



**Publisher: Magyar Posta Zrt.**



# SUSTAINABILITY REPORT 2007



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## 2007



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*Dear Reader,*

Magyar Posta became an independent public service provider over 140 years ago. The social trust that surrounded the work of our historic predecessors still today accompanies postal workers in their duties and the activity of Magyar Posta. Numerous opinion polls show that the public regard us as the most trustworthy service provider.

What is this trust due to? In the age of the Internet and mobile communication the post remains an indispensable part of the everyday life of society. Private individuals, official bodies and companies entrust us with important information and valuables, which we deliver to addressees with reliable accuracy and due speed. Our staff meets hundreds of thousands of people each day, and our customers are constantly reassured about the expertise, correctness and reliability of our postal workers. Many people consider their postman or -woman to be almost a member of their family.



We know that the public trust placed in Magyar Posta has an impact on the chances of the company's sustainability, and this is an extraordinarily precious value for us. Naturally, we, too, have an influence on Hungarian society. Our services are not only important to individuals and communities, but are also significant from the aspect of the economic and social sustainability of the country.

Our company is Hungary's largest employer. We have over thirty-six thousand employees, for whom we are responsible. For them Magyar Posta means a working place and a source of making a living. It affects the well-being of their families if our business and financial performance is balanced and sustainable in the long term.

In recent years we have achieved credible results in several areas of responsible corporate behaviour. Viable methods and results can be reported, especially in the fields of creating economic balance, behaving as a caring employer, corporate social responsibility and environmentally conscious activity.

Our report aims to give an account and a transparent, authentic presentation of the goals reached and our future endeavours. We have prepared environmental reports for several years, and given accounts many times of the social role we have undertaken and our human resources policy solutions in national and international competitions and conferences. I am proud of the fact that our achievements have been recognised by many national and international awards. Each one has encouraged us to continue on the path we have consciously chosen to follow.

In the coming years we wish to further strengthen the social role we have undertaken in areas where our current analyses indicate there is room for improvement. We will raise the level of the social and environmental awareness of our staff, and intend to make training to this end more effective while providing continuous incentives, monitoring and assessment.

Budapest, July 2008

A handwritten signature in dark ink, which appears to read "Ildikó Szűts". The signature is fluid and cursive.

*Ildikó Szűts*  
Chief Executive Officer



This is the first time we are publishing a social responsibility report which shows in an integrated manner the activity, results achieved and future plans of Magyar Posta in the interest of economic, social and environmental sustainability.

Since 2001 we have published environmental reports on four occasions, which are available on the web site [www.posta.hu](http://www.posta.hu). The environmental report for 2007 has been incorporated into this report.

The focus of this report is on the performance of Magyar Posta in the calendar year 2007, but the main figures for the previous two years are also shown to demonstrate processes and trends as well. In a few cases, where justified and possible (e.g. with the assessment of environmental performance), data earlier than 2005 are also published.

The report presents the activity of Magyar Posta Zártkörűen Működő Részvénytársaság, as the organisation providing national postal service. It does not include social responsibility undertaken by ventures founded by the Company or the activity of concerns in which Magyar Posta has an interest as a part owner.

The geographical borders of the report correspond with the territory of the Republic of Hungary, where the company conducts its business activity. Magyar Posta does not have any subsidiaries or enterprises beyond the national borders.

In preparing the report the G3 Guidelines and its supplements (indicator protocols), recognised and accepted worldwide, and published by the Global Reporting Initiative, were taken into account. (The guidelines are available at [www.globalreporting.org](http://www.globalreporting.org).)

Besides the G3 Guidelines, the characteristics of the postal sector and stakeholder view-points were the main considerations in drawing up the contents and structure of the report.

The information given in the report originates from Magyar Posta's corporate governance, record and statistical systems and databases (SAP, Facility Management, etc.). The methods of data collection and measurement are defined by international standards for the postal sector and the rules on data supply in Hungary.

According to our self-assessment, the report may be classified in level B of the G3's application levels.

The report is printed on chlorine-free paper.

Any queries concerning the contents of the report should be addressed to Magyar Posta's Communications Directorate. Contact:

Communications Directorate, Magyar Posta Zrt.  
Address: 1138 Budapest, Dunavirág u. 2-6., HUNGARY  
Mailing address: Budapest 1540, HUNGARY  
Telephone: +36-1/767-8200



# 1. INTRODUCING MAGYAR POSTA

## 1.1 The Company's profile

1. The name of the Company is Magyar Posta Zártkörűen Működő Részvénytársaság (abbreviated form: Magyar Posta Zrt).

Changes of name over the past 140 years: Magyar Királyi Posta (Hungarian Royal Post, 1867), Magyar Posta (1945), Magyar Posta Vállalat (Magyar Posta Enterprise, 1990), Magyar Posta Részvénytársaság (Magyar Posta Limited Company, 1994), Magyar Posta Zártkörűen Működő Részvénytársaság (Hungarian Post Company Limited, 2006).

2. Magyar Posta Zártkörűen Működő Részvénytársaság was founded for an indefinite term on 1 January 1994 as the general legal successor to Magyar Posta Vállalat. The Act XXXIX of 1995 stipulated that the size of the permanent state holding should be 100% of the share capital. The Act CVI of 2007 reduced the state shareholding to 75%+1 vote. There was no change of ownership in the company in 2007 and thus Magyar Posta continues to be a single shareholder company entirely owned by the state.

3. Main company details

**Founder:** Minister of Transport, Communications and Water Management (Budapest VII, Dob u. 75–81)

**Shareholder:** National Asset Management Council (Nemzeti Vagyongazdálkodási Tanács)

**Body exercising ownership rights:** In 2007

Hungarian Privatisation and State Holding Company (Állami Privatizációs és Vagyonkezelő Zrt); from 1 January 2008 Hungarian State Holding Company (Magyar Nemzeti Vagyonkezelő Zrt).

**Share capital:** HUF 13 483 027 thousand

### Main company activity

- letter and parcel services
- postal financial services
- banking and insurance services
- newspaper subscriptions
- logistics services
- retail activity

**Legal obligation:** provision of universal postal services within the territory of the Republic of Hungary

**Headquarters:** Until 29 February 2008: Budapest, District XII, Krisztina krt. 6–8. From 1 March 2008: Budapest, District XIII, Dunavirág u. 2–6.

**Governing body:** Board of Directors

### Chief Executive Officer:

Until 5 May 2008: Pál Szabó

From 6 May 2008: Ildikó Szűts

### Certified auditor:

Attila Juhász, certified auditor, KPMG Hungária Kft.

In the period of the report there has been no significant change in the structure of the share capital, the size of the company and its place of operation.

## 4. Main figures on investments and interests on 31 December 2007 in HUF million

	% of votes	Share capital	Retained profit	Equity	Book value
<b>Majority shareholdings:</b>					
Postaautó Tisza Zrt.	99.98	500.0	31.6	796.0	610.1
Postaautó Duna Zrt.	99.98	600.0	14.5	821.2	722.3
JNT Security Kft.	100.00	1 203.0	247.0	2 126.1	1 300.0
Posta Kézbesítő Kft.	100.00	70.0	93.6	173.4	71.5
Posta Pénztárszolgáltató Kft.	100.00	8.5	-28.6	28.5	59.5
<b>Interests in associated companies:</b>					
Magyar Posta Biztosító Zrt.	33.08	754.6	51.1	1 726.3	571.0
Magyar Posta Életbiztosító Zrt.	33.08	1 725.1	69.2	2 068.6	684.2
<b>Total shareholdings:</b>					<b>4 018.7</b>

5. Operation as universal service provider

The Postal Act (Act CI of 2003 on the Post) designated our company as the universal postal service provider for the territory of the Republic of Hungary. Arising from this, we are obliged to provide a defined range of postal services – essentially letter and parcel services – which must be made available to all citizens at an affordable price throughout the country. In addition, we are under an obligation to provide postal payment intermediary activity and domestic postal money order service.

In settlements with a population of less than six hundred a permanent post office or mobile post service has to be operated; in villages with a population between six hundred and one thousand a permanent post office may only be replaced by a mobile post service with the local government’s agreement, and in towns with more than one thousand residents a permanent post office must be maintained. In cities there must be at least one permanent post office per twenty thousand people ensuring that it is at a distance of three kilometres at most from any place of residence within the inner area.

The distance between two post offices may not exceed six kilometres.

The only area we have an exclusive right in is issuing stamps and, until the full liberalisation of the postal market in the territory of the European Union (by 31 December 2012), letters weighing less than 50 grams are among the reserved services for Magyar Posta.

6. The scope of Magyar Posta’s activity

Magyar Posta has almost 3,000 premises in Hungary, most of which are service points (post offices).

The total net floor space of the buildings at the facilities is over 700,000 m2. The company’s staff uses almost 1 million machines and other technical devices.

Magyar Posta has more employees than any other business organisation in Hungary. In 2007 the average statistical staff number was 36,429 people, which by converting the time worked by parttime employees into full-time working hours gives an adjusted, reduced figure of 34,995 people.

Number of permanent post offices

Type of settlement (no. of inhabitants)	2004	2005	2006	2007
Under 600	155	158	155	139
600–1,000	520	521	516	444
1,000–20,000	1 555	1 546	1 548	1 593
Over 20,000	594	619	630	569
Total	2 824	2 844	2 849	2 745



Number of postboxes in public places

Type of settlement (no. of inhabitants)	2004	2005	2006	2007
Under 600	2 546	2 168	1 516	1 371
600–1,000	2 037	1 549	1 115	966
1,000–20,000	7 468	7 124	6 474	5 048
Over 20,000	4 922	4 646	4 409	3 325
Total	16 973	15 487	13 514	10 710



## Turnover of universal postal services between 2004 – 2007

Year	Basic letter mail service (items)	Official documents (items)	Parcels (items)
2004	870 616 969	35 620 121	5 443 995
2005	867 012 655	38 307 238	4 617 240
2006	902 107 685	41 444 630	2 814 694
2007	858 987 695	45 723 213	1 943 151



