

SUSTAINABILITY REPORT 2017

"Sustainability in the spirit of tradition and innovation"

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Foreword by the CEO

*"The future will not make up for the things that you miss to do today."
(Albert Schweitzer)*



I am happy to hand over Magyar Posta Zrt.'s Sustainability Report 2017 to our readers. An important first step was taken last year: we published a Report dedicated to our environmental performance. This year, we have taken an even bigger step: our present Report covers all three areas of sustainability: economy, environment and society, in line with the GRI¹ principles.

It is also important that we do not only take account of the organisation's impacts on the environment, economy and society but we also rank them to define our goals and tasks more clearly in order to improve our impacts on our operational environment. It is also a big step forward that prior to defining the content of the Report, a questionnaire was published on our website to obtain the opinion of our biggest

stakeholder group, our clients. Aware of their expectations, we had the opportunity to define the areas that the Report should cover in more detail.

We are proud that many of our sustainability programs have been successfully going on for years and have been continuously developing taking account of relevant trends. Challenges of digitisation and transportation directly affect our company, so we look deeper into these issues and we can present significant results in the area of replacing paper-based services. Apart from these, macroeconomic processes also affect our company: as one of the biggest employers of the country, we perceive the labour shortage affecting the whole economy and forcing us to continuously reconsider our employment policy. We are bravely looking forward to further challenges, we consider them as opportunities, and we are positive that we will be able to cope with them as, for its 150-year history, Magyar Posta has proved in countless cases to be able to renew combining tradition and innovation.

I would like to thank again to all our employees that they perform their tasks committed and considering



sustainability aspects. I especially thank those colleagues who took part in the preparation of this Report for their efforts, creating a document that presents sustainability issues in a more comprehensive way than ever before.

I trust that the document fulfils our readers' needs and interests and we will be going further towards our sustainable future.

A handwritten signature in dark ink, reading 'Schamschula'.

György Schamschula
Chief Executive Officer

¹ GRI: GRI Standards are GRI's (Global Reporting Initiative) standards for sustainability reports. This is the most widely used and most comprehensive framework for preparing credible and internationally recognised sustainability reports.
<https://www.globalreporting.org/standards/>.

Introduction

Last year was a milestone for Magyar Posta, as we reported again on our environmental and sustainability performance after a long time. We have taken a step further this year – we have prepared our Sustainability Report by involving an even wider range of stakeholders. This Report was also prepared alongside GRI principles, an internationally acknowledged standard. We agree with its main concepts that the report should present the most important issues and should be prepared with the involvement of stakeholders. This 2017 Report covers all three pillars of sustainability so apart from environmental aspects, it also deals with economic and social issues. We are convinced that this is the only way to present a credible picture of a company's sustainability performance. Preparing the Report also provided a great opportunity to identify the areas on which we have not been focusing before and so we have not been evaluating our performance in them.

Our last year's 150-year anniversary is a clear sign of our sustainability – for one and a half century, Magyar Posta has been providing services and products of an increasing variety reacting to our clients' demands. Magyar Posta, as one of the founders of the Universal Postal Union (the biggest international organisation of the postal sector, based in Bern, founded

in 1894), has been experiencing the full development path of the sector and has always been able to renew combining tradition and innovation. There are not many significant Hungarian companies operating with a 150-year history. All events organised for this illustrious anniversary reminded us that we are one of the few Hungarian companies that have been able to operate successfully for such a long time.

In that anniversary year, a number of our sustainability-related projects progressed:

- Apart from developing its traditional, physical products, Magyar Posta, like other developed postal services is also finding its way in the digital world and focusing on the development of online access to its services, the posta.hu website and mobile-based services as well as on the harmonisation of traditional and digital services. These developments decrease paper use and also foster the environmentally friendly management of public affairs.
- We had over 200 developments in the area of parcel logistics and we implemented significant measures for our future, multiplying our logistics capacities to cope with the growth of e-trading. In order

to be able to manage the increasing parcel traffic, we expanded the capacities of our parcel processing plants by 21,000 sqm.



- We also increased the number of fixed collection points, MOL Postal Points and the increasingly popular parcel terminals. The number of lockers also increased from 380 to more than 4,200 and we set up temporary parcel terminals and pick-up points during the end-of-year traffic in 12 towns. Apart from serving our clients' comfort, these solutions also decrease the emissions related to postal transportation.

- Exploiting logistics potentials is considered as a strategic priority area so we focused on the continuous renewal of our fleet: transportation became more sustainable in 2017 by the purchase of new, modern vehicles.

The 2016 Environmental Report summarised Magyar Posta's most important environmental impacts, now we would like to elaborate on the material issues in the context of international trends, relating to all three segments of sustainability: economic, environmental and social.



1. Introduction - Magyar Posta Zrt.

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1. Introduction Magyar Posta Zrt.

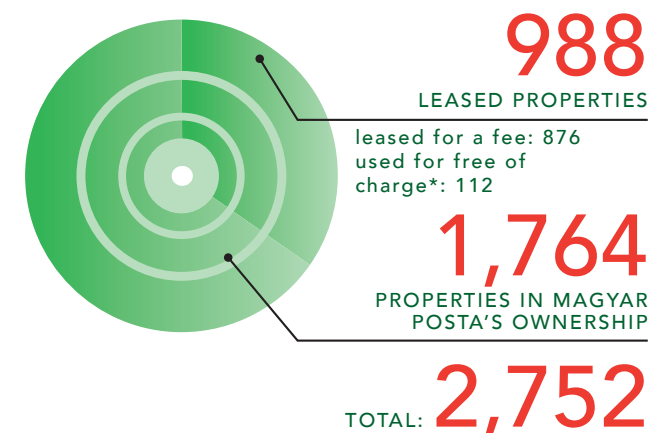
Magyar Posta Zrt. is an important company in Hungary – its activities cover the whole territory of the country and it offers fundamental services to the general public, as well as companies and public institutions.

The headquarter of Magyar Posta Zrt. has been located at the office building at Dunavirág utca 2-6., 1138 Budapest, since 2007 with other important premises such as the National Logistics Centre in Budaörs, the Office of Exchange at Liszt Ferenc Airport, the logistics premises in the most significant cities of the country, as well as regional directorates and postal outlets.



The following figure shows the number of buildings used by Magyar Posta Zrt. at the end of 2017:

FIGURE 1: BUILDINGS USED BY MAGYAR POSTA ZRT.



* the owner (for example the municipality) allows the use of the property without a fee for providing postal services

Changes regarding the properties used by Posta in 2017:

- Sold: 12 (out of which vacant land: 3)
- Returned: 9
- Taken out of use: 3
- Demolished: 0

Total: 24

Newly established premises in 2017:

- Purchased: 0
- Leased: 27 (mostly for the development of the logistics processing network)
- Taken back from partners for further use by Magyar Posta: 4
- Newly constructed: 0

Total: 31

1.1 THE ACTIVITIES OF MAGYAR POSTA ZRT.²

- acceptance, transport and delivery of letter-mail items and parcels,
- complex logistics services,
- postal financial intermediation,
- savings and insurance intermediation,
- newspaper distribution,
- retail activities, and
- digital services.

1.2 OUR CLIENTS

- the general public,
- business customers, and
- national public institutions.

² Based on the provisions of Act CLIX. 2012 on Postal Services universal postal services will be provided by Magyar Posta Zrt. until the end of 2020. The services above are primarily provided in Hungary. However, the company also has activities in neighbouring countries (such as Austria, Slovakia, Serbia and Romania) where it transports postal materials with its own vehicles on the road and delivers it to the country's designated postal service providers. Magyar Posta Zrt. does not provide postal services in these countries, except for Romania, where it provides parcel delivery and related supplementary logistics, cash on delivery and information services as well, fully meeting their expectations of business clients, mainly in the e-trade business sector.

1.3 OWNERSHIP STRUCTURE

Shareholders on 31 December 2017:

- The Hungarian State, 75% + 1 share, 10,603,271 shares of 1,000 HUF nominal value (ownership rights are exercised by the government commissioner for postal affairs and national financial services on behalf of the Hungarian State)
- Integration Organisation of Cooperative Credit Institutions, 25% - 1 share, 3,534,422 shares of 1,000 HUF nominal value
- Bank of Hungarian Savings Co. Ltd. 1 share of 100 HUF nominal value



1.4 OUR EMPLOYEES

The average statistical staff on 31 December 2017 (including employees below 60 hours employment) was 30,387.

