 317 women (31 %) and 700 men (69%).

Headcount by gender

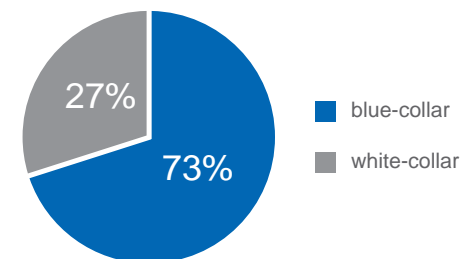


Our closing headcount distribution per site was as follows:



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

Job classification headcount

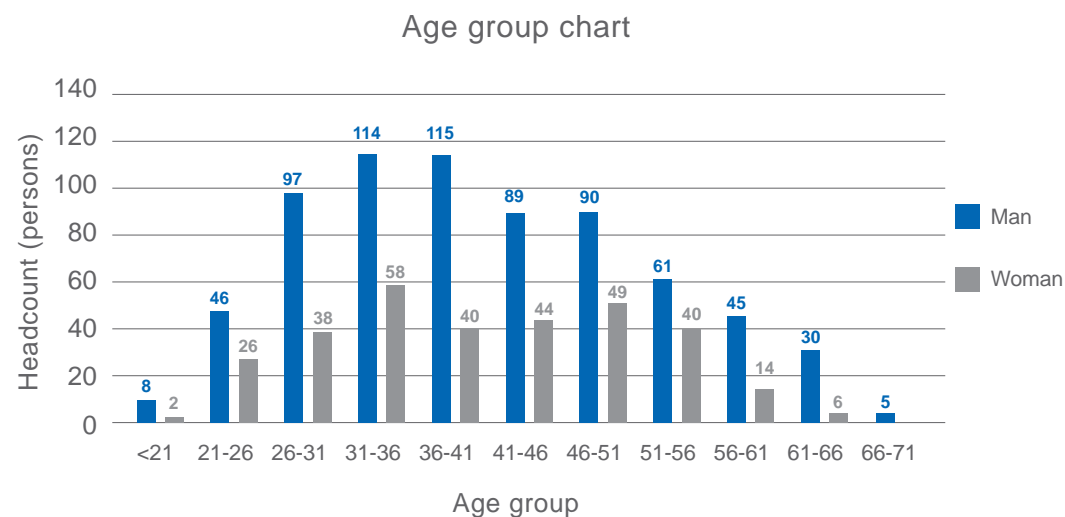


10. Employment policy

We employ our workers in several types of legal relationships at our Company, which were as follows at the end of December 2022:

Legal relationships of employment	Headcount
Full-time with child care leave	15 persons
Full-time with child care leave	9 persons
Part-time with child care leave	3 person
Part-time	14 persons
Full-time	966 persons
Full-time pensioner	10 persons
Total	1017 persons

As of 31 December 2022, the age group chart of FÉMALK Zrt. was the following:



10. Employment policy

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 responding to the shortage of labor force characteristic of the domestic labour 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.

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 personal discussion 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.

10. Employment policy

HUMAN RIGHTS (STATUS OF WOMEN)

Our Company's Human Rights Policy summarizes and defines its guidelines, expectations and aspects related to human rights (both towards its own employees and its business partners and suppliers). FÉMALK Zrt. is committed to respecting internationally recognized human rights and prohibits child labour, forced labour and discrimination. We prioritize compliance with local and legal regulations with the right to health and safety in mind. Our employees and partners are treated ethically and humanely, giving due respect to everyone. The principle of equal remuneration for work of equal value applies (regardless of gender).

Our Company rejects all forms of discrimination (based on age, race, skin colour, gender, language, religion, political, philosophical, national or social origin, financial status, birth, sexual orientation, marital status, pregnancy, parenting quality, health status, disability or any other status protected by law).

Diversity, unity, inclusion, ethical recruitment

We are committed to equal opportunities and ethical recruitment. We make sure that the employee must not suffer negative discrimination, harassment, abuse or insult resulting from unethical behaviour, either during the selection process or after the placement. We expect compliance with the provisions of our Code of Conduct from our colleagues, customers and partners alike.

For FÉMALK Zrt. employees represent value, we encourage an inclusive work environment and diversity. We respect the rights of local communities and indigenous people and monitor the local effects of our activities.



11. Social responsibility

11. Social Responsibility

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.

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.



1. Formula Student car

11. Social Responsibility

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 Sárospatak Reformed College, 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 or 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 in the form of support for the professional operation of cultural institutions. Our Company is currently a gold-level supporter of the Zemplén Festival, within the framework of which sophisticated art programs have been organized in Tokaj-Hegyalja for more than a quarter of a century. In addition, we provide special support to the Rákóczi Association, which helps Hungarian children living in the minority beyond the borders of Hungary, to preserve their Hungarian identity.



2. Sárospatak handball hall

11. Social Responsibility

Our Company supports the work of several foundations as well operating in the field of healthcare and disaster prevention: National Rescue Service Foundation, Medicopter Foundation, SOS Children's Villages, several firefighting and disaster prevention associations, hospice houses.



3. Opening of the Zemplén cultural festival



4. Sárospatak Reformed College High School after the renovation



12. Data protection

12. Data protection

DATA PROTECTION

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.





13. Ethical operation

13. 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 reports seriously, and investigate them.



13. Ethical Operation

FÉMALK Zrt. stands up for human rights in every case, for the prohibition of:

- modern slavery (i.e. slavery, servitude, forced labour and human trafficking);
- child labour;
- discrimination, harassment, physical violence;
- corruption, bribery, fraud, embezzlement, money laundering;
- conflict of interest and prohibition of insider trading;
- unfair market competition
- illegal trust and cartel activity
- political position

and ensures:

- to apply equal pay and benefits for equal work – in compliance with local legislations;
- the allocation of working time according to legislations;
- safe and healthy working conditions
- the right to association and freedom of collective bargaining
- data protection and data security
- reporting any abuse and protection against retaliation

Our sustainability expectations are:

- reduction of greenhouse gas emissions
- energy efficiency
- effort to use renewable energy
- soil and water protection, sewage and rainwater drainage
- air quality protection
- responsible chemical handling
- sustainable resource management
- waste management
- responsible supply chain management

and we expect our suppliers to demonstrate a similar attitude concerning the points listed above!

Our policies apply to the entire integrated chain of suppliers.



14. Key features of the report

14. Key features of the report

Reporting period: The calendar year of 2022.

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: Ildikó Tóth, HR and Communication Manager

Publisher responsible for the report: Karlheinz Braisch, Chief Executive Officer

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