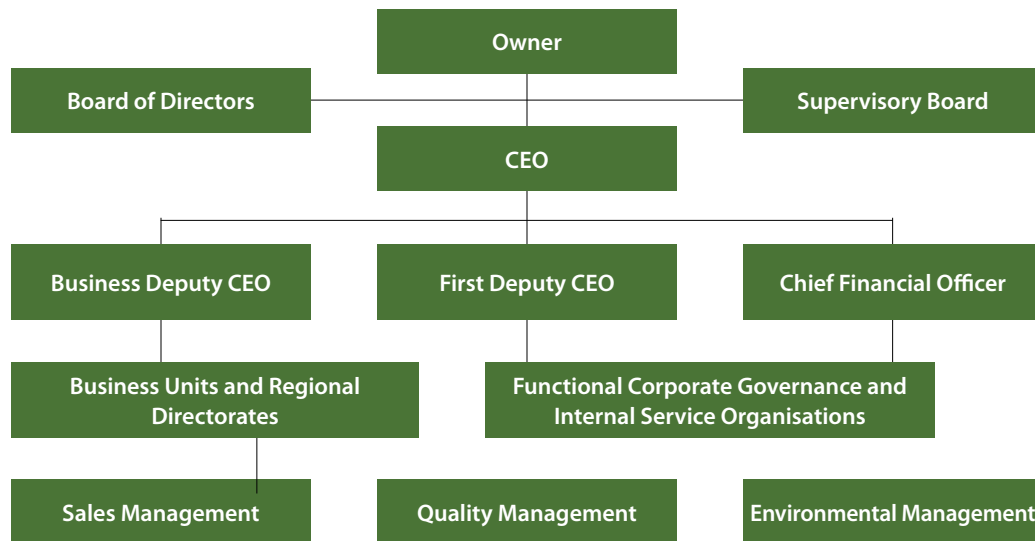
## OUR DAILY CUSTOMER RELATIONS SYSTEM



## Quantity of and sales revenue from some typical financial services

Year		Cash transfer order	Disbursement order	Pension order	Domestic postal money order	Bank card acceptance (Postamat)
2004	No.	234 157 337	7 144 931	38 424 663	5 127 108	5 242 557
	Revenue (HUF million)	20 878.5	1 839.7	5 210.6	1 463.9	1 252.7
2005	No.	258 028 053	5 254 966	37 462 193	4 697 401	5 898 404
	Revenue (HUF million)	23 649.5	1 404.6	5 193.8	1 484.2	1 293.0
2006	No.	271 876 585	2 123 876	38 061 479	4 378 972	6 542 717
	Revenue (HUF million)	26 059.3	658.7	5 268.5	1 490.4	1 262.2
2007	No.	276 066 799	1 403 823	37 698 352	4 142 055	7 321 102
	Revenue (HUF million)	27 827.3	440.3	5 443.7	1 474.1	1 255.4

THE CORPORATE GOVERNANCE STRUCTURE OF MAGYAR POSTA IN THE REPORTING PERIOD (2007)



1.2 Corporate Governance

**Owner**

As Magyar Posta is a single shareholder company that has no general meeting, the responsible minister or his deputy authorized decides about matters within his remit by written resolution of the shareholder (owner).

**Board of Directors**

The Board of Directors is the company’s governance body. It makes decisions within its competence laid down in the Articles of Association, exercises its rights and performs its duties as a body, and makes provisions for the division of duties and competences among its members in accordance with the rules of procedure adopted by itself. Its chair is selected from the members of the Board of Directors. In 2007 the Board of Directors had 11 members, 9 of whom were independent (in 2008 there are 7 members, 6 of whom are independent). The independent members are not employed by Magyar Posta. The members of the Board of Directors are appointed by the shareholder (owner). The mandate of the members of the Board of Directors lasts until the close of the third business year following their appointment. The chief executive officer is also a member of the Board.

**Supervisory Board**

The Supervisory Board controls and reviews the corporate governance on behalf of the holder of the rights of the shareholder (owner). It has 11 members comprised of 7 independent members and 4 employees of Magyar Posta. The president of the works council and two representatives of the trade unions, who represent the interests and opinions of the employees in the work of the Supervisory Board, are members of the Supervisory Board.

**Auditor**

In pursuance with the Act IV of 2006 on business organisations a company limited by shares is obliged to choose an auditor. The auditor is appointed by the owner. His duty is to conduct an audit as stipulated in the law on accountancy, and to determine whether the business organisation’s report based on the law on accountancy complies with the legal rules, and whether it gives a true and fair picture of the company’s property and financial situation, and the results of its operation.

**Chief executive officer**

The chief executive officer governs and controls the labour organisation of the company within the constraints of the Articles of Association and the Organisational and Operational Regulations, and in accordance with the decisions of the owner exercising shareholder’s right and the Board of Directors.

## 1.3 Our mission, vision and values

Magyar Posta's mission is to fulfil its universal service obligations while retaining its social acceptance, to offer high standard postal services to customers, and to maintain a major role as an employer.

Our vision of the future after the liberalisation of postal services in Europe is to remain a competitive player in the Hungarian postal market, and to continually maintain our profitable operation.

### Our values

Magyar Posta represents tradition and progress at the same time. Reliability and accuracy have been the essential values of our company over the past 140 years.

We are striving to develop a modern work culture whose main aspects are:

- market orientation
- customer focus
- reliable and responsible performance of work
- result orientation and organisational efficiency
- ability to change, modernity
- consistency and discipline
- cooperation and teamwork
- postal identity/postal awareness (supporting development with the values of traditions)



### Ethical standards

The basic principles, aims and requirements of ethical behaviour for our staff and management are defined in the Ethical Code published in 2005.

Socially responsible behaviour, the approach of a caring employer, and environment-conscious governance are incorporated into Magyar Posta's set of values, its managerial aims and style of work.



## 1.4 Our commitments

Our company is a member of several international and domestic organisations. We support the initiatives of these organisations and take an active part in their work.

### Universal Postal Union (UPU)



Magyar Posta was one of the founding members of the Universal Postal Union (UPU) in 1874. Today the UPU is a specialised agency of the UN with 191 members. Our company is a member of the UPU's Council of Administration and Postal Operations Council.

### PostEurop



Magyar Posta has been a member of the Association of European Public Postal Operators (PostEurop) since 1993. The 48-member organisation elected Magyar Posta's representative to the Management Board, who has been chair of the PostEurop European Affairs Committee since 2008. The aim of this committee is to contribute to shaping the European regulatory postal environment according to the industry and members' interests.

Following the aims of the Kyoto Protocol and the environmental targets of the European Union, PostEurop launched a voluntary programme aiming to reduce the emission of greenhouse gases by postal operators. Participants of the initiative intend to reduce their carbon dioxide emissions by 10 per cent on the average between 2007 and 2012. At present 16 European postal operators, including Magyar Posta, have joined the initiative.

### International Post Corporation (IPC)



Magyar Posta became an associated member of the International Post Corporation (IPC) in 2002 and a full member in 2007. The Brussels based IPC was founded in 1989 and embraces 24 national postal operators. The aim of the IPC is to improve the quality of international mail through quality measurement and tracking systems.

In 2007 the IPC launched an environmental protection programme targeting the development of standards and measurement methods accepted by the whole postal sector, the sharing and spreading of the best practices of member posts, and initiating joint research. Magyar Posta is an active member of the initiative sharing its experiences and results with participants.

### Global Compact



In 2006 Magyar Posta joined the Global Compact. The Global Compact initiated by the UN Development Programme is the world's biggest voluntary network of companies. Participating companies accept and support basic principles in the areas of human rights, labour standards, the protection of the environment and anti-corruption.



### Postal Social Dialogue Committee

Magyar Posta takes an active role in the work of the Postal Social Dialogue Committee established by the European Commission in 1999, which acts as a consulting body in European decision-making on issues with social impacts on the postal market. The committee deals with equal opportunities, education and competence development, social responsibility, and accident prevention. Our company's representative has been leading the committee's Accident Prevention Working Group since 2004.

### Hungarian Business Leaders Forum (HBLF)



The Hungarian Business Leaders Forum is a non-profit organisation of domestic and international firms, leading businessmen and recognised experts who are committed to responsible corporate governance. Magyar Posta joined the HBLF's work as a full member in 2004. Our representatives are active in the HR working group and the Women Leaders' Forum.

In 2006 we participated in a survey by the HR working group called "CR Profile" (a collection of examples of corporate responsibility) with results published by HBLF in 2007. The project used a questionnaire to gather information on the practice of CR by member firms.

Magyar Posta was among the first to sign the "Codex of Corporate Diversity and Inclusiveness" drawn up by the HBLF HR working group, which was the initial step in the "HBLF for Diversity" programme (2007). The signatories to the Codex emphasise that "creating and maintaining an inclusive environment ensuring equal opportunities that elicits the very best from the employees is fundamental to the success and development of our companies as well as society".

Magyar Posta features in the International Labour Organization's publication "For the inclusive and diverse workplace – best practices from Hungarian firms", which describes Magyar Posta's practice of employing people with disabilities, providing equal opportunities for women and operating a talent bank. (Available on-line at <http://www.hblf.org/images/stories/pdf/best-practice-final.pdf>)

Magyar Posta has been for several years supporting the HBLF Community Projects Workgroup's "Media for Society" competition, which aims to recognise the exemplary demonstration of social solidarity and responsibility.

### Association for Sustainable Economies (KÖVET)



The Association for Sustainable Economies was founded in 1995 as the Hungarian member of the International Network for Environmental Management (INEM). Magyar Posta has been a member of the association since 2000 and our representative is a member of the Presidium.

We entered KÖVET's "Green Office" competition, winning first prize in the big company category. With the participation of our company, the members of the association devised the recommendation entitled "Money thrown in the window" on energy saving suggestions for businesses.

### Postal Subsector Dialogue Committee

The Postal Subsector Dialogue Committee was established in 2004 to strengthen direct autonomous social dialogue and to have ad hoc consultations with government organs. Its goal is to bring about cooperation in all areas that affect the situation and future of the sector, and employees' and the employer's interests, and to adopt and represent common positions, proposals and guidelines. The chair of the committee on the employers' side is the chief executive officer of Magyar Posta and on the employees' side the vice president of the Postal Workers' Union.

### Other organisations of which we are a member

In addition to the above, Magyar Posta is also a member of the following organisations: Confederation of Hungarian Employers and Industrialists (MGYOSZ), National Association of Strategic and Public Utility Companies (STRATOSZ), Communications Reconciliation Council (HÉT), Association of Hungarian Energy Consumers (MESZ), Association of Environmental Service Providers and Producers (KSZGY SZ), National Human Policy Association (OHE), American Chamber of Commerce (AmCham), International Advertising Association (IAA), Hungarian Advertising Association, Hungarian PR Association, Maecenas Club, Friends of the Budapest Museum of Fine Arts.



## 2. INTERACTION WITH THE ENVIRONMENT

## 2.1 Stakeholders

Our company views the following highlighted groups to be the stakeholders: the state, political decision-makers, local communities, our customers, our business partners, the press, employees, suppliers, and international professional organisations.

### Government

The government's interest is for Magyar Posta to fulfil its obligations as the universal postal service provider and operate without state support. Magyar Posta conducts a dialogue with governmental organs through the channels of providing information, reports and proposals.

### Owner

The state organisation exercising the shareholder's rights (Hungarian State Holding Company) approves Magyar Posta's strategy and annual business plan.

### Political decision-makers

The political decision-makers (parties, members of parliament) primarily convey the interests, opinions and expectations of society and the public. These requirements appear in part through the Postal Act, and in part in the interpellations of parliament, as well as through the everyday forums of political publicity.

### Local communities

Magyar Posta keeps in touch with a wide range of

local communities. Local governments, as the bodies determining the life of communities, are regarded as key partners. At a national level we have a dialogue with local authority associations, while at a local level our regional directorates consult with local government leaders and members about changes affecting the service. On occasion Magyar Posta's representatives enter into a direct dialogue with people concerned at village meetings, public hearings and other forums.