FIGURE 2: BREAKDOWN OF CONTRACT TYPES

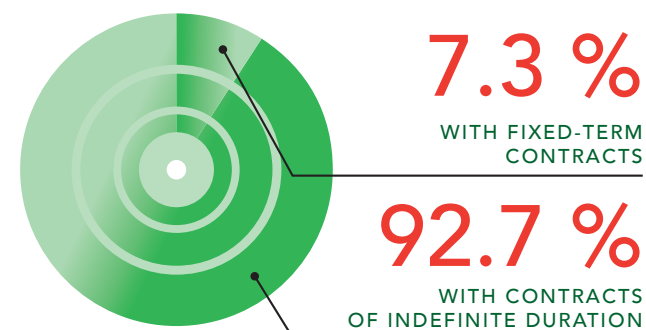
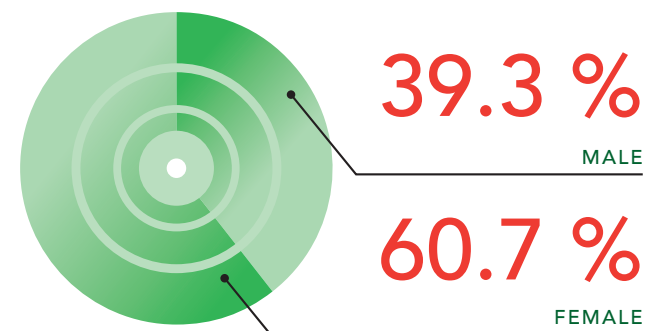


FIGURE 3: BREAKDOWN OF GENDERS



The yearly average statistical number of interim staff was 194.4, with an additional average staff of 5.7 through school cooperatives.

TABLE 1: AVERAGE STATISTICAL NUMBER OF INTERIM STAFF AND EMPLOYEES THROUGH SCHOOL COOPERATIVES IN 2017

Value	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total	Average
Hour	1,112.2	776.5	925.2	972.8	919.2	857.0	1,034.7	1,289.3	1,069.1	1,444.3	2,659.8	2,779.6	15,839.8	
Average statis. number	159.7	137.9	137.1	171.7	137.0	130.0	157.6	176.9	155.6	211.8	390.4	434.4	2,400.1	200.01

TABLE 2: BREAKDOWN OF EMPLOYEES IN COUNTIES OF HUNGARY

County	Headcount in 2017 (persons)
Bács-Kiskun	1,338
Baranya	1,410
Békés	884
Borsod-Abaúj-Zemplén	1,993
Budapest	7,084
Csongrád	1,150
Fejér	1,152
Győr-Moson-Sopron	1,426
Hajdú-Bihar	1,554
Heves	854
Jász-Nagykun-Szolnok	979
Komárom-Esztergom	761
Nógrád	490
Pest	3,976
Somogy	1,023
Szabolcs-Szatmár-Bereg	1,357
Tolna	633
Vas	675
Veszprém	1,091
Zala	734
Total on 31 December 2017	30,564

A significant difference compared to the 2016 data was the (more than threefold) growth in the number of interim staff. Due to the general labour shortage, the organisation had to employ more interim staff.

1.5 OUR SUPPLIERS

The supply chain of our organisation is primarily determined by the public procurement regulations. Magyar Posta mostly supplies from Hungarian companies. In 2017, the highest volume of purchases realised through national and EU public procurement procedures went for information services, supply of staff, media platform renting, energy services (electricity, natural gas) and cleaning services.

1.6 SUSTAINABILITY-RELATED MEMBERSHIPS

Magyar Posta Zrt. has a membership in the following professional organisations: UPU (Universal Postal Union), PostEurop (the association of European public postal operators), IPC (International Post Corporation), Greenairport (an initiative of Budapest Liszt Ferenc International Airport for the cooperation of organisations operating at the airport to reduce environmental impacts (<https://www.bud.hu/en/greenairport>) and

the Hungarian Association of Energy Consumers. These memberships give us the opportunity to work together with other national and international companies and postal service providers for a more sustainable operation and also to evaluate its sustainability performance in the light of the activities of other companies.

1.7 FINANCIAL PERFORMANCE

Financial information on Magyar Posta Zrt. can be found in the annual report: (https://www.posta.hu/static/internet/download/022_MP_Integralt_Politikanyilatkozat_201705.pdf).

2. Management systems for sustainability

2. Management systems for sustainability

Just like any other organisation, Magyar Posta Zrt. recognises that negative impacts resulting from its activities can best be prevented and mitigated by applying the precautionary principle. Therefore, environmental experts are involved in all significant investment decisions. Our Integrated Quality, Environmental and Energy Policy (https://www.posta.hu/static/internet/download/022_MP_Integralt_Politikanyilatkozat_201705.pdf) and the verified Quality, Environmental and Energy Management System demonstrates that our organisation considers sustainability as a high-priority area and an integral part of quality services. We apply both a certified ISO 14001 and an ISO 50001 system.

Chapter VII of our Ethical Code adopted in 2015 (https://www.posta.hu/static/internet/download/Etikai_Kodex_2015.pdf) details the social responsibilities of our organisation, an important element of which is the expectation that employees should adapt environmentally and sustainably responsible behaviour and working practices.

As a key national employer, Magyar Posta Zrt. pays special attention to ensure equal opportunities, career development, training opportunities, career management as well as the employment of disabled and disadvantaged workers.

Our Procurement Policy gives priority to green and sustainable procurement alternatives and energy efficiency. As a part of this, within the given technical requirements, vehicles with the best environmental classification are preferred in fleet development decisions.

3. Responsibilities, roles and competencies


3. Responsibilities, roles and competencies

At Magyar Posta Zrt. environmental and sustainability issues are managed on the corporate level by the Department of Health, Safety and Environment (HSE) within the Security Directorate under the direct control of the CEO (the organisation structure can be found at (https://www.posta.hu/static/inter-net/download/MP_Szervezeti_abra.pdf)). According to the Organisational and Operational Regulations, the tasks of the HSE Department include the planning, management, operation and continuous implementation control of occupational health and safety and environmental systems; as well as risk assessment and evaluation, contributing to ensuring sustainability and the establishment of safe and environmentally responsible business operation. The Department also establishes and operates the occupational health and safety as well as the environmental framework. Decisions are prepared by the head of the HSE Department, and approved by the CEO through the Chief Security Officer.



4. Our sustainability initiatives in 2017

4. Our sustainability initiatives in 2017



The 150-year celebrations brought events with sustainability relevance, such as the country-wide bike tour, increasing the general environmental awareness, as well as promoting healthy life style amongst our employees and also providing opportunities for team-building. Such actions and campaigns help confirm for our employees that a sustainable, healthy lifestyle is one of the common goals within our company.

In March 2017, the Hungarian National Bank issued recommendation no. 4/2017. (III.13.) on the treatment of disabled clients, applying to Magyar Posta as well. Our aim is to comply with these recommendations with the help of our competent experts and manage the communication with our disabled clients accordingly. We also make sure that our internal trainings cover the management of these clients and the development of empathic awareness. The relevant electronic training material is integrated in the induction training plan of all client relations employees as a mandatory element.

Invited by the Professional Association of Postal Workers, on 8 November 2017 the Directorate of Security organised an environmental day "EcoPost: addressed for the future" with the main aim to call attention to climate protection challenges and present the factors affecting the environmental performance of Magyar Posta and also address issues of environmental and responsible corporate and employee behaviour.

Magyar Posta Zrt. pays special attention to the assessment and the prevention of its negative impacts: the noise reduction action plan to mitigate the environmental impacts of noise due to operation during the night was implemented at Budaörs no 1 delivery site. The activities related to parcel delivery were relocated to the National Logistics Centre and a noise mitigation wall was also constructed with a 13 million HUF investment. Noise monitoring results justified the effectiveness of these measures.

Several other programs supported by Magyar Posta also continued in 2017:

- We have been working together with the Hungarian Interchurch Aid for years: Magyar Posta has been the logistics partner of the yearly school-starting campaign and also set up fundraising points at 1,000 post offices. Revenue from the sale of special stamps also go to charity programs.
- According to our traditions, we supported the national "TeSzedd!" (Pick It Up!) litter-collection campaign in 2017 again, by ensuring the logistical background of the litter-collection activities and our employees also actively participated in the program.
- Our company has been the supporter of "Mikulásgyár" (Santa Claus Factory) as well for years. In 2017, Magyar Posta transported the packages from the collecting points to Red Cross Centres free of charge, just as in the past years. For years,

we have also been ensuring that the donors can leave their packages at almost all post offices free of charge, channelling the whole country, even the smallest settlements into the program.



5. About the Report

5. About the Report

Magyar Posta Zrt. took off on a significant road last year: we chose the GRI framework to report on our environmental and sustainability activities, results and challenges. We would like to continue on this road, this year diving deeper into the sustainability issues important to our company and also extending the range of topics we report on.

Another significant step is that this year we managed to involve our biggest stakeholder group, our customers, into the report-writing process.

We also switched to the use of GRI Standards, as GRI G4 used for last year's report cannot be used for reports published after 30 June 2018. Our current Report does not yet meet all requirements of the GRI Standards, but we are planning full compliance for our next year report.

This Report covers Magyar Posta Zrt. only, its subsidiaries are excluded. All information and data reported refer to the year 2017.

5.1 OUR STAKEHOLDERS

The following table summarises our stakeholders and the frequency and types of communication we carry with them. The table also shows their involvement into the report writing process. This year our customers were also involved into the formulation the report content (see Chapter 5.2, too).



TABLE 3: STAKEHOLDER COMMUNICATION

Stakeholder groups	Communication channel	Communication frequency	Issues raised	Magyar Posta's reaction and status of the issue	Involvement into this year's report writing process	Method of involvement	List of parties involved
Owner	Annual Report	yearly			yes	on-line questionnaire	
Management	Annual Report	yearly			yes	on-line questionnaire	CEO, Deputy CEOs, 6 persons
Internal stakeholders							
Employees	e-mail, personal meetings, consultation platform	as needed	the operation of environmental and energy management systems	corrective and preventive measures if needed	yes	on-line questionnaire	Department of Quality Management, 26 persons
External stakeholders							
Suppliers	e-mail, personal consultations	as needed	legal and Magyar Posta Zrt. requirements related to the contracts		designated suppliers	on-line questionnaire	SWISS Medical Kft., Budapest Airport Zrt., Eurosolar-plus Kft., Környezettechnológia Kft., Zajkontroll Kft., Postaautó Duna Zrt., Tetraéder Kft., SGS Magyarország Kft.
Customers and clients					yes	on-line questionnaire	everyone filling out the questionnaire
Competitors					no		
Public administration (local, regional and state-level, municipalities, government, authorities)	e-mail, personal meetings, consultation platforms	as needed	transportation of hazardous goods	Determination of transportation limitations in the General Contractual Conditions, Organisational Regulations regarding the transportation of Hazardous Goods	yes	on-line questionnaire	National Directorate General for Disaster Management, Ministry of the Interior
Local and wider communities					no		

Stakeholder groups	Communication channel	Communication frequency	Issues raised	Magyar Posta's reaction and status of the issue	Involvement into this year's report writing process	Method of involvement	List of parties involved
Representative bodies	e-mail, personal meetings, consultation forum	as needed	employee remarks, opinions and recommendations		yes	on-line questionnaire	Magyar Posta Zrt. Central Occupational Safety Committee, 27 persons
Media					no		
Natural environment (advocacy groups, environmental NGOs)					no		

5.2 MATERIALITY ANALYSIS

As the first step of the materiality analysis, we determined the areas relevant to the sustainability performance of Magyar Posta Zrt. We considered GRI Standards aspects as well as other issues, specifically relevant for Magyar Posta. As a second step, the importance of these relevant issues was assessed, using GRI Standards methods.

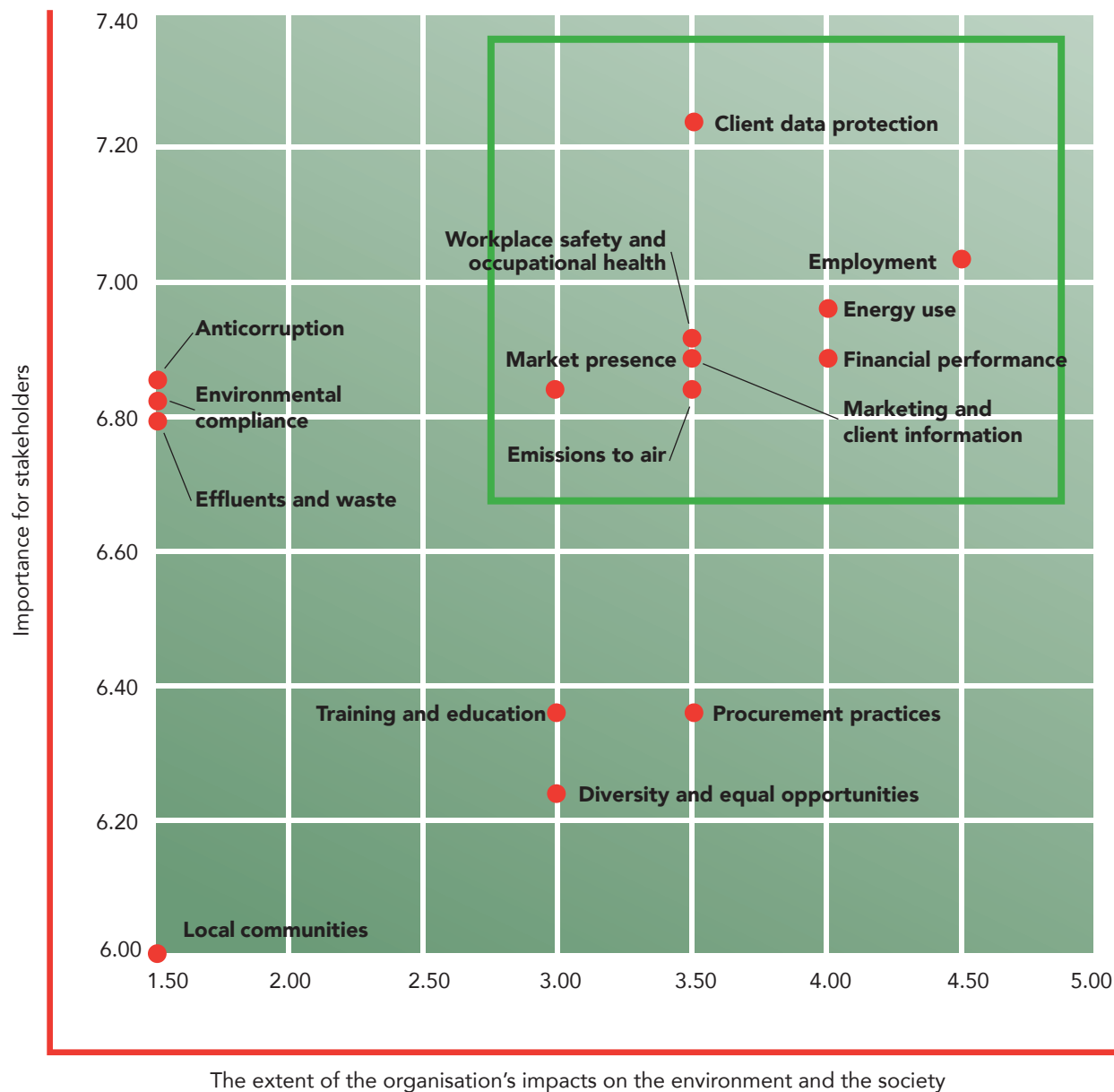
Material issues for an organisation are those where the activities of the organisation result in significant environmental and/or social impacts and that are also considered important by the stakeholders because they affect their approach and decisions related to the reporting organisation. Therefore, we evaluated the relevant aspects in both dimensions:

- Involving the experts of Magyar Posta Zrt., we determined the extent of environmental and social impacts regarding the particular area;
- In line with the requirements of GRI Standards, we involved our stakeholders into the determination of the report content. This year, a public, on-line questionnaire was used on our website that our visitors had 3 weeks to fill out. The stakeholders that had been involved last year were approached by email and were also asked to fill out the same questionnaire. This way we significantly extended the number of involved parties: we reached out to the general public as well as increased the number of suppliers approached.

The willingness to respond increased significantly compared to last year: the number of responses grew from 44 to 163.

The following "materiality matrix" demonstrates the results of the analysis: the average of impacts is shown on axis X, while the results from the on-line questionnaire (significance to stakeholders) on axis Y.

FIGURE 4: MATERIALITY MATRIX



The 8 aspects framed with green are clearly separated from the others, these are the issues where the impacts of the organisation and the significance for the stakeholders are both significant. Therefore, these issues are considered material:

- Client data protection
- Employment
- Energy use
- Workplace safety and occupational health
- Marketing and client information
- Emissions to air
- Financial performance
- Market presence

The aspects above cover all three pillars of sustainability so they help evaluating our performance from the aspects of economy, environment and society as well.

5.3 PRESENTING MATERIAL ISSUES IN THE REPORT

In line with GRI Standards requirements, the management approach will be disclosed for all material issues above, discussing the reason the aspect is important, how it is managed, the goals that have been set and how we monitor their implementation. Besides, at least one indicator will be disclosed for each material aspect.

5.4 THE EXTENT OF THE ORGANISATION'S IMPACTS

The following table demonstrates the impacts of our activities within and outside of the organisation for each material aspect.

TABLE 4: IMPACT BOUNDARIES

Material issues	Impact within the organisation	Impact outside of the organisation
Financial performance	X	X
Market presence	X	X
Energy use	X	X
Emissions to air		X
Employment	X	X
Workplace safety and occupational health	X	X
Marketing and client information	X	X
Client data protection		X

If you have any questions or notes regarding this Report, please, contact us at: kornyezettudatos_posta@posta.hu

6. Our sustainability performance

6. Our sustainability performance

6.1 FINANCIAL PERFORMANCE

Magyar Posta Zrt. is a national asset of outstanding significance so the protection of its 150-year tradition and keeping it on a sustainability path is public interest. Magyar Posta Zrt. serves a strategic role in the national financial, logistics and information circulation as it forms a reliable, fast and efficient service bridge between the general public, enterprises and the state. It is especially trusted by the society and businesses. Maintaining this trust is our common responsibility and requires daily commitment.