### Clients, customers

Our staff meets and communicates with hundreds of thousands of private, institutional and business customers every day. Opinions and feedback make an impact on the quality of our public relations activity, and customer needs and expectations are transformed into internal requirements.

### Business partners

Services based on relations with business partners account for a significant part of Magyar Posta's product portfolio. Such are our banking, insurance and other intermediary services. Magyar Posta's network of business contacts is based on strategic partner agreements and contracts ensuring mutual advantages.

### Press

Each year several hundred printed and many thousand electronic news items appear about Magyar Posta. The majority of the Hungarian media inform the public objectively. We frequently employ proactive press relation methods (press conferences, press talks, press information). Through press relations we endeavour to provide society with authentic, responsible information.

### Employees and bodies representing employees' interest

The main interests of our over 36,000 employees are the company's stable operation, job security, improving working conditions, and raising salaries. There are seven trade unions and a works council at our company. The company management regards the organisations representing the employees' interests as important partners.



## Suppliers

We make procurements on a large scale and thus suppliers are an important group of stakeholders. Their interest is to become one of our reliable partners and to retain this status in the long term. In 2005 we introduced the suppliers' classification system which examines and classifies not only suppliers in certain business areas, but the whole range of Magyar Posta's suppliers.

## International postal partners

The route of some mail items crosses the borders of countries. We dispatch and receive mail to and from all parts of the world. We maintain relations with foreign postal partners in the management and arrangement of international mail.



## International professional organisations

It is in our fundamental interest to play an active role in the work of these organisations as, apart from passing on and receiving valuable professional experiences, they represent our professional interests before international decision-making bodies such as different organs of the European Union and increase our recognition in the international community of postal operators.

## 2.2 Key interactions, risks and opportunities

For us responsible and ethical corporate behaviour means duly appraising the social and environmental consequences of our activities; taking the impact on smaller and larger communities of society into account when making decisions in addition to business

considerations; weighing the economic, social and environmental conditions, and endeavouring to find appropriate solutions to control risks.

## 2.2.1 Environmental impacts on Magyar Posta

### Liberalisation of the postal market

In the medium and long term one of the most important external challenges and risks for Magyar Posta is the European liberalisation of the postal market. Directive 97/67/EC of the European Parliament and the Council of the European Union, passed in 1997, states regarding postal services that "measures should be adopted with the aim of establishing the internal market whereas this market comprises an area without



internal frontiers in which the free movement of goods, persons, services and capital is ensured". In the member states of the European Union universal postal services must be provided while gradually reducing the range of services provided exclusively by the state postal operators, creating more advantageous conditions for competitors until the full free market is brought about.

The decision-makers of the European Union planned the full market opening for 2009, but several national posts expressed doubt. Twelve universal service providers, including Magyar Posta, formed an international lobby group in 2006 to reconcile interests and provide representation in European Union forums. In 2007 bodies of the European Union decided that the full free competitive market extending to all member states in the pan-European postal market would be introduced from 1 January 2013.

For Magyar Posta full market opening naturally means a risk factor although we have been preparing for this for years. We hope to resolve the major tasks of preparation by the time of full market opening. In the last 5 to 6 years numerous measures have been taken in preparation. Management and administration have been restructured, the number of regional directorates has been reduced, and sales have been organised by business units. We have funded major technical and IT developments. In this period the process of modernisation of the postal network was begun. The logistics system was reorganised and technical modernisation implemented. Rationalisation of the postal network

challenge to Magyar Posta. In the long term we are counting on a gradual reduction in paper-based correspondence.

A decline in traditional postal financial services can likewise be predicted. Banks are striving to win over an ever increasing share of private in-payments made at post offices to direct debit at banks through business policy and marketing means. Electronic Bill Presentment and Payment (EBPP) is also spreading.

Magyar Posta is endeavouring to respond to these challenges by introducing supplementary electronic services for traditional correspondence, the hybrid



was started. Several hundred postmasterships were established. In 2003–04 we organised a mobile post service to supply villages of less than 600 inhabitants. In 2007 the Post Partner Programme was announced, aiming to hand over the activity of more than a thousand low turnover post offices over to enterprise in the following two years. The further modernisation of mail processing and the rationalisation of management staff by 2011 were set as targets.

### Spread of digital technologies

The explosive spread of electronic forms of communication (internet, e-mail, mobile phone) represents a risk factor for posts specialising in forwarding physical mail throughout the world and thus in Hungary, too. For this reason, apart from liberalisation, digitalisation may pose the biggest

challenge to Magyar Posta. In the long term we are counting on a gradual reduction in paper-based correspondence.

### Political decision and changes in state regulation

Consultation with the state owner (shareholder) has an effect on the company's medium and long term strategy. Change in the government's postal strategy influences Magyar Posta's operational conditions as do potential amendments to the Postal Act and the related government decree.

Political power relations may influence the plans for the privatisation of Magyar Posta. In 2008 the government announced the New Ownership Programme, which at an unspecified time in the future may see Magyar Posta's shares being traded to small shareholders.

We wish to aid the drafting of legislation on postal activity through giving professional opinions and drawing up proposals approaching European practice.

In preparation for full market opening not only internal efficiency needs to be improved but the regulation also requires amendment. One of the main directions is the creation of competitive neutrality with price and wage regulation on the same conditions with competitors, and the extension of value-added tax to all postal activities.

### The development of the macro-economic environment

The growth of the Hungarian economy, exchange rate fluctuations and changes in leading interest rates may affect Magyar Posta's financial results and external conditions for financing.

If like in the other member states of the European Union postal services come under the category subject to VAT in Hungary too, this will have a major impact on Magyar Posta's competitiveness.

### 2.2.2. Magyar Posta's impact on the environment

#### Our impact on the national economy

Magyar Posta principally has an impact on the sustainability of the national economy in the areas of communications, financial services and retail trade. The company has a decisive role in the delivery of official letters and bills, the conveyance of sums paid in by the public to their destinations (which affects the liquidity of businesses), and the delivery of disbursements, pensions and benefits to the public (which has an effect on people's living conditions and purchasing power). Magyar Posta plays a growing role in the delivery to the door of goods bought by distance purchases and in the logistics of smaller quantities of retail articles.

#### Our impact on social and local communities

Magyar Posta is a traditional public service provider organisation which is strongly embedded in society.



The members of society are accustomed to the presence and services of Magyar Posta. For this reason major changes in our activity have an impact on the general well-being of society.

The modernisation of the postal network deeply affects local communities, mainly people living in small settlements. There is a common belief that the presence of a post office indicates status of a settlement and thus reorganising the service network produced lively feedback from people in the communities affected.

### The working and living conditions of postal employees

The sustainability of the balanced management of Magyar Posta has an effect on the improvement of working conditions for postal employees and existential



security on the one hand, and on the other means a stable living and quality of life for their families.

Due to technological developments, organisational restructuring, outsourcing and the realignment of the newspaper market the number of staff has gradually decreased over the past ten years from 44,000 to 36,000 in a manner avoiding undue social tension.

### **Our impact on the natural environment**

Magyar Posta's activity does not represent a critical risk to the natural environment and human health, but our considerable real estate holdings and vehicle park do have an effect on the environment. In the framework of environmentally aware corporate management we measure our environmental impacts annually and take action to reduce the burden on the environment, publishing our results in annual reports.



## **3. OUR BUSINESS, SOCIAL AND ENVIRONMENTAL PERFORMANCE**

In the following sections we present in detail the performance of our company in the areas of corporate and social responsibility, and sustainability, bearing in mind the characteristics of the postal sector and GRI indicators.

### 3.1 OUR BUSINESS PERFORMANCE

Our company offers a wide range of postal services to the public as well as the state, and social and business communities. Below we briefly present our main services and their market positions.

#### Letter services

Our traditional service is the letter-post service. Our branded product range comprises Posta letter, Posta business letter and Posta direkt. Our company accounts for 93–94% of the Hungarian letter market sales revenue despite the fact that since 1 January 2006 only letters weighing less than 50 grams have been in the range of reserved services. In Hungary postal services for addressed letters are in the mature phase of their life cycle. For the time being it cannot be said that the trend is declining; this is rather a saturation phase.



Under the brand name “Posta direkt” we offer direct marketing solutions. With our lifestyle database created in 2007 we can offer our clients an effective aid for well-targeted Direct Mail campaigns. Despite sharp competition in the unaddressed advertising literature market, Magyar Posta has increased its market role, thus our market share rose from 26.5% in 2006 to 28%.

#### Newspapers

Between 2004 and 2006 our share of the subscription newspaper market was 72%. However, due to the appearance of a new distributor in the market this fell to 45% in 2007. Our market share of the full newspaper and periodicals market was about 4.8% between 2004 and 2007.

Key, business and entrepreneurial clients accounted for 75.5% of turnover in letter services:

Clientele	2007	Breakdown
Key	35 445.2 m HUF	43.9%
Business	15 619.0 m HUF	19.3%
Entrepreneurial	9 938.6 m HUF	12.3%
Private	19 767.0 m HUF	24.5%

#### Financial services



This product group includes the traditional postal financial services for postal cheques under the Posta Csekk brand as well as the Western Union® international money transfer service. Enormous volume and great diversity of titles of payment typify the payment turnover. The annual value of transactions in the product group exceeds HUF 5,000 billion and the volume handled is about 300 million transfers.

#### Posta banking services



Under the Posta banking services brand we sell jointly with Erste Bank Hungary Nyrt. and Erste Befektetési Zrt. (Erste Investment Zrt.) bank account, loan, savings and investment products. Through our nationwide network we have the option to provide financial services matching the standard of our age in places where the physical presence of banks is not usual. At 326 post offices an on-line bank link ensures our full banking product portfolio, and in other post offices there is limited off-line service and bank card access to banking services.

#### Posta Insurance



In this product group we sell insurance products of two insurance companies, Magyar Posta Biztosító Zrt. and Magyar Posta Életbiztosító Zrt., in which our company has 33% shareholdings.

**Savings intermediary activity**

This product group includes savings schemes sold on commission for the OTP Bank Nyrt. (OTP Bank Plc. – National Savings Bank Plc), ÁKK Zrt (Államadósság Kezelő Központ Zrt. – Government Debt Management Agency), Fundamenta-Lakáskassza Zrt. (Fundamenta Building Society Zrt.) and OTP Lakástakarék Zrt (OTP Building Society Zrt.).

**Logistics services**



Besides us, there are several hundred other competitors active in the logistics (courier, express, parcel, piece goods transport) market. In the competition with international and Hungarian owned integrators and forwarders, Magyar Posta Logistics Business Unit (MPL) is the market leader in the Hungarian CEP (courier, express, parcel) market with a share of about 27–28%. Including international traffic we are in third place.

**International services**



Magyar Posta has an 82% market share of international letters, 38% of international parcels and 4% of international express mail.

**Our strategy**

Our strategic targets are

- that our services should satisfy the needs of society (that is purchasers and customers), our management should meet the expectations of the owner (shareholder), and our operation should fulfil the

requirements of Hungarian legislation, the European Union and international agreements,

- to give an answer that meets the challenges of liberalised market competition,
- to stabilise and strengthen the company's market positions based on core postal activity and to continuously ensure the level of financial profitability achieved,
- to contribute to enhancing the well-being of society and our staff through balanced and profitable operation, and
- to contribute to ameliorating social problems and conserving the natural environment.

**Our performance**

Over the past five years Magyar Posta has stabilised its operations and achieved the level of quality of service which the developed market demands; a change of attitude has been made in sales and serving customers, and multi-phase preparations for the liberalisation of the European market of postal services have begun.

In 2004 the company management strove to stabilise business results and develop a modern organisation with business units (Year of Stabilisation), in 2005 the emphasis was placed on improving quality of service mainly by fulfilling delivery time requirements (Year of Quality) and 2006 was characterised by reorganising sales activity (Year of Sales).

2007 featured in the corporate programme as the Year of the Customer. The programme aimed to strengthen the new attitude and work culture developing among employees, and enhance flexibility, reliability and attention towards customers.

Development of results (HUF million)

Results (HUF million)	2005	2006	2007
Operating profit	6795.3	5977.3	5387.4
Profit on financial transactions	296.8	43.2	675.9
Extraordinary profit	-682.9	-684.6	-402.8
Profit before tax	6409.3	5335.9	5660.5
Taxation	553.6	436.8	869.8
Profit after tax	5855.7	4899.1	4790.7
Retained profit	2855.7	1899.1	1790.7



2008 has been dubbed the Year of Partnership as in the autumn of 2007 we announced the Post Partner Programme, which seeks partners among the entrepreneurs of villages to run postal service outlets as enterprises.

Thanks to the performance of colleagues working in both management and implementation, the incomes in 2007 of all our four business units exceeded the results of the previous year.

### Quality

In recent years we have put great energy into improving quality. Magyar Posta's **statement on quality policy** (2005) is available on [www.posta.hu](http://www.posta.hu).

By operating a **Quality Management System** we endeavour to create the conditions for offering customers high quality reliable services announced in our Business Regulations.

Our focal points for improving quality are reducing waiting times in post offices, keeping to the level of the transit time target values set in the Quality Indicators, minimising the rate of lost and damaged mail items, enforcing quality aspects in the incentive system,



The management of Magyar Posta is committed to operating and continually improving the Quality Management System conforming to the standard **MSZ EN ISO 9001:2001** including service and technological processes certified by an independent auditor. The scope of the certified Quality Management System currently covers the service processes falling within the remit of the Logistics Services Business Unit, the Strategic Coordination Directorate, the IT Service Centre and the Training Centre.

At a corporate level the **Quality Measurement and Indicator System** (QMIS) ensures that we have continuous information on the level of service

	2007	D+1	D+3	D+5
<b>PRIVATE customer letters</b>	<b>Priority letters (our performance)</b>	92.34%	99.69%	
	Legal obligation	85.00%	97.00%	
	<b>Non-priority letters (our performance)</b>		93.62%	99.33%
	Legal obligation		85.00%	97.00%
<b>BUSINESS customer letters</b>	<b>Priority letters (our performance)</b>	93.64%	99.82%	
	Legal obligation	85.00%	97.00%	
	<b>Non-priority letters (our performance)</b>		95.68%	99.41%
	Legal obligation		85.00%	97.00%

#### Delivery rate within working days (D = day of postage)

and the systematic extension of the certified Quality Management System to new service processes.

Due to conscious, organised and continual quality improvement, significant results have been achieved in reducing transit times for letters. Our performance in 2007 well exceeded the quality of service prescribed by law.

prescribed by law, expected by customers and compared to internal quality targets, enabling us to make the necessary interventions. The realisation of legally prescribed indicators, transit times, waiting times, opening hours, the compliance with legal obligations in providing postal outlets in towns and villages, and the handling of customer complaints and compensation are continuously monitored.

EC1

Direct economic value generated and distributed (HUF million)

	2005	2006	2007
Total direct economic value generated	166 129.9	176 554.7	183 224.4
a/ revenues	166 129.9	176 554.7	183 224.4
Total economic value distributed	163 274.3	174 655.8	181 433.7
b/ operating costs	65 600.3	68 678.6	72 420.2
c/ wages and employee benefits	88 246.4	94 148.0	98 301.0
d/ payments to capital investors	3 562.5	3 448.3	3 257.9
e/ payments to the State Budget	5 394.6	7 715.1	7 080.3
f/ community investments <sup>1</sup>	470.5	665.8	374.3
Retained earnings	2 855.6	1 898.9	1 790.7

<sup>1</sup> = Community investments consisted of support offered to various organisations, mainly foundations benefiting the public.



External independent organisations also conduct quality measurements in the area of postal services. These measurements check compliance with legal requirements, and endeavour to define critical points independently of the company and comprehensively. Each year we must report to the National Communications Authority on the performance of the quality requirements prescribed by law.

**Awards, acknowledgements**

The Universal Postal Union (UPU) awarded its highest level gold certificate for quality of service to Magyar Posta for the quality of its international mail (2007).

The EMS Cooperative gave a bronze award for the excellent quality of the EMS service Magyar Posta provides for its partners.

**Performance indicators (economic)**

EC2 Financial implications of climatic change

In 2007 extreme weather conditions caused damage to the company (mainly storm damage to the roofs of buildings) on 33 occasions. Repairing the damage cost about HUF 14.7 million.

Protecting against the health risks caused by unusually high temperatures in summer (heat waves) in recent years has been an increasing cost for Magyar Posta.

EC3 Employee benefit obligations

In 2007 Magyar Posta spent almost HUF 8 billion on social benefits, a rise of 44% compared to 2005.

The source of the benefits is the amount earmarked for live labour costs by the company. Its size is agreed by the management and employee bodies at the annual wage negotiations.

Year	Number of very hot days	Cost of providing preventive drink (HUF)
2005	12	11 855 700
2006	17	14 671 400
2007	32	27 865 300

When Hungarian legislation made it possible, Magyar Posta as a responsible employer endeavouring to ensure the welfare of its employees established two pension funds and a health fund.

**Postal Workers Private Pension Fund**

In 1997 we established and received a permit to operate one of the first Hungarian private pension funds. As a founder we strive to provide a stable background for the pension fund and its members to enable our employees to make sound provisions

in their active years for secure retirement. For more information see <http://www.postas-magannyugdij.hu>.

### Postal Workers Additional Pension Fund

This pension fund was established for the employees of Magyar Posta, and business organisations, societies and foundations founded by it and in which it has a majority shareholding. Besides their own contributions, employees may receive support from the employer in the framework of optional fringe benefits. In the last period the amount of support claimed by employees hovered around HUF 50 million. For more information see <http://www.posta.hu>

### Postal Workers Health Fund



From 2006 health support was incorporated into the optional fringe benefits system. The employer's monthly tax free contribution was paid into the employees' individual health fund accounts and may be used for necessary health expenses. For further information see <http://www.posta.hu/egeszsegpenztar>

Type	2005 (HUF thou)	2006 (HUF thou)	2007 (HUF thou)
Welfare benefits	4 418 272	5 697 004	6 624 723
Social benefits related to work	1 286 207	1 462 425	1 600 211
<b>Total welfare and social benefits</b>	<b>5 704 479</b>	<b>7 159 429</b>	<b>8 224 934</b>

### EC4 Financial support received from the government

In 2007 we received no financial support from the government. In the previous few years certain investments were realised with capital provided by the owner and state support (disabled access in postal buildings, development of the Integrated Entry System, developing the National Logistics Network). The amount of support used for this purpose was HUF 1,486 million in 2005 and HUF 26,994 million in 2006.

In constructing new postal buildings, and converting and renovating old ones attention was paid to the needs of the disabled and to ensuring equal opportunities. In this area particular attention was

### Main figures of the three postal workers funds

Postal Workers Additional Pension Fund			
	2005	2006	2007
Number of members (persons)	33 400	33 023	31 746
Market value of invested property (HUF thou)	10 969 405	11 447 320	12 876 036
Postal Workers Private Pension Fund			
Number of members (persons)	22 192	23 222	23 910
Market value of invested property (HUF thou)	12 697 749	15 840 189	18 749 079
Postal Workers Health Fund			
Number of members	63	2 637	17 498
Market value of invested property (HUF thou)	36 669	167 884	706 279

Year	Total number of post offices with disabled access	Number of post offices built or reconstructed to ensure disabled access in given year	State support (HUF thou)	Own expense (HUF thou)
2005	703		807 600	
2006	782	79	90 000	
2007	804	22		224 650

devoted to ensuring that the disabled can enter post offices without difficulty. Capital provided by the owner and budgetary support contributed to making disabled access to post offices possible in 2005 and 2006, and this was done entirely from our own resources in 2007.

**EC5 Pay and the minimum wage**

The average wages of Magyar Posta employees are below the average of the national economy, and thus the management and trade unions pay special attention to closing the gap. Over the last period considerable

Effect of changes in the minimum wage between 2005 – 2007				
Year	Educa-tion	Compulsary minimum wage (HUF)	Number of staff affected	resources required
2005		57 000		HUF 20 m effect of average 1.5% additional wage development
2006	primary	62 500	2953	HUF 235.7 m banded wage development
	secondary	68 750	1190	
2007	primary	65 500	930	HUF 548.2 m banded wage development
	secondary	75 300	8600	

resources were devoted within wage development to ensuring the obligatory annual increase in the minimum wage for the employees concerned.

In 2005 the current system of classifying suppliers was introduced, which not only defines the business areas

**EC6 Practice and proportion of spending on suppliers, proportion of domestic suppliers**

	2005	2006	2007	Change year on year %
Number of domestic suppliers	8039	7734	7441	-3.8
Number of foreign suppliers	155	173	170	-1.7
Total	8194	7907	7611	-3.7



**Supplier turnover figures between 2005 – 2007**

	2005	2006	2007	Change year on year %
Domestic suppliers turnover (HUF million)	86 506.6	86 678.8	83 628.6	-3.5
Foreign suppliers turnover (HUF million)	1 965.8	3 068.7	2 773.5	-9.6
Value of total procurements (HUF million)	88 472.4	89 747.5	86 402.1	-3.7



Number of Postal Electronic Open Marketplace (PEP) procedures between 2005 – 2007				
	2005	2006	2007	Change in % compared to 2006
Number of PEP procedures	294	173	106	-38.7
Savings (HUF thou)	90 035	135 377	44 696	-67.0

of suppliers but examines and classifies the whole spectrum of Magyar Posta's suppliers each year. The process consists of pre- and post-classification.

Since 2002 we have been operating our own development, the Postal Electronic Open Marketplace



(PEP), on the web, which can be accessed via <http://www.posta.hu/pep> or <https://pep.posta.hu>. After registration, any business unit can connect to the e-commerce system and trade freely. We both operate the marketplace and are able to use it to arrange our own procurements quickly and thus make savings.