Compared to the chemical, oil, tobacco or alcohol industries, our activities do not pose such high risks to the nature and human health. However, our buildings, vehicles and services do have physical and other impacts on the natural and built environment. We continuously monitor the environmental risks resulting from our activities, the highest of which come from the operation of our fleet and from our paper

use. We focus on the sustainability aspects in our financial decisions and make long-term investments in order to prepare ourselves for the challenges of the sector, such as the greatest possible use of electric and other environmentally friendly vehicles as well as replacing paper-based solutions with electronic ones. Because of this, most of our procurement aimed at the upgrading of our fleet and IT devices.

Our financial performance is accessible in our Annual Report through our homepage. The development of our digital and logistics capacities has been significant as it is key to the financial sustainability of our organisation.

Magyar Posta Zrt. does not apply investments practices where human rights may be violated. Most of our suppliers are from Hungary, so there is no critical risk in the violation of human rights at our suppliers.



6.2 MARKET PRESENCE

The sustainability of the national economy is affected by Magyar Posta Zrt. in the areas of communication, payment services and retail. We also have a key role in the delivery of official mail and bills, as well as amounts paid by the general public (which affects the financial liquidity of companies) and also payments, such as pension and benefits to the general public (affecting living conditions and purchasing power). We also have a growing role in e-trading by the delivery of goods and also the logistics of commercial commodities. We have a total of 1,300 types of products and services within our remarkably diversified portfolio. Magyar Posta Logistics (MPL) is the leading service provider of domestic parcel, courier and express delivery. We are also one of the most significant public service providers and employers in the country.

Our organisation has also been affected by the general labour shortage and high fluctuation rate, which need to be responded to. Because of this, our HR strategy focuses on recruitment, the development of the employer brand, competitive remuneration, the predictability of resource demands and also employee retention.

Magyar Posta Zrt. strives to make itself attractive as an employer by providing motivating working environments and appropriate working conditions, and by continuously developing its programs relating to recruitment, selection and employee retention. It provides predictable and sustainable career paths for its employees. We have been operating our

Career Management system and also our "Postman of the Future" program since 2015. We have our remuneration system, distinct from the public wage system.

All higher management positions (above the level of organisational and financial management) at Magyar Posta Zrt. are occupied by Hungarian citizens.

6.3 ENERGY USE

As climate change is one of the most important global issues, all organisations need to focus on their energy use and develop an energy strategy to decrease their contribution to global climate change. This is an especially big challenge in an economic environment that forces efficient operation, while competitors also strive for the same.

6.3.1 Our energy policy

Because of the size of Magyar Posta Zrt., our energy use is an important factor – this was reassured by the materiality assessment last year and this year, as well: it proved to be a significant topic both from the aspect of impacts and the interest of the stakeholders. Our primary aim is to use our energy resources as efficiently as possible so we are continuously monitoring the use of them.

There are two main areas of energy use at our operations:

- building energetics (due to the high number of sites),
- fuel use for transportation.

To optimise our energy use and also to comply with legal regulations, we implemented our ISO 50001 Energy Management System (EMS) in 2016, integrated into our Quality and Environmental Management System.

In addition to the goals set earlier, the aim of the integrated system is the more efficient management of resources, the recognition and extensive application of energy saving opportunities and also the implementation of cheaper and more state-of-the-art operation.

Since the implementation of the EMS, all of our contracts have included the following or similar text: "The Supplier/Service provider/Seller acknowledges that Magyar Posta Zrt. operates an EMS according to ISO 50001:2011. The Supplier/Service provider/Seller ensures that during the execution of the contracted activities, aspects of energy efficiency and energy awareness are considered in all cases." This means that the EMS system lays down requirements for our partners, too; contributing to the energy efficiency of their operation, as well.

The impacts of the energy use of our activities extend beyond the boundaries of our organisation as they affect the availability of fossil fuel sources and contribute to climate change. It mainly generates economic impacts within the organisation through energy prices.

TABLE 5: THE USE OF ENERGY SOURCES

Year	diesel		gasoline		electricity	natural gas	purchased heat	CNG	thermal water	solar (solar collector, solar cell)	CO ₂ -emission
	postal transport (l)	passenger transport (l)	postal transport (l)	passenger transport (l)	MWh	m ³	GJ	kg	MWh	MWh	t
2015	8,021,442	66,874	368,897	325,370	42,837	7,344,435	51,000	26,816	60	94	53,160
2016	8,232,495	58,896	315,345	319,313	42,374	7,495,514	55,298	22,485	120	138	53,763
2017	8,538,621	62,026	179,573	320,515	42,064	8,115,774	54,629	13,832	157	135	55,233

6.3.2 Measures and campaigns

Within the framework of the EMS, our 2017 tasks and goals included the identification of the first 100 sites with the highest consumption, the setting up of energy performance indicators for our buildings, the replacement of meters if necessary, the preparation of the records on energetics audits complying with the legislation, and taking the necessary measures in case of finding significant deviations from the relevant performance indicators.

The energetics officer of Magyar Posta Zrt. prepares a monthly report and a half-year trend based on data from the organisation, making it possible to monitor our energy use.

6.3.3 Target values and indicators

Within the framework of the EMS, two important goals were set for 2017:

1. 5% reduction in electricity use (compared to 2016) and
2. 0.5% reduction in natural gas use (compared to 2016).

The energy use of Magyar Posta Zrt. for the last 3 years is demonstrated by the table above (including all significant energy sources, except for coal and bottled gas, but the use of these is negligible and only happens at the sites where conditions do not allow for the use of more efficient energy sources).

As the table shows, the amount of renewable energy sources used has been increasing over the years.

The over 40% decrease in gasoline use is due to the decrease in the number of gasoline-consuming vehicles such as mopeds, motorcycles, off-road vehicles and vans. In contrast, natural gas consumption clearly increased, due to lower than average temperatures at the beginning of the year resulting in extra heating demand.

Another significant part of our energy use is related to transport so we have developed a rationalisation program especially for transport-related fuel-use.



According to the Organisational Operation Procedures of the EMS, the supervision of energetics tasks related to transport and fleet operation belongs to the Directorate of Logistics. The following goals were set up in the Action Plan:

- Target value for the specific average fuel consumption of Magyar Posta technological vehicles ≤ 8.9 l/100 km (the 8.9 l/100 km target value is the actual 2016-2017 value to be decreased).
- The 0.5% reduction of energy use related to transport and vehicle operation compared to the 2016 value (1,048.49 Wh/km*year) until 31 December 2021 in the following yearly break-down:
 - until 31 December 2017: 1,047.97 Wh/km*year (0.05%)
 - until 31 December 2018: 1,047.44 Wh/km*year (0.05%)
 - until 31 December 2019: 1,046.39 Wh/km*year (0.1%)
 - until 31 December 2020: 1,044.82 Wh/km*year (0.15%)
 - until 31 December 2021: 1,043.25 Wh/km*year (0.15%)

These consumption goals were split up into sub-categories by the type of vehicles and individual target values were set up for the 3 "main vehicle categories".

We understand that the consumption of our transportation vehicles is affected by factors that we cannot or can hardly influence, such as geographical and road conditions, transportation inside or outside of cities or weather. However, we can influence the technical condition of the vehicles, the competency and awareness of the drivers, the transportation demands related to changing business processes or emergency events.

In 2017, the actual value (1,059.25 Wh/km) was higher than planned, the reasons are detailed in Chapter 6.4.

On the governance level, the global responsibility for the energy goals related to transportation and vehicle operation lies with the Logistics Asset Management and Services Centre within the Directorate of Logistics. On the implementation level, responsibility lies with the organisational units participating locally in the daily vehicle use, the Regional Logistics Centres, The National Transport Centre and the Budapest Logistics Centre.

The systems administering the consumption data are capable of detailed monitoring and assessment per vehicle, periods or regions. For the evaluation of EMS goals, monthly and yearly data summaries are prepared, available for the individual organisational units and vehicle categories. By summarising the monthly data and by the evaluation of yearly data, the EMS goals can be monitored and if necessary, measures can be initiated.

To achieve the goals above, we have introduced and applied the following measures:

- ECO driving training for drivers.

Supplementary to the yearly highway code training, a training material on environmentally aware and economical driving has been compiled. In addition, written awareness-raising training materials have been sent and put up at vehicle-storage sites and postal outlets.

- Purchase of vehicles

When purchasing vehicles, we strive to buy low-consumption versions. In 2016, we expanded our fleet with electric cars and we are continuously replacing old vehicles leading to decreasing average consumption values of our fleet.

Every year, fuel-consumption values are compared to monitor changes in energy performance. We also considered the introduction of a new indicator in 2017: the number of mail items collected for 1 litre of fuel. Target value: ≥ 180 pieces/l.

This indicator was calculated for the last years as follows:

TABLE 6: RETROSPECTIVE VALUES FOR THE STUDIED INDICATOR (THE NUMBER OF MAIL ITEMS COLLECTED / 1 L FUEL)

	2014	2015	2016
the number of mail items collected / 1 l fuel	200.81	182.98	195.82

The retrospective values show significant variation due to the fact that all postal items (parcels, letters or advertising materials) were considered in the same extent, regardless of their sizes. For this reason, a new indicator (the number of standardised mail items collected for 1 l of fuel) will be introduced from 2018, based on the volume-demand of the items. The standardised mail item was defined as 350 pieces of letters, 0.75 pieces of parcels or 100 pieces of newspaper.