### Performance indicators (product liability)

#### PR1 Health and safety of customers

Postal services are not a risk to the health and safety of customers. In post offices – mainly in post shops – as an additional activity we sell certain products,

for example postcards, books, stationery, official forms and a narrow range of food (coffee, chocolate, prepacked cakes and pastries). These products do not represent a health risk either. In both postal services and our additional retail activity the products introduced by us are evaluated with the aim of rectification several times in their life cycle.

**PR2** In the reporting period there were no cases of non-compliance with regulations or voluntary codes as regards the health and safety impacts of products and services at Magyar Posta.

**PR3** Information about our services is made public to customers. Descriptions about services and the General Contractual Terms and Conditions (Business Regulations) are available at all post offices. This information is also available on-line at [www.posta.hu](http://www.posta.hu).

**PR4** In the reporting period there were no cases of non-compliance with regulations or voluntary codes concerning products and service information at Magyar Posta.

#### PR5 Achieving and retaining customer satisfaction

The management and staff of Magyar Posta strive to ensure that their work satisfies customers. A traditional, decisive element of the sense of vocation of postal workers is the service of people and the public. The elements of this traditional vocational attitude have been supplemented in recent years by a modern service and market approach. Over the years a large number of our employees have taken part in many kinds of training where – apart from professional knowledge – the modern concept of service behaviour, the importance and value of customer satisfaction as well as the means of retaining and increasing satisfaction have been highlighted and trained.

Measuring and appraising customer satisfaction are built into the company's Quality Management System. According to our own information, four fifths of the active population is satisfied with postal services. Of these the most satisfied are those who go to the post office several times a month. Respondents



believe that postal staff is helpful, and informing customers and the technical development of services are appropriate, whereas dealing with postal affairs is not quick enough and administration ought to be simplified.

Since 2003 an independent consultant firm has been asked to assess customer satisfaction. The company commissioned (TNS) surveyed opinions of private and business (contractual) customers in 2004 and 2006. In both years almost 1,000 private and 600 business customers were questioned at personal interviews, who were selected based on the rules of representative opinion polls. In 2006 the combined approval index for private customers (on a scale of seven) was 5.4 and that of business customers 5.2.

**PR6 Adherence to laws, standards and voluntary codes on marketing communications**

Magyar Posta takes care to adhere to legislation and professional codes. This also applies to marketing communications. Our company is a member of the Hungarian Advertising Association and takes part in the work of its governing body. We consider the advertising standards and ethical code devised and represented by the Association as binding for us. We believe it is a fundamental rule that the marketing communication should give an authentic and true idea of the product or service being advertised.

In 2006–2007 we made successful attempts to use on-line marketing communications channels and means. Our endeavours also received positive feedback from the Hungarian advertising sector. In April 2007 we won the silver prize in the Hypnosis creative advertising competition for the previous year's Christmas e-card campaign, and in May 2007 we won the Silver Blade in the 8th Golden Blade Creative Advertising Competition for our on-line campaign popularising the priority letter.

**PR7** At our company there were no incidents of non-compliance with regulations and voluntary codes in the area of market communications, including advertising, promotions and sponsorship.

**PR8 Customer personal data**

One of the features typical of Magyar Posta's activity is that it handles a large quantity of personal data. For this reason the management pays great attention to observing the law on the protection of personal data.

**PR9** In the reporting period our company was not fined for failure to adhere to legislation or other regulations on the provision and use of products and services. When elaborating procedures and internal regulations for the introduction and sales of products and services a legal examination always precedes managerial decisions.

### 3.2 OUR SOCIAL PERFORMANCE

In line with the GRI guideline our social performance is presented focusing on three topics: labour practices and decent working conditions, human rights and social responsibility.

#### 3.2.1 Labour practices and decent working conditions

Magyar Posta's services require live labour and the company is Hungary's largest employer. Labour costs accounted for 55% of the company's annual expenditure in 2007.

The corporate management believes that in business life human capital is one of the most critical factors that may mean a competitive advantage. For this reason great stress is laid on updating the knowledge demanded by the business strategy and technology, improving skills and abilities, and the continuous development of the workforce. Apart from this we strive to ensure competitive wages, compensation packages and a marketable system of benefits. We regard maintaining the health and constantly improving the working conditions of employees as a major task. We believe that peace at work and good labour relations are essential.

The company's human strategy goals are achieved through modern human resource systems.

Our **career management** system provides the company with the next generation of management. By operating our talent bank, however, able, versatile employees are drawn into a key development project, thereby also ensuring staff retention. Incentives based on quality criteria and increasing sales volumes maintain the interest of employees working in post offices. For key target groups we operate a **performance management** system.

We have modernised the system of employee **benefits**. We operate a system of optional fringe benefits, and employees can relax and regenerate in our holiday homes, while our aid scheme assists employees whose circumstances have become critical. An occupational health network, which incorporates several forms of prevention, is operated

to protect the security and health of employees, and there are safety at work forums.

The company management considers it natural that Magyar Posta shows exemplary corporate behaviour in complying with international agreements and guidelines on employment (UN, ILO). We are a voluntary and active member of international and national associations that seek to ensure the enforcement of such agreements and show an example to domestic enterprises (Global Compact, Hungarian Business Leaders Forum, etc.).

We have an Equal Opportunity Plan, which is accessible to employees via internal communication channels, such as the intranet. Within training we promote the concept of equal opportunities and equal treatment, legal regulation and the Equal Opportunity Plan itself. The company's internal newspaper publishes articles and news, which also encourages equal treatment and makes the set of values and ethical standards serving equal opportunities at work known to an increasingly broad audience. Having a discrimination-free environment is given high priority. An Equal Opportunity Coordination Committee operates, which does the groundwork to enable decisions to be made, and continuously monitors and assesses the implementation of the contents of the plan.

#### Managing changes

In 2007 the Post Partner Programme was announced, which affects the employment and livelihoods of over 2,000 postal workers. By running a complex human change management programme we ensure a fair and caring redundancy option. Top management has initiated the extension of the so-called "premium years" to postal employees with the legislative bodies. We have negotiated the retraining of departing colleagues and their engagement with other employers with Job Centres and other major employers. We have prepared a labour market guide with information and advice on labour law and the economy for employees. Our Training Centre offers a National Training List (OKJ) category specialist qualification in retail trade and shop management for postal workers wishing to become entrepreneurs

(post partners). A complex social and internal communication programme has been launched to support the changes using the most varied means, such as personal meetings, leaflets, press events and an advertising campaign.

**Training and awareness**

In order to ensure the observance of legislation on employment, regular professional training is organised for staff involved in human resources, new training options are monitored and special courses arranged in cooperation with higher education institutions. Training is held in working hours and we cover the costs of training. In 2007 HR staff took part in 108 different training courses.

In 2007 professional days linked to consultations began for middle management exercising employer's rights. Modules with an HR nature were incorporated into the professional preparation of certain target groups (e.g. Modernisation Key Training for Postal Managers).

**Monitoring and follow-up**

The standard of labour-related activity is measured in the form of an annual internal customer satisfaction survey. The requirements and indicators specified in the Service Level Agreement for each service area form the basis of the measurements. The satisfaction indicator of the respondents measured on a scale of 5 varies between 4.2 and 4.7. The experiences of the measurements were analysed and an action plan drawn up to improve processes.



**Awards and acknowledgements**

In addition to international benchmarking activity, we regularly put the standard of our human resources performance to the test in international and national competitions. Numerous international and national achievements mark our success: Investor in People Award (2006), World Mail Award "People Management" (2006), "Inclusive Workplace" Competition, second place (2006), "Best Equal Opportunity Scheme" Competition, first place (2007), acknowledgment in the ILO "Diverse and Inclusive Workplace Best Practice Corporate Ambassador" competition (2007).

**Performance indicators**

Magyar Posta has to adhere to the state owner's strict regulations on the management of staff numbers. Organisational rationalisation, the centralisation of the postal network and corporate management, and the reorganisation of the logistics network involved significant staff movements, which we endeavoured to optimally resolve by constant negotiations with employee's interests representing bodies.

LA1 Total workforce by employment type closing number of staff on 31 December						
Employment contract type	2005		2006		2007	
	Full-time	Part-time	Full-time	Part-time	Full-time	Part-time
Indefinite term	29 731	4 967	30 590	5 829	29 561	4 663
Definite term	2 451	1 606	1 132	660	1 191	810
<b>Total</b>	<b>32 182</b>	<b>6 573</b>	<b>31 722</b>	<b>6 489</b>	<b>30 752</b>	<b>5 473</b>

LA2		Employee turnover								
Year	Gender	Number of employees (persons) leaving without expiry of fixed term contract			Closing no. of staff (persons) on 31 December			Ratio of leaving employees to closing no. of staff		
		Age group (age on leaving)								
		Under 30	Between 30 – 50	Over 50	Under 30	Between 30 – 50	Over 50	Under 30	Between 30 – 50	Over 50
2005	Male	748	969	547	1 921	9 432	3 727	38.9%	10.3%	14.7%
	Female	570	1 101	772	2 629	14 709	6 337	21.7%	7.5%	12.2%
	Total	1 318	2 070	1 319	4 550	24 141	10 064	29.0%	8.6%	13.1%
2006	Male	935	1 242	594	2 047	9 321	3 429	45.7%	13.3%	17.3%
	Female	793	1 478	835	2 808	14 943	5 663	28.2%	9.9%	14.7%
	Total	1 728	2 720	1 429	4 855	24 264	9 092	35.6%	11.2%	15.7%
2007	Male	742	1 198	816	2 052	8 765	2 910	36.2%	13.7%	28.0%
	Female	839	1 719	1 332	3 002	14 840	4 656	27.9%	11.6%	28.6%
	Total	1 581	2 917	2 148	5 054	23 605	7 566	31.3%	12.4%	28.4%

In the fluctuation figures there was a significant change only in the group reaching the early retirement age. The high turnover figures for the under 30 group reflects movement typical of the labour market.

**LA3** At Magyar Posta part-time employees enjoy the same benefits as their full-time colleagues on a time proportionate basis.

**LA4** Collective bargaining agreements apply to all Magyar Posta employees.

**LA5** The Collective Bargaining Agreement specifies that the employer is obliged to seek the opinion of trade unions representing staff when planning employer's measures that affect large groups of employees before making a decision. There is a 15-day deadline for the opinion to be given from the receipt of the plan by the trade union representative.

**LA6** At Magyar Posta an occupational health and safety group has been operating since 2004. 46 representatives around Hungary perform health and safety at work tasks. The representative

districts have been formed with the involvement of employee organisations. The company has laid down the peration of the occupational health and safety group and the conditions ensuring its operation in a jointly signed agreement. Based on this a worktime allowance for health and safety representatives, operating conditions and costs can be provided. The Central Occupational Health and Safety Committee is a 13-member body chosen from the health and safety representatives.

Magyar Posta stands out from other similar enterprises conducting domestic and international activity due to its good results in accidents at work. There has been no fatality in the company's facilities for years. The number of injuries at work and days lost on sickness benefit are steadily falling. In 2007 48.7% of injuries at work affected delivery occupationals, in which environmental factors played an important role as a major part of the service activity has to be performed outside the company premises in the delivery and mail carrying service on the street and in public areas.