6.4 EMISSIONS TO AIR

From a climate protection aspect, the main focus is on greenhouse gases. The organisation does not have a monitoring and management system for other potential emissions and no such data are available.

In line with the National Climate Change Strategy, Magyar Posta Zrt. undertook for the period of 2014-2020 to decrease its CO₂-emissions by 5% compared to the 2013 base year value (55,379 t CO₂).

CO₂-emission reductions can be realised by energy rationalisation measures, detailed in Chapter 6.3.

Magyar Posta Zrt. has been calculating its CO₂-emissions for years with the IPC EMMS (Environmental

Measurement and Monitoring System) method. The calculation methodology is built upon GHG Protocol³ methodology and uses official, internationally published emission factors based on Hungarian data. The calculation covers emissions from fossil and renewable energy sources and the production of purchased heat and electricity (see page 24, Table 5), but it excludes Scope 3 emissions, such as employee commuting or the end-of-life treatment of products used for postal services (such as paper products) and emissions from waste management.

The following table shows CO₂-emissions calculated with this methodology for the last 3 years:

TABLE 7: CO₂-EMISSIONS FOR THE PERIOD OF 2015-2017

Year	CO ₂ -EMISSIONS		
	direct*	indirect*	total
2015	36,941	16,219	53,160
2016	37,578	16,186	53,763
2017	39,173	16,059	55,233

*According to the definition of the GHG Protocol, in case of Magyar Posta Zrt., indirect emissions are emissions from the production of purchased heat and electricity, all other emissions are considered direct emissions. See also Table 5 on page 24.

The 3% increase is the result of the growing use of natural gas and diesel consumption of passenger and transportation vehicles:

- Due to changes in the mail item structure, the traffic cargo with high cubage demand – primarily parcels and palletted goods – significantly increased.

In order to ensure smooth mail item traffic, more high-capacity trucks were used with fuel consumption values of 19-20 litre/100 km, significantly exceeding the postal average target value. In addition, to cope with the higher end-of-year transport demand, vehicles to be rejected had to be used again, resulting in higher fuel consumption compared to the average values. Apart from this, passenger vehicles were also involved in delivery.

- Lower temperatures in January 2017 (almost 5 degrees lower average mean temperatures compared to normal values) led to 8.3% higher consumption of natural gas compared to the 2016 value, resulting in increased emissions.

In light of the above facts, we need to redefine our goals since the absolute emission reduction is not realistic with growing service volumes, even if weather conditions (that have been unpredictably changing in the last years) are corrected for. A new, intensity-based, relative goal may be defined in the future that determines emission per a given service unit and goals are fixed in that unit instead.

³ The Greenhouse Gas Protocol Initiative was launched as a result of the multi-year cooperation of the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). The GHG Protocol Standards are used by companies, municipalities and governments and they are also the basis for emission calculation methodologies developed by other organisations, such as ISO, CDP, The Climate Registry, etc. and also most voluntary emission monitoring programs. More information: <http://ghgprotocol.org/standards>

Apart from the IPC methodology, using the UPU OSCAR (Online Solution for Carbon Analysis and Reporting) methodology implemented last year also provides us the opportunity in the future to benchmark ourselves against other, international postal service providers regarding GHG-emissions.

Based on the 2017 mileage of the 18 electric cars bought in 2016, the amount of fuel that was saved by the replacement of fossil fuel vehicles can be calculated.

Based on the 174,883 km run by the electric cars and a total consumption of 6.9 MWh, a total of 2.37 tons of CO₂ was emitted by the use of these vehicles in 2017. These electric cars are mainly used for mobile post services and replaced Skoda Fabia Praktik 1.2. vehicles with an average gasoline consumption of 5.8 litre/100 km. 18 fossil fuel vehicles of this type would have consumed 10,143.214 litres of gasoline during running 174,883 km, with a potential emission of 24.18 tons of CO₂. This means that using electric cars instead of the replaced ones saved the emission of 21.81 tons of CO₂ in 2017.

6.5 EMPLOYMENT

As one of the biggest employers in the country, we have an outstanding role on the national job market and our aim is to attract the appropriate amount of qualified workforce and also to retain the existing workforce. We are keen to achieve this by offering benefits and good working conditions.

6.5.1 Our employment policy

The labour shortage on the national job market also affects Magyar Posta Zrt. To increase employment activity and flexibility, several atypical employment options are applied, such as distance work, temporary employment, student work, part-time employment, split service, worktime banking, flexible working hours and flexible working arrangements. Employees working in these special schemes are not negatively discriminated regarding benefits. Mentoring programs and trainings support fast and efficient integration. Positions are built on each other, so employees who undertake continuous education have the opportunity to be promoted or have a career transition.

Our employment policy supports the return and reintegration from parental leaves, ensures employment after retirement and work-life balance.

In the human resources policy of Magyar Posta, ensuring equal opportunities is a key element.

Each of our employees are familiarised with our Code of Ethics that lays down the common organisational values, an important element of which is tolerance and the rejection of discrimination at the workplace. We have a continuously updated Equal Opportunities Plan and we have committed ourselves to prevent and prohibit negative discrimination.

Being a disability-friendly workplace, we offer career opportunities for people who may encounter obstacles in finding employment in other segments of the economy. We are allowed to use the title and logo

“Disability-friendly workplace” for two years from 2016 and we are planning to renew it in 2018.



As an employer, Magyar Posta condemns and rejects child labour or forced labour. Issues regarding employment are laid down in the collective agreement, applying to all employees. Complying with these regulations are ensured by internal, regulated and controlled procedures.

Magyar Posta, within the framework of applicable regulations, ensures the right of association for its employees and considers trade unions and the work council as partners. As an evidence of this, almost all issues regarding employment are discussed in collective agreements complying with labour laws to ensure that employee and employer interests specific for our activities are implemented.

6.5.2 Our goals

Our goal is to become an attractive workplace, to develop the employer brand, employee loyalty, recruitment and selection procedures, the systems to monitor the predictability of human resources of appropriate quality and quantity and to establish motivating working conditions as well as competitive salaries.

6.5.3 Performance indicators

The following table shows the fluctuations in workforce for the year 2017 per age groups and gender.

Between 1 May 2016 and 31 April 2017, 464 employees returned from parental or unpaid leave, out of which 88 people became inactive again due to child expectancy and 165 employees resigned.

The retention rate of parents returning from parental leave for at least 12 months was 64.4%.

6.6 WORKPLACE SAFETY AND OCCUPATIONAL HEALTH

As for every company, the establishment and maintenance of the high level of healthy and safe working conditions is of outmost importance for Magyar Posta as well, as it significantly contributes to the retention of qualified workforce and also decreases

lost working time due to illness and accidents. By this, we contribute to the well-being of our employees and their families.

6.6.1 Our health and safety policy

The area of occupational health and safety belongs to the Department of Health, Safety and Environment (HSE) within the Safety Directorate. Its tasks include the continuous monitoring and evaluation of occupational accident status, the improvement of accident prevention activities and the preparation of awareness raising materials. We provide personal protection equipment to our workers appropriate to the specific risks in each position and also place emphasis on potential hazards during trainings, practising prevention and protection actions.

In 2017, Magyar Posta fully complied with regulations regarding obligations to report, investigate and record occupational accidents towards the Authorities within the relevant deadlines.

TABLE 8: FLUCTUATIONS IN WORKFORCE

Age group	New recruits		Total	Exiting employees		Total	Employed as of 31 December 2017 of new recruits	
	Male	Female		Male	Female		Male	Female
below 20 yo	172	138	310	129	100	229	53	49
between 20-30 yo	1,258	1,459	2,717	1,054	1,071	2,125	597	868
between 30-40 yo	873	1,227	2,100	785	1,014	1,799	457	768
between 40-50 yo	893	1,380	2,273	858	1,362	2,220	472	854
between 50-60 yo	604	738	1,342	586	1,010	1,596	307	423
between 60-70 yo	194	287	481	337	326	663	106	167
above 70	3	9	12	2	4	6	2	6
Total	3,997	5,238	9,235	3,751	4,887	8,638	1,994	3,135

Magyar Posta as an employer is in continuous relationship with the Occupational Safety Committee that includes employee members.

Occupational safety and public health authorities of Governmental Agencies executed several audits in 2017 at our sites with no fine imposed. Our occupational healthcare operates complying with relevant regulations. Complying with legal requirements, the service provider ensures the occupational health examinations, medical screening programs and examinations for the extension of professional driving licences. Services include the regular examination of employees working in front of monitors, as well

as care and medical advisory and the issuance of medical statements for rehabilitation procedures. If necessary, occupational health professionals and physicians participate in the investigation of workplace accidents and also execute medical tasks of occupational health risk assessments, evaluations and hygiene inspections.