Our occupational health and safety activity is continually inspected by the authority. In 2007 the

**LA7**

**Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities**

year	number of work injuries	number of occupational diseases	number of lost days due to work injury or occupational diseases	number of work related fatalities
	no.	no.	days	no.
2005	665	0	27 724	0
2006	612	0	26 986	0
2007	587	1	26 635	0



Hungarian Labour Inspectorate made 47 inspections by official procedures. Of these 17 resulted in an official warning and 30 in a decision. No fine was imposed.

The company's health and safety at work indicators are good. In 2007 over HUF 250 million were devoted to protection and prevention.

**LA8**

**Education, training, counselling, prevention, and risk-control programmes regarding serious diseases**

In 1999 a risk analysis and review programme was introduced at the company. The occupational health and safety risk analysis and control assignment is done by experts with tertiary qualifications. Occupational health physicians are also involved in the process and in the course of the study health and safety representatives are invited to express their opinions as well.

Risk analyses were made for most postal workplaces or are under review (94.6%). Our new development model for postal risk analysis was presented at the European Union Health and Safety at Work Conference in 2006 as an exemplary practice.

Our Health and Safety at Work Regulations contain the scheme for health and safety at work training. At Magyar Posta work may not be done without health and safety at work training. Accordingly, there is preliminary training for people starting work as well as periodic training. The health and safety training is

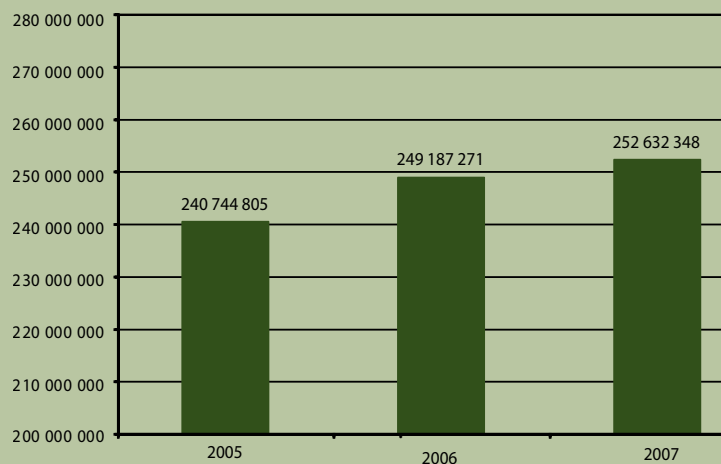
counted as worktime and must be held in working hours.

**LA9**

**Health and safety topics covered in formal agreements with trade unions**

The operating conditions for the health and safety representation are laid down in a bilateral joint agreement with the trade unions. The health and safety representative is authorised to ascertain that the working conditions at workplaces in the district are safe and do not endanger health. For this the representatives have authority to enter,

**Trend of Magyar Posta's occupational health costs between 2005 – 2007 (HUF)**



be informed, comment, take part in decisions and give an opinion, and have an institutional right to consult and negotiate. The company ensures legal protection and worktime allowance for the activity of the representative and covers the operational costs.

### LA10 Average hours of training by employee category

Our education and training activity is organised *internally* by the Training Centre and *externally* by contracted partners. The two main profiles are training in the areas of knowledge necessary for

	2005	2006	2007
Total number of staff taking part in training (persons)	33 202	35 742	38 293
Internal training (persons)	29 486	33 230	34 418
External training (persons)	3 716	2 512	3 875
Total number of study hours	671 229	856 115	738 721

everyday work (*vocational training*), and training directed at developing professional knowledge and competence (*development training*).

### LA11 Programmes for skills management and lifelong learning

Our accredited Training Centre has two assignments. One is to raise the level of the professional competence of employees and the other is the continuous development of skills and abilities. In 2007, in the spirit of the main focus of the "Year of the Customer", in addition to general training within and outside the company, training targeted four key groups and involved almost 11,000 people. Staff were instructed in dealing with customers and sales methods, thereby enhancing the culture of service and making personal performances more successful. Our programme aimed at improving the computer literacy of staff is the ECDL Start training.

### Annual average number of study hours per capita by employee category (hour/person)

	Manager	Officer	Administrator	Operator
2005	91	27	26	13
2006	419	46	23	13
2007	164	31	50	6

### LA12 Performance review

Through its performance review systems the company strives to create a framework that embraces all employees. The main components of the system are classic performance management and post-specific incentives. The four main target groups of the performance review system include employees who have a major impact on business results (managers, sales personnel and HR specialists). Our performance review system includes top priority professional tasks, and supports the development of individual knowledge and competence. The incentive system gives feedback for every employee

Performance Management Systems	2005	2006	2007
BPM=Bonus-based performance management system of managers	164 persons	163 persons	173 persons
TPM=Target-based performance management system of managers	151 persons	150 persons	120 persons
DPM=Performance management system of direct salespersons	80 persons	96 persons	92 persons
HRPM=Performance management system of HR	512 persons	468 persons	437 persons
<b>Total</b>	743 persons	714 persons	649 persons
MP Zrt. (statistical persons)	36 225 persons	38 211 persons	38 755 persons
<b>Rate</b>	2.5%	2.3%	2.1%

LA13

Composition of employees by gender and age group  
(closing number of staff on 31 December)

Year	Gender	Under 30	Between 30 – 50	Over 50	Total
2005	Male	1 921	9 432	3 727	15 080
	Female	2 629	14 709	6 337	23 675
	Total	4 550	24 141	10 064	38 755
2006	Male	2 047	9 321	3 429	14 797
	Female	2 808	14 943	5 663	23 414
	Total	4 855	24 264	9 092	38 211
2007	Male	2 052	8 765	2 910	13 727
	Female	3 002	14 840	4 656	22 498
	Total	5 054	23 605	7 566	36 225



in the area of implementation about their sales activity and the quality of the work done. Based on the results achieved incentive elements appear in the form of specific financial recognition.

LA14

Ratio of basic salary of men to women

The average monthly salary of men in 2007 was 5.9% higher than that of women.

3.2.2 Human rights

The management of Magyar Posta believes that guaranteeing the universal human rights for its

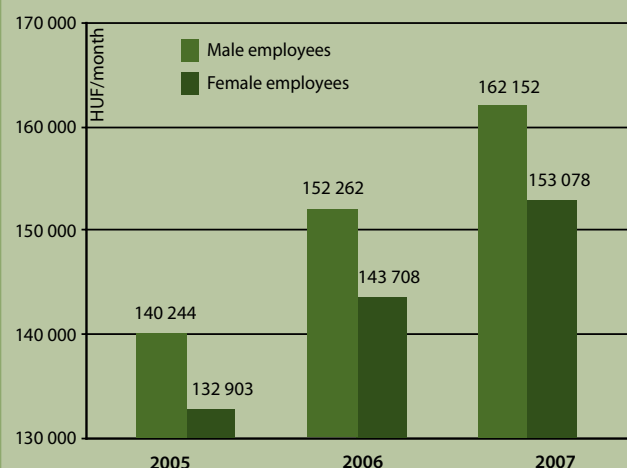
employees, and respecting the declarations and guidelines of the International Labour Organization on work and employment is its fundamental obligation.

Our company rejects all forms of discrimination. We guarantee freedom of association for our employees. Issues related to labour relations are laid down in the collective bargaining agreement, and adherence to it is ensured by internal, regulated and controlled procedures. Child labour and forced labour are condemned and rejected. Every effort within the bounds of profitable and reasonable operation is made to provide civilised working conditions, a lifestyle befitting people and improving welfare for employees.

Incentives paid in 2007 – average staff numbers concerned

Incentive for personal salespersons	119
Product point	20 797
Delivery incentive in key settlements	3 848
Delivery incentive in other settlements	2 304
Sorting incentive	2 637
Network parcel incentive	222
Logistics parcel incentive	996
International incentive	539
Group Incentive System	3 565

Trend of average earnings by gender at Magyar Posta between 2005 – 2007



The **Organisational and Operational Rules** define in detail the rights and obligations of the company's chief executive officer related to trade unions, the works council and the health and safety representation.

The **Collective Bargaining Agreement** regulates in detail the rights and obligations related to the labour relation of the employer and employees, the means of practising and fulfilling them, the rules of procedures related to them, and benefits to be provided for employees, the size and practice of the distribution of the benefits, and the relations between the signatories of the agreement (the employer and bodies representing employees' interests).

In 2004 an **Equal Opportunity Plan** was drawn up for the first time for Magyar Posta. The currently valid plan is for the calendar year 2007–2008. The plan was conceived by the Coordination Committee consisting of the delegates of the employer and employee bodies, and signed by the chief executive officer and the employee representatives.

We also strive to promote human rights at the company through special programmes, in particular ensuring equal treatment and equal opportunities. An example of this in recent years was the **Inclusive Workplace Programme**. Its aim was to encourage the inclusion and employment of ethnic minorities, the disabled, people over 40, women and parents with small children.

The **Ethical Code** issued in 2005 expressed the need for a discrimination-free atmosphere of tolerance and that the company rejected all forms of negative discrimination.

Issues of Magyar Posta's general law-abiding behaviour, and within that guaranteeing human and employee rights, at the highest level are within the competence of the chief executive officer. Likewise the chief executive officer signs the Organisational and Operational Rules, and the Collective Bargaining Agreement on behalf of the company. The first deputy chief executive officer (from May 2008 the chief executive officer) is responsible for the implementation of the Equal Opportunity

Plan. The Coordination Committee consisting of the delegated members of the employer and the employee bodies assists with the implementation.

### Training and awareness

Internal regulations are available for managers and employees in print (Postaügyi Értesítő), and on-line on the internal intranet. Knowledge of the rules is incorporated into managerial training and training topics for employees.

### Monitoring and follow-up

The company and trade union management continuously monitor the performance of the Collective Bargaining Agreement and Equal Opportunity Plan. Implementation is reviewed annually. Based on the results of the review, the Equal Opportunity Plan and other regulatory conditions are amended if necessary.

### Performance indicators

**HR1** Magyar Posta does not pursue an **investment** practice where the possibility of infringing human rights could occur.

**HR2** The majority of **our suppliers** are Hungarian businesses. In Hungary there is no critical risk that we would have contacts with suppliers who would infringe human rights in the course of their activities.

**HR3** Magyar Posta considers itself bound by the duties and responsibility arising from the United Nation's Universal Declaration of Human Rights and guidelines for world employers. Within this framework we devote attention to making human rights and organisational policies and procedures related to their application known by employees through **training**. A significant part of managers and staff facing the problem of human rights have taken part in training in order to professionally deal with human rights situations that may arise.

**HR4** In Magyar Posta's human policy, creating and ensuring equal opportunity and **equal treatment** in the workplace is an important consideration.

Year	2005	2006	2007
Participated in training (persons)	1 361	1 199	1 400
Full staff number of Magyar Posta (statistical persons)	38 755	38 211	36 225
Rate of participants in training (%)	3.5	3.1	3.9

The company’s Ethical Code – which every employee is aware of – defines the general set of values accepted by the company, an essential element of which is a tolerant atmosphere free of discrimination.

The company also undertook an obligation in the Equal Opportunity Plan to prevent and obstruct discrimination in the course of employment. This extends to the recruitment of labour, and in practice to defining salaries, incomes, benefits, training, further training and other incentives, to transfers, to the termination of employment, to measures related to employment, and to discrimination of any kind against employees and in particular discrimination based on age, gender, family status, nationality, race, origin, or religious or political persuasion.

Between 2005 and 2007 no complaint concerning the infringement of the principle of equal treatment was made to either the Equal Treatment Authority or to Magyar Posta.

**HR5** Magyar Posta ensures freedom of association for its employees within the **confines of the law**. Such risks as may threaten freedom of association and the collective bargaining agreement do not arise.

Seven trade unions operate within the company: Postal Workers’ Union (Postás Szakszervezet), Independent Association of Postal Workers (Postások Független Érdekvédelmi Szövetsége), Postal Workers’ Independent Union (Postások Független Szakszervezete), Association of Magyar Posta Employees (Magyar Postások Érdekvédelmi Szövetsége), Postal Employees’ Union (Postai Munkavállalók Érdekvédelmi Szakszervezete), Postal Representation ’92 (Postai Érdekvédelem ’92), Active

Trade Union (Aktív Szakszervezet), and Postmen’s Trade Union (Kézbesítők Szakszervezete).

Magyar Posta does not simply acknowledge but regards bodies representing employees, trade unions and the works council as partners. The effective collective bargaining agreement was signed by the company’s chief executive officer and presidents of five postal trade unions.

Other voluntary employee organisations are the Postal Workers for Postal Workers Foundation (Postások a Postásokért Alapítvány), Postal and Telecommunications Cultural Foundation (Postai és Távközlési Művelődési Alapítvány), Postal and Telecommunications Sports Foundation (Postai és Távközlési Sport Alapítvány), Communications Museum Foundation (Hírközlési Múzeumi Alapítvány), Transdanubian Postal Workers’ Sports Association (Dunántúli Postás Sportegyesület), Eastern Hungary Postal Workers’ Sports Association (Kelet-Magyarországi Postás Sportegyesület), Professional Association of Postal Workers (Postások Szakmai Egyesülete), Postal Money Transporters’ and Handlers’ Aid Foundation (Postai Pénzszállítókat és Pénzkezelőket Segítő Alapítvány), and the Southern Hungary History of the Post Foundation (Dél-Magyarországi Postatörténeti Alapítvány). Magyar Posta has also provided financial support for most of the listed foundations and associations in recent years.

**HR6** The laws of the Republic of Hungary prohibit the use of child labour. As a consequence of the Constitution and relevant international laws, child labour at Magyar Posta is entirely precluded.



**HR7** The laws of the Republic of Hungary prohibit the use of forced labour. As a consequence of the Constitution and relevant international laws, forced labour at Magyar Posta is entirely precluded.

**3.2.3 Our social role**

The company tries to reciprocate the public confidence placed in it in the form of social responsibility that corresponds with its role in society and its economic strength.

Social responsibility in the approach of the management includes both the responsibility felt towards the company’s own employees and participation in finding solutions to the problems of society.

Magyar Posta is not only Hungary’s largest employer but also employs the most women (over 22,000 people). For this reason women’s physical and mental health is a fundamental point in our corporate social responsibility strategy. Through our staying healthy programmes we wish to protect women who hold families together. If we pay attention to our employees’ health, not only will the number of lost days due to illness be reduced, but their sense of well-being and performance will improve. Through our external social responsibility, however, we wish to make our bonds with different groups in society stronger.

In early 2007 the Board of Directors of Magyar Posta accepted the company’s corporate **social responsibility strategy** for the period 2007–2010.

Prior to devising the strategy, experts from the Budapest Corvinus University made a study assessing the situation. They found that at Magyar Posta responsibility is present as conscious managerial behaviour.

The strategy puts improving the quality of life of families and women at the centre of Magyar Posta’s social activity. The other target group of family-oriented responsibility is children. We wish to contribute to creating a better future by supporting the physical and mental health of children, aid their intellectual development and help their talents flourish.

**Organisational responsibility**

The first deputy chief executive officer was the highest official responsible for the company’s CSR strategy within the top management in 2007. The Communications Directorate coordinates its implementation but for certain aspects other functional specialist areas are responsible.

**Our achievements**

Within the healthy workplace programme we introduced breast cancer and gynaecological screenings as well as melanoma tests for our women employees. Allergy screening as well as eye tests for people working with monitors were also arranged. Footrests were purchased for employees at computer work stations and dog alarms for postmen who are exposed to attacks by uncontrolled dogs in the course of their work.

The number of screening tests organised by us in excess of our legal obligations and providing them for local communities was as follows:

year	Number of screening tests in excess of legal obligation (gynaecological, cancer, skin, etc.)	Provision in excess of legal obligation (treatment)	Number of screening tests provided for the public
	number of tests	number of treatments	number of tests
2005	316	167	1610
2006	417	104	3354
2007	455	182	3450

At a social level we also play our part in the struggle against one of the most dangerous illnesses, **cancer**. We were the first in Europe to release a charity stamp adopting the US Post’s concept of “Fund the Fight. Find a Cure”. Since September 2005 130,000 copies of the stamp have been sold. Due to this we have supported the National Institute of Oncology to the tune of HUF 6.5 million.

We thought of women living in small villages when in 2006 we bought and sent the Magyar Posta **mobile gynaecological screening unit** on its way. The truck with medical equipment served not only female postal employees but all women in small villages. In 2006–2007 the health care staff visited 191 villages in 11 counties doing 7,955 screenings with the help of the mobile screening unit. 48% of the tests (3,831 cases) revealed signs of inflammation or fungal disease. 188 critical cases indicating cancer or a pre-cancerous state were discovered. As there is a good chance of recovery if diseases are spotted in time, it is possible that the girls and women who

Run for Cancer Research” international charity run in 2006 and this figure rose to 650 in 2007. Apart from organising the mass involvement of our employees, we undertook to pay the HUF 1,500 entry fee for each postal worker running. The campaign is organised once a year by the Canadian embassy in each country, and proceeds from the entry fees are donated to cancer research.

In accordance with the corporate social responsibility strategy, we also pay attention to our future customers, children. In the festive season around Christmas we organise the “Post Angel” campaign. In December



were screened can thank Magyar Posta for being still alive and well.

Since 2005 we have been involved in the **Bridge of Health Alliance**, which aims to draw attention to healthy lifestyle, coping with stress, the right diet, and the importance of screening tests. The company not only sells the pink wrist band which has become a symbol of the movement but also plays an active role in the walk over Budapest’s Chain Bridge, now an established event.

We organise giving blood at events jointly arranged by the Hungarian Blood Service and the Red Cross, and in this way our colleagues help to save the lives of sick people.

500 members of staff took part in the “Terry Fox –

HUF 30 of the price paid for every time-guaranteed parcel are devoted to purchasing children’s life saving equipment for the National Ambulance Service.

In 2006, in cooperation with the Hungarian Committee of UNICEF, we collected 1 and 2 forint coins, which were to be withdrawn from circulation, in post offices, generating social support for kindergartens in small villages in Hungary and building schools in the poorest parts of the world (half of the money collected was used for the latter purpose by UNICEF). The action raised more than HUF 4.7 million.

Each year we hold letter writing and drawing competitions for children. These aim to help disadvantaged children. The subject of the “Give Me Your Hand!” drawing competition was how children could help other children who were worse off than themselves. From the winning entry our graphic

artists designed a stamp with a charity surcharge. The proceeds from the sales of the stamp will be given to the National Ambulance Service to buy life saving equipment for children.

Magyar Posta traditionally helps satisfy the cultural and community needs of its employees and their family members through its **foundations**. The Postal and Telecommunications Cultural Foundation served this purpose operating the cultural centre in Benczúr Street. The Communications Museum Foundation operates with our support the Post Museum and the Stamp Museum in Budapest as well as exhibitions on the history of the post in various parts of Hungary (towns of Balatonszemes, Debrecen, Hollókő, Ópusztaszer, Miskolc and Nagyvázsony).

By supporting the Transdanubian Postal Workers' Sports Association and the Eastern Hungary Postal Workers' Sports Association we contribute to our employees enjoying mass sport and to creating the conditions for a healthy lifestyle.

Aid is offered to colleagues and their family members who become seriously ill, to orphaned or half-orphaned children, to pensioners in need and colleagues who for other reasons have got into difficult situations through supporting the Postal Workers for Postal Workers Foundation.

For years proceeds from the surcharge on the aid stamp "Hungary for Flood Victims" have supported the charitable work of the Red Cross in alleviating flood

damage. Donation cheques are placed at postal service outlets to encourage people to help the Hungarian Interchurch Aid and the Golden Branch Foundation.

We have continuously supported the Citizens' Guard for many years, whose members do so much for the security of their local communities, and prevent attacks on postmen and -women on their rounds.

### Our plans

We intend to retain our forms of activity hereto, and in the spirit of equal opportunities we are devising a competition system which will mainly contribute to improving the quality of life of children in need. Each year we wish to support organisations through the competition which have been active in the mission against national child poverty for at least 3 years.

In the spring of 2008 a stamp with a charity surcharge entitled "Children are the pledge of the future" was released, and its proceeds will be donated to the National Ambulance Service.

## 501 Performance indicators

### Impacts on local communities

Small communities react sensitively when Magyar Posta wishes to change the location and method of service for economic and efficiency considerations. In particular this was our experience in 2003–04 during the introduction of the mobile post service in villages with a population of less than 600. The reorganisation



affected 950 villages, 3 per cent of the Hungarian population. Since then it has been demonstrated to opponents to the change that the new solution is viable and more convenient than the arrangement it replaced.

The next step in the modernisation of the postal network, the Post Partner Programme, began in 2007. The essence of this is to involve enterprise and local authorities in the provision of postal services. This offers small local entrepreneurs the option of adding another string to their bow and the public service can strengthen confidence in the entrepreneur, meaning business in the long term. Like this both parties do well – the post partner gets new customers and bigger turnover, and customers can organise their affairs in one place at the same time.

The Post Partner Programme affects many small settlements, so we pay particular attention to fully inform local communities and their leaders, and for this we won over local authority representatives as partners. We called on staff working in the post offices included in the programme in person, whose future we endeavour to care for by outplacement (preparing and helping employees whose jobs are terminating find new work). Indeed the Ministry of Labour has drawn up a complex support programme. As a result of these steps, the reception of the programme from community, social and political aspects has been positive. A major factor in this has been that local communities have recognised that society is not leaving the settlements to their own devices but still accepts responsibility for the provision and continuity of the postal service.