In 2017, our volunteering employees participated in the National Comprehensive Health Screening Program of Hungary for the fourth time, raising health awareness amongst volunteering employees. Blood donation was organised at a number of postal outlets of Hungary on several occasions. As a result of employee activity in 2017, Magyar Posta received the title of Blood Donor Friendly Workplace from the Hungarian National Blood Transfusion Service.

The HSE Department operates a combined and cost-efficient occupational safety and environmental control system which makes it possible to audit a higher number of sites yearly using synergies. The results of these audits are summarised in half-yearly and yearly reports for the competent managers.

6.6.2 Measures and campaigns

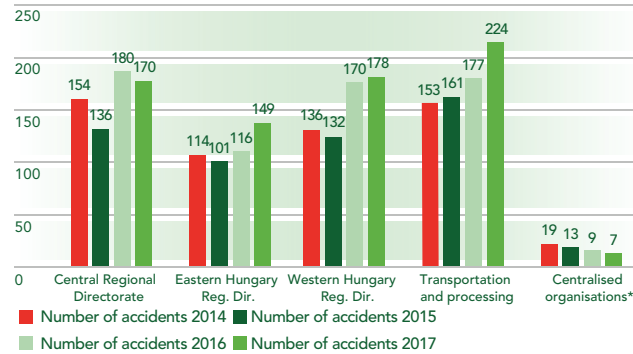
As in the last years, our volunteering employees had the opportunity to take part in a health screening program including 34 types of tests.

6.6.3 Indicators and target values

There was no fatal or serious workplace accident at Magyar Posta Zrt. in 2017. There was one mass accident resulting in light injuries of 15 people. This was a road accident with no liabilities of the employer. As a consequence, the relevant contract was modified and occupational health guarantees were built in the contract.

The following figure shows the number of accidents leading to lost working time.

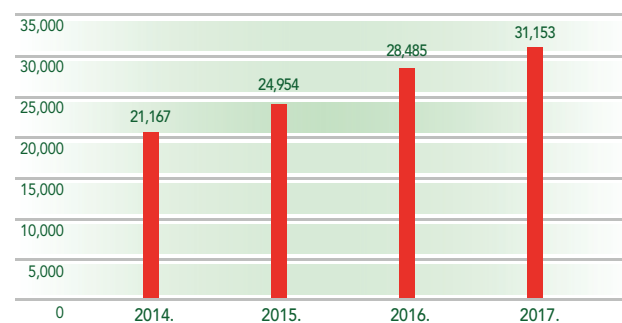
FIGURE 5: THE TREND IN THE NUMBER OF ACCIDENTS WITH LOST WORK DAYS AT MAGYAR POSTA ORGANISATIONS BETWEEN 2014-2017



*Central management organisations, Postal Clearing Centre, Newspaper Logistics Unit, warehouses

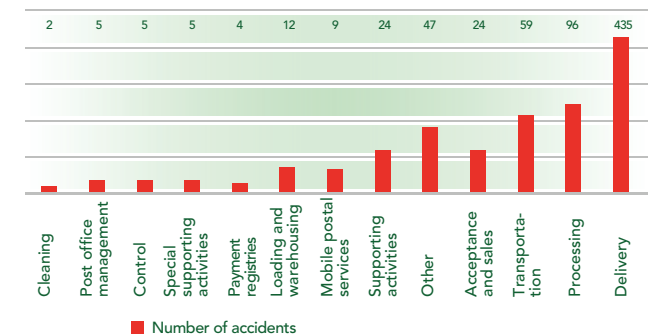
There was no workplace accident in case of electronic mail processing and industrial activities in 2017. Analysing the occupational safety indicators, it can be concluded that the number of accidents with lost working days increased by 12% to 728, and the number of sick pay days due to accidents increased by 9% compared to 2016.

FIGURE 6: THE TREND IN THE NUMBER OF SICK-PAY DAYS BETWEEN 2014-2017



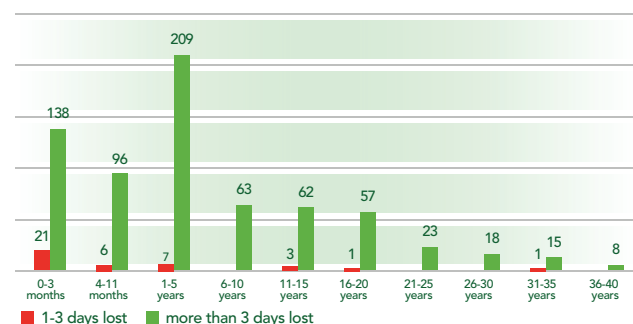
Most accidents (435) happened to the delivery men, employees in processing positions (96 accidents) and transportation (59 accidents).

FIGURE 7: THE DISTRIBUTION OF ACCIDENTS BETWEEN THE MAIN POSTAL PROCESSES IN 2017 (NUMBER/YEAR)



The primary reason for the negative trend in workplace accidents is the overwork due to the shortage of staff and inexperience due to fluctuation. This is illustrated by the following figure: it is clear that the longest an employee has been working at Magyar Posta, the lowest the likelihood of accidents – 261 accidents (36% of the total number of accidents) happened to workers with less than 1 year of employment. To stop the unfavourable tendency, extra workplace safety trainings were conducted at the affected working areas.

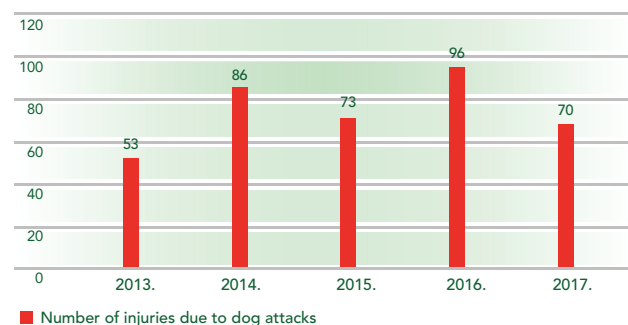
FIGURE 8: THE NUMBER OF ACCIDENTS RELATED TO THE LENGTH OF EMPLOYMENT AT MAGYAR POSTA



Seven employees suffered injuries due to violent attacks, compared to 3 in 2016.

Dog attacks decreased by 27% compared to the year before (see figure below). We requested actions from the local authorities of the endangered areas regarding the enforcement of dog ownership regulations.

FIGURE 9: NUMBER OF INJURIES DUE TO DOG ATTACKS 2013-2017



6.7 MARKETING AND CLIENT INFORMATION

Magyar Posta provides a wide variety of products and services to its clients: the general public, business and public organisations. Our aim is to achieve and maintain the highest level of client satisfaction.

One of the pillars of our organisation's socially responsible behaviour is our intent and practice of high-level compliance, including obligations of product responsibility and customer information. In addition, it is the internal conviction of the higher management Magyar Posta Zrt. that one of the fundamental conditions of our long-term sustainability is fair market behaviour and business credibility, declared in our Quality, Environmental and Energy Policy.

Beyond compliance, the variety of products and services requires that our clients are informed appropriately, understandably and transparently on service conditions and that they know who and how to contact in case of complaints.

Prior to the use of services, our clients can gather information on the details of our products and services, as well as all important circumstances on our website, through the phone client service, at postal outlets and other client service points, promoting informed decision-making considering risks and opportunities as well. Our general contractual conditions, operating rules and other mandatory information materials can be found free of charge in hard copies at postal outlets in the form of announcements.

For employees working in client relationship positions, the tasks and consequences regarding client information obligations and consumer protection are emphasised in internal regulations and during trainings.

Magyar Posta ensures that clients can formulate their complaints about the service provider's behaviour, activities or misconduct in spoken or written form. The supervision of investigation and response to incoming complaints is the task of the Customer Service Directorate. After receiving the complaints, 30 days are available⁴ for investigation and response with reasoning.

Magyar Posta deals with all incoming complaints and comments without discrimination on the basis of equal treatment. Employees processing complaints act unbiased, complying with relevant legal regulations and internal procedures. Any data requested for identification from the complainant are treated with special attention to complying with data protection regulations, ensuring that these data do not serve any other data collection goals.

In case of rejecting the complaint, we provide information on the opportunities of legal remedy and also the contact details of the concerned authorities and bodies in our response.

No incompliance was found regarding marketing communication and information on products or services in 2017.

⁴ Can be extended with another 30 days on a single occasion in case of postal services

6.8 CLIENT DATA PROTECTION

Client data are the fundamental motor of our operation. As a postal service provider, Magyar Posta would not be able to provide services and deliver mail items to the addressees without managing client data. This means that client data are of outmost importance in our everyday operations and so we need to place special emphasis on their protection.

We keep in mind that data protection has been having a growing emphasis in business and consumer decisions and is one of the measures of business credibility.

Client data safety is also a significant issue for us – apart from strengthening the confidential relationship, we are also aware that risk perception of data loss and lack of data security can be a decisive factor for our clients. Our Detailed Data Management Regulations are accessible on our website and also at postal outlets in hard copies.

6.8.1 GDPR

2017 was special in the way that Magyar Posta was preparing for GDPR⁵ requirements driving us to renew and set up a dedicated project involving all organisational units at our company.

Magyar Posta has formulated its data protection practices in the light of the above.

6.8.2 Our data protection practices

Transparency is important to us and to our clients, so information on our personal data management practices are published in detailed materials accessible on our website and also at all our post offices. Online information is provided in responsive and contrasting format also accessible through text-to-speech softwares to ensure unrestricted access.

In our contracts, we ensure by rigorous requirements that data processing partners apply the appropriate level of client data protection and that client data remain secure.

Apart from external relations, we also treat data confidentiality with a special emphasis in our internal operations, as well. Each employee of Magyar Posta acknowledges obligations of confidentiality at the start of employment and receives training after recruitment on data protection. This knowledge is further deepened through trainings and exams on data protection and product knowledge. The acquisition of this knowledge on data protection requirements and their practical application is verified by regular, built-in checks by the management.

Comprehensive internal data security regulations and controlled internal procedures support the implementation of data security aspects in our internal operations. We have established an organisational methodology to carry out data security impact assessments.

Considering the public interest aspect of its tasks, Magyar Posta Zrt. employs a data protection officer, whose opinion needs to be requested in advance in case of the formulation and modification of internal regulations of business and supportive processes concerning the management of personal data. An IT security requirement list is the obligatory element of all IT development projects, and the data protection officer needs to be involved for opinion as early as in the planning stage. We do our best to ensure that our IT devices and softwares comply with the generally accepted security technology solutions and we regularly audit our compliance.

We have established and operate a dedicated client relations procedure to deal with data protection issues. In 2017, Magyar Posta was approached regarding personal data issues in 715 cases and all these requests were responded to, without exception.

The Hungarian National Authority for Data Protection and Freedom of Information investigated Magyar Posta in 1 case in 2017 regarding customer information. The authority verified that our data management information was compliant.

⁵ Regulation 2016/679 of the EU Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation)

7. Additional sustainability activities

7. Additional sustainability activities

7.1 STAMPS WITH A SUSTAINABILITY THEME

Apart from material issues, we would like to report on the following sustainability-related activities, as well.

It has always been an important task to convey messages so postmen have had significant roles in daily life from the start of human history. The legal predecessor of Magyar Posta Zrt., the Royal Post of Hungary was founded on 1 May 1867, thanks to the Austro-Hungarian Compromise. Alongside the most fundamental and common frameworks, it was founded as an independent, national public institution.

The history of Hungarian postal administration and its fields of activities are closely interconnected with the historical events of the last one and a half century, as well as the ever accelerating industrial and technological developments, the social and economic changes and also with the responses to these processes.

Commemorating its 150th anniversary, Magyar Posta issued a special miniature sheet of typical postal vehicles spanning this period of time. The sixth stamp

features a Nissan ENV 200 electric vehicle that entered service in December 2016 to provide mobile post and parcel delivery services.



Year by year Magyar Posta Zrt. has been playing an important role not only in environmental and nature protection issues but social awareness-raising as well, conveying messages and raising awareness through stamps. On stamps issued in 2017, five owl species were presented of the protected birds living in Hungary: the barn owl, the tawny owl or brown owl, the long-eared owl, the little owl and the scops owl: https://www.posta.hu/stamps/stamps/new_stamps/fauna-of-hungary-owls/

We also joined the events of several memorial years, such as the bicentenary of the birth of János Arany, the Zoltán Kodály memorial year and the 500th anniversary of the Reformation by issuing special stamps. On the 100th anniversary of the foundation of the Lions Clubs International, a commemorative stamp was issued: https://www.posta.hu/stamps/stamps/new_stamps/Lions_Clubs_International_Celebrates_100_Years_of_Service

- 500th anniversary of Reformation https://www.posta.hu/stamps/stamps/new_stamps/500-years-of-the-reformation/
- János Arany memorial year https://www.posta.hu/stamps/stamps/new_stamps/for-youth-2017-janos-arany-was-born-200-years-ago/
- Zoltán Kodály memorial year - the music teaching concept called the Kodály method was declared part of the Intangible Cultural Heritage by UNESCO. https://www.posta.hu/stamps/stamps/new_stamps/zoltan_kodaly_memorial_year

7.2 RESPONSIBLE WASTE MANAGEMENT

Our fundamental principle on waste management is the reduction of the amount generated, selective waste collection and the highest possible rate of recycling.

The basic pillars of the system are legal compliance as well as transparent and documented procedures.

Waste management is the environmental activity easiest to illustrate and all employees can take part in it.

Our organisation has set up a centralised and integrated internal waste management system, in the framework of which waste generated at our premises is transferred to central waste collection sites and

handled to our contracted partners for utilisation or for destruction fully complying with data protection requirements.

In 2017, Magyar Posta generated 2,979 tons of separately collected waste, of which 2,945 was classified as non-hazardous and 34 tons as hazardous.

Magyar Posta regards waste as a value because not only is the environment protected by recycling but significant revenue is also generated from the sales. The sale of recyclable waste is continuous, the largest proportion of which is represented by paper and plastic waste.

Types of waste sold:

- paper,
- plastic,
- metal,
- electronic waste.

In 2017, more than 88% of selectively collected non-hazardous waste was sold for recycling, the largest proportion (97%) of the waste sold is represented by paper and plastic waste.

Amounts of waste sold:

- 2015: 2,597 tons
- 2016: 2,655 tons
- 2017: 2,578 tons

FIGURE 10: CENTRAL WASTE COLLECTION SITES OF MAGYAR POSTA FOR NON-HAZARDOUS WASTE



8. Goals and challenges for the next years

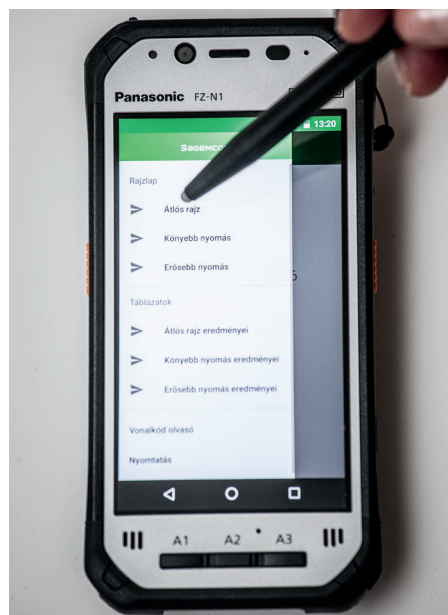
8. Goals and challenges for the next years

2017 was a celebrational year for Magyar Posta but that does not mean that our life stopped there. Indeed, we are working on keeping our organisation on the path of sustainable operation. To achieve this, we are implementing the following measures in 2018:

- We are continuing our **PAKK-programme** ("Postal identified item tracking") and connected developments. By implementing the program, Magyar Posta will provide the same level of convenience and reliability to its clients regarding letter products that has been standard for parcels. This is an important milestone to advance electronic public administration, which is key to national modernisation and to the competitiveness of Hungarian economy. The most important change in official notices is that the use of domestic paper-based advice of delivery notes will be discontinued and all registered letter-mails will be trackable from the moment of submission. For our business clients, we provide a new, free, web-based surface replacing paper-based dispatching notes, offering comprehensive and safe postal administration. This new system will make the whole process more

transparent with less paper use. It will also help avoid uncertainty due to lack of information, and will make it possible to use the functions of the electronic ID cards.

- A new service will be implemented for the **digitisation of letters** (including letters with advice of delivery), which will be sent to our clients in electronic format. By ordering this unique digitisation



service, clients' letters will be accessible anywhere and anytime. Letters accepted in hard copies will be electronically delivered complying with strict safety conditions. This new service will not only save time for clients but will also foster the optimisation of postal delivery capacities.

- We are revising our current **monitoring and indicator system for emissions** and developing an intensity-based, relative CO₂-emission reduction target that determines emissions for a given service unit and sets up a goal for that.
- Our experience with the **electric vehicles** purchased in 2016 have been evaluated and it was concluded that we need to reconsider the potential functions of e-vehicles before further investments.
- For employees with Magyar Posta email addresses providing their contact details, **electronic wage slips** have replaced paper-based ones. In the near future, we are planning to upload even more information on them, such as the number of paid holidays etc.
- In the field of human resource management, we are developing new **environmentally friendly electronic systems and solutions preferring mobile self-service surfaces** to reduce paper-use.

- To prepare for the expected increase in the volume of parcel delivery, we are planning to **expand our capacities** in order to optimise and modernise our processes and infrastructure and also to install a new parcel processing system. The expansion of the parcel terminal network is also on the agenda.
- By 25 May 2018 we have completed the project to prepare for the compliance with the **GDPR** requirements. However, related tasks will remain on the agenda as we are continuing to use data protection processes in our daily life and also to raise awareness regarding data protection.

9. Annexes

Annex I: GRI principles

CONTENT

- **Stakeholder inclusiveness:** Magyar Posta Zrt. involved its stakeholders into the formulation of report content ensuring that their approach and information demand is considered. In the future, the organisation is planning to seek further possibilities to increase the number of involved parties and also to enhance response willingness.
- **Sustainability context:** The content of the Report discloses the activities of Magyar Posta in a sustainability context and focuses on information with sustainability relevance.
- **Materiality:** The Report covers the most material impacts of the organisation from sustainability aspects. The materiality analysis was conducted with the involvement of the stakeholders.
- **Completeness:** All material issues are covered in the Report, no information is omitted that would misinform the decisions of stakeholders.

QUALITY

- **Balance:** The Report presents negative and positive impacts in all areas, together with results and challenges so that stakeholders can have a comprehensive picture of Magyar Posta's sustainability performance.
- **Comparability:** Where possible, the Report presents information that makes benchmarking possible, either with the organisation itself through time and also with other companies (for example by using standard emission factors).
- **Accuracy:** Data and information presented in the Report are as accurate as possible and are detailed in a way that makes it possible to assess Magyar Posta's sustainability performance.
- **Timeliness:** The timeframe of data presented in the Report is clearly stated and covers the reporting period (2017).
- **Clarity:** Data and information disclosed in the Report are free of inconsistencies and clearly presented in a format that is understandable to stakeholders.
- **Reliability:** Information and data are presented in the Report in a way that makes them verifiable, clearly providing their sources as well. In order to increase credibility, Magyar Posta Zrt. had assigned a third party for independent verification.

Annex II: GRI index

General disclosures	Indicators	Section	Page	Note
Organisational profile	102-1 Name of the organisation	1.	5	
	102-2 Activities, brands, products, and services	1.1	6	
	102-3 Location of headquarters	1.	5	
	102-4 Location of operations	1., 1.1	5, 6	
	102-5 Ownership and legal form	1.3	6	
	102-6 Markets served by location and sector, types of clients	1.2	6	
	102-7 Scale of the organisation	1.4, 1.7	6, 7	More information on the size of the organisation can be found in our Annual Report: https://www.posta.hu/about_magyar_posta/annual_reports
	102-8 Number of employees by employment type, contracts, localities and gender	1.4	6, 7, Figures 2,3, Tables 1,2	
	102-9 Supply chain	1.5	7	
	102-10 Significant changes in the organisation's size, structure, ownership structure or its supply chain during the reporting period	1.	5, Figure 1	No significant change
	102-11 Precautionary principle or approach	2.	9	
	102-12 External initiatives for economic, environmental and social norms, principles etc., that the organisation supports	1.6	7	
	102-13 Memberships in associations, national and international professional organisations	1.6	7	

General disclosures	Indicators	Section	Page	Note
Strategy and analysis	102-14 Statement from senior decision-maker on the importance of sustainability and the sustainability strategy of the organisation	Foreword by the CEO	1	
Ethics and integrity	102-16 Values, principles, standards, and norms of behaviour	2.	9	
Governance	102-18 Governance structure	3.	11	
Stakeholder involvement	102-40 List of stakeholder groups	5.1	17, 18, Table 3	
	102-41 Collective bargaining agreement and coverage	5.6	27	100%
	102-42 Identifying and selecting stakeholders			No dedicated strategy, Magyar Posta strives to communicate with all stakeholder groups (see pages 17-18 and Table 3).
	102-43 Approach to stakeholder management and the frequency of communication	5.1	17, 18, Table 3	
	102-44 Key topics and concerns raised during stakeholder discussions	5.1	17, 18, Table 3	
Reporting practice	102-45 Entities included in the consolidated financial statements			Both the Annual Report and the Sustainability Report covers the whole Magyar Posta Zrt., including all units.
	102-46 The process of defining report content and topic boundaries, GRI principles	5.2, 5.3, 5.4	18-20, Table 4, 39, Annex I	
	102-47 List of material topics	5.2	18, 19, Figure 4	
	102-48 Restatements of information			none
	102-49 Significant changes in reporting scope or boundaries compared to previous report			none

General disclosures				
General disclosures	Indicators	Section	Page	Note
Reporting practice	102-50 Reporting period	5.	16	
	102-51 Date of most recent report			2017.
	102-52 Reporting cycle			yearly
	102-53 Contact point for questions regarding the report		20	
	102-54 Claims of reporting in accordance with the GRI Standards			This Report is not in accordance but is built on the GRI principles and has been verified by a third party.
	102-55 GRI content index	Annex II	40	
	102-56 External assurance			
Topic-specific disclosures				
Economic performance	103-1,2,3 Management approach	6.1	22	https://www.posta.hu/about_magyar_posta/annual_reports
	201-1 Direct economic value generated and distributed			https://www.posta.hu/about_magyar_posta/annual_reports
Market presence	103-1,2,3 Management approach	6.2	23	
	202-2 Proportion of senior management hired from the local community	6.2	23	

Topic-specific disclosures	Indicators	Section	Page	Note
Energy	103-1,2,3 Management approach	6.3	23-26	
	302-1 Energy consumption within the organisation (renewable and non-renewable)	6.3.3	24, Table 5	
	302-3 Energy intensity	6.3.3	25, Table 6	
	302-4 Reduction of energy consumption as a result of reduction measures	6.4	24, Table 5, 27	
Emissions to Air	103-1,2,3 Management approach	6.4	26	
	305-1 Direct GHG emissions	6.4	26, Table 7	
	305-2 Indirect GHG emissions	6.4	26, Table 7	
	305-5 Reduction of GHG emissions as a result of reduction measures	6.4	27	
Employment	103-1,2,3 Management approach	6.5	27	
	401-1 New recruits and employee turnover by age and gender	6.5.3	28, Table 8	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	6.5.1	27	none
	401-3 Return from parental leave and retention	6.5.3	28	

Topic-specific disclosures	Indicators	Section	Page	Note
Occupational health and safety	103-1,2,3 Management approach	6.6	28, 29	
	403-1 Workers representation in formal joint management-worker health and safety committees	6.6.1	28	
	403-2 Types of injury and rates of injury, occupational diseases, lost days, absenteeism, number of work-related fatalities	6.6.3	29, 30, Figures 5, 6, 7, 8 and 9.	
Marketing and customer information	103-1,2,3 Management approach	6.7	30	
	417-2 Incidents of non-compliance concerning product and service information and labelling and their consequences	6.7	30	
	417-3 Incidents of non-compliance concerning marketing communications and their consequences	6.7	30	
Client data protection	103-1,2,3 Management approach	6.8	31	
	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	6.8	31	

Assurance

LETTER OF QUALIFICATION

The KÖVET Association for Sustainable Economy has qualified the Sustainability Report of the Hungarian Post Ltd. for the year 2017. The Association warrants that it qualifies the company's report as an expert, independent, third party.

The basis of the evaluation of the report

- the comparison of the content and basic principles of the report with the basic principles and sustainability indicators of the GRI (Global Reporting Initiative) Standard;
- interviews with the leaders of the company, with professionals of the sustainability of the area and with the staff of the firm;
- data check, random testing of the data of the report;
- being acquainted with the sustainability efficacy of the firm and checking what had been written in the report.

The result of the evaluation and recommendations for the amendment of the report were handed over to the Hungarian Post Ltd. in a Letter of Evaluation. Parts of the recommendations were incorporated into the Sustainability Report of the year 2017, other parts will be taken into account when writing subsequent reports, and when such recommendations were dismissed, they provided sufficient and acceptable explanation for doing so.

Opinion

Based on what has been witnessed during the qualification process, we have found the Sustainability Report of the Hungarian Post Ltd. for the year 2017 appropriate both from a professional and a formal point of view. After 2009, it was only following last year's Environmental Report that the Hungarian Post Ltd. could issue a Sustainability Report corresponding to the firm's magnitude, publicity as well as social and economic status. The final report is articulate, clear and complies with the principles of the GRI Standard in terms of content and quality – being to the point, complete, up-to-date and unambiguous. The Hungarian Post Ltd. has conducted the essential analysis in accordance with the GRI Standard, with the involvement of the parties concerned. The report gives a detailed account of the main areas obtained as a result of the analysis. The report was made in accordance with the basic principles of the GRI Standard, presents the sustainability efficacy of the Hungarian Post Ltd. by listing numbers of the GRI index, yet, it does not comply in all aspects with the criteria of the GRI Standard. The external qualification, made by an independent party elevates the authenticity and trustworthiness of the Sustainability Report of the Hungarian Post Ltd. for the year 2017.

Recommendations

We recommend the following for the Hungarian Post Ltd. in order to improve the report in the future:

- We recommend involving the widest circle of those concerned in the essential analysis that constitutes the focal point of the report as well as in the evaluation of the report. One way to do this could be a questionnaire sent directly to those concerned, a forum for those concerned, or even a social media run by the firm;
- We recommend the development and comparison of data and indicators collected and stored by the firm with those of the GRI indicators, thereby creating a firm-specific index system which contains data and information necessary for sustainability reports;
- In connection with indicators, we underline the necessity of the development of specific indicators – also relevant in terms of targets – in order for reductions and target values to be well-identifiable and comparable;
- We recommend devoting the necessary amount of time for the writing and qualification of the sustainability report.



Katalin Herner
Chief Executive Director



Dr. Gergely Tóth
General Secretary



sustainable economies
követ