**S05 Participation in public policy development and lobbying**

Magyar Posta’s conduct and activity is politics free. We maintain professional relations with the ministry and supervisory organisations responsible for regulating the postal market, as well as advising leading players in political life (members of parliament, local authority representatives, political parties) of the major changes we intend to introduce for the provision of communities. At an international level, in cooperation with other national postal operators, we lobbied intensively in 2006–2007, when the specialist



committees and the decision-making bodies of the European Union were reaching a final decision for the date of the full opening of the European postal market.

**S06** Magyar Posta does not support political parties, politicians and related institutions with financial or in-kind contributions.

**S07** Magyar Posta wishes to achieve its own economic sustainability within the confines of fair competition. It has happened, however, that competitors with conflicting interests and others have questioned one or another element of our behaviour. This is a natural accompaniment of competition. In 2007 three competition law proceedings were instituted against us. One was stopped by the Competition Authority, another ended without a fine being imposed and the last is in progress.

**S08** Magyar Posta does its utmost to ensure that its operations fully comply with the law. The Legal Affairs Directorate subordinate only to the chief executive officer oversees the legality of internal rules for the company’s performance of duties and provision of service. The Internal Audit Directorate and other independent organisational units performing control and safety functions inspect and reveal non-compliance with regulations. In 2007 fines to a value of HUF 29.6 million were imposed on the company.



### 3.3 OUR ENVIRONMENTAL PERFORMANCE

The management of Magyar Posta is a committed believer in protecting the environment and for many long years has taken measures to reduce burdens on the environment.

In January 2001 the company management published its **environmental policy statement** for the first time. This was revised in March 2004 both to

further improve environmental performances and to harmonise with the European Union requirements. In the document the management of Magyar Posta declared its commitment to environmental protection and improving the state of the environment, and to ensuring a balance of corporate, social and environmental interests in making its decisions, bearing in mind sustainable development. (The document is available on-line at [www.posta.hu](http://www.posta.hu).)

The programmes and results of recent years reflect the continual development in Magyar Posta's environmental protection activity. Indicators showing the company's environmental performance are available in the annual **environmental reports** (2001, 2003, 2004, 2006 annual reports) on [www.posta.hu](http://www.posta.hu).

The goals and commitments of the environmental policy had not altered by the start of the reporting period, and these are compulsory for all organisational units of the company.

**Responsibility** for the company's environmental activity rested with the first deputy chief executive officer until 2007 and since that year has fallen under the remit of the chief financial officer. The environmental protection management works within the organisational limits of the Investment and

Construction Service Centre of the Chief Infrastructure Directorate under the direction of responsible managers.

#### Major challenges, action taken

The major environmental impacts of the clearance, sorting, transport and delivery of mail items, the background activities (property management, building investment and operation, procurement, IT) and internal services affect energy use, the emission of air pollutants and the generation of waste. In all three areas we are striving to reduce the harmful impacts.

One of the challenges of the age for modern society and one of the strategic goals is to reduce the emission of **gases causing global warming**. The biggest 'producers' of such emissions are the burning of fossil fuels and petrol-driven vehicles. Magyar Posta is endeavouring to reduce its emissions by energy rationalisation investments for buildings and the acquisition of means of transport emitting as few pollutants as possible for vehicles. Further options include the use of renewable energy, and measures are being taken to this end.

Among the company's key goals is instituting the modern practice of **waste management**. Our basic principle is to recycle as much waste as possible. In 2005 waste collection was rationalised. The actual



waste management tasks of postal organs are laid down in the Environmental Protection Regulations.

In the area of property investment, besides appropriate building services planning, an increasingly large role is being given to the architectural arrangement (shape, orientation, arrangement of floor space, heat insulation, positive energy balance windows, etc.). A key area of our environmental investments is the improvement of plumbing and drainage in postal facilities.

One means of continuously improving our environmental performance is the **Environmental Management System (EMS)**. In 2006 we introduced as a pilot scheme an environmental management system conforming with the standard MSZ EN ISO 14001:2005 at the National Logistics Centre (NLC), which was certified by an external company in 2007. In the same year the EMS was extended to two more regional sorting centres. Our goal is for the environmental management system to cover the entire mail processing area in harmony with restructuring the organisation.

### Compliance with legislation

One of the mainstays of Magyar Posta's environmental strategy is compliance with legal regulations. To this end, in 2005 an **order of the chief executive officer** on the regulation of environmental protection processes came into force (Environmental Protection Regulations).

The transport of dangerous postal waste within the postal network (from the place of generation to the central collection point) is done in accordance with the ADR (European Agreement concerning the International Carriage of Dangerous Goods by Road). With the involvement of external experts procedural rules on the collection process and training material for staff concerned with transport were drawn up. Realisation in practice is expected in 2009.

Every year the company allots financial resources for environmental investments, remediation and other environmental protection tasks ensuring compliance with the law.

We pay the environmental product charge on waste packaging and paper-based advertising carriers, the air pollution charge on pollutants emitted at air pollution

point sources, and at a few premises the soil pollution charge for placing communal waste water in the soil.

### Monitoring and follow-up

The measures taken to alleviate damage were directed at eliminating the pollution of the soil and groundwater due to activities in the past. Remediation has taken place at three facilities in recent years and the eradication of environmental damage is under way at further two facilities. As a follow-up check, groundwater monitoring is taking place in the restored area and at two other facilities groundwater tests are being made based on official regulations not related to remediation. The soil and ground-water pollution uncovered at two facilities is related to the removal of disused underground fuel storage tanks. The environmental damage will be eradicated in 2008-2009.

### Training and awareness

Given the large number of postal employees and the presence of the postal service on a national scale, it is vital that staff is aware of general and post-specific environmental information.

Our environmental policy and environmental reports are accessible on our on-line portal [www.posta.hu](http://www.posta.hu), while our internal intranet portal and articles in the company paper keep employees informed about the major events concerning postal environmental protection.

In 1999 we devised an environmental protection module, which has been part of tertiary corporate training since 2000. In the period since then 1,439 people have taken part in training of this nature.

Our environmental colleagues attend professional conferences, making use of the information learnt there in the course of their work.

### Awards and acknowledgments

In 2007 we entered the competition announced by HBLF "Business Life for the Environment". In the "new processes and technologies for sustainable development" category we came second, allowing us to go on to the European Union competition "European Awards for the Environment".

## OUR ENVIRONMENTAL PERFORMANCE

With our environmental reports published in previous years we have taken part in the Central European Environmental Report Competitions organised by Deloitte (2003, 2005, 2007).

In 2004 the Environment Friendly Office Programme was held in conjunction with the European Green Week, and we won first place in the large companies category receiving an acknowledging certificate "Green Office of the Year 2004".

In 2007 the new building of post office 1 in Kiskunhalas merited a "Beautiful Building 2007" plaque and certificate in the community category.

### Our plans

To improve our sustainable development and environmental performance, we have set the short- and medium-term tasks and goals below:



Goal	Action
Reducing emissions of ozone depleting and greenhouse gases	<ul style="list-style-type: none"> <li>Devising and incorporating a CO<sub>2</sub> reduction strategy into MP's environmental policy (revision of environmental policy)</li> <li>Mapping all essential data from the aspect of CO<sub>2</sub> emissions,</li> <li>Establishing a data collection process (CO<sub>2</sub> emission coefficients)</li> <li>Creating an easy-to-use, transparent calculation system (CO<sub>2</sub>),</li> <li>Survey of air conditioning equipment (type, capacity, refrigerant)</li> <li>Győr Regional Sorting Centre</li> <li>Füzesabony Regional Sorting Centre</li> </ul>
Extending the Environmental Management System (ISO 14001) to the mail processing area	<ul style="list-style-type: none"> <li>Győr Regional Sorting Centre</li> <li>Füzesabony Regional Sorting Centre</li> </ul>
Use of renewable energy	<ul style="list-style-type: none"> <li>Assessment of postal options – study</li> <li>The use of solar thermal collectors to supply hot water at the National Logistics Centre</li> </ul>
Reducing energy use	<ul style="list-style-type: none"> <li>Procuring electricity by public procurement procedure</li> <li>Energy audit of buildings</li> </ul>
"Green" procurement	<ul style="list-style-type: none"> <li>Devising criteria and submission for managerial approval</li> <li>Incorporation into the Procurement Regulations</li> </ul>
Creating unified environmental protection requirements for the classification of suppliers and subcontractors	Preparing list of requirements
Ensuring legal compliance for transport of hazardous postal waste between postal facilities	Based on the Procedural Rules and distance training material prepared in previous years <ul style="list-style-type: none"> <li>drawing up postal regulations for employees affected</li> <li>making a transport and collection plan</li> </ul>
Waste management development	<ul style="list-style-type: none"> <li>Increasing intensity of selective waste collection</li> <li>Reducing quantity of communal waste (reviewing contracts, potential amendments)</li> <li>Increasing proportion of recyclable waste</li> </ul>
Ensuring compliance with environmental protection law for postal activities	Revising effective Environmental Protection Regulations (CEO order 14/2005)
Increasing the employees' environmentally aware behaviour	Information materials on the INTRANET and through circular letters

Performance indicators

EN1-EN2 Materials

Given the nature of postal services we use large quantities of paper for administrative and packaging purposes. The Electronic Postal Centre (EPC) is a large paper user (envelopes, letter paper), and considerable amounts are used by our printworks in the production of postal forms.

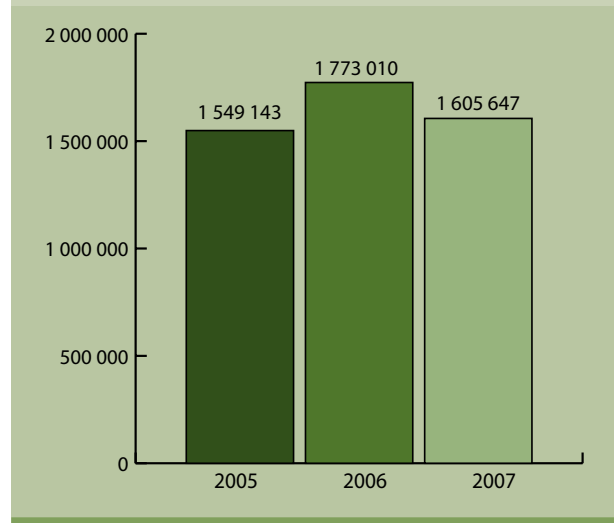
In the last three years paper use for administrative purposes fell by 9.4% due to the intensive change to electronic communication and administration in house. Through the use of the Electronic Open Marketplace (PEP) the quantity of paper used in procurement procedures also fell. In our internal and external correspondence where possible we use envelopes and writing paper made of recycled paper.

In 2007 63% of paper use was for printing purposes. In printing technology we used 2% near wood-free and 10% wood-free offset paper.

In 2007 the quantity of recycled paper used accounted for 0.05% of administrative paper use, a 30% fall compared to 2006.

The amount of **packaging** generated by Magyar Posta depends partly on mail and partly on business contracts and orders. Paper and plastic dominate in the packaging generated.

Total paper use (kg) between 2005 – 2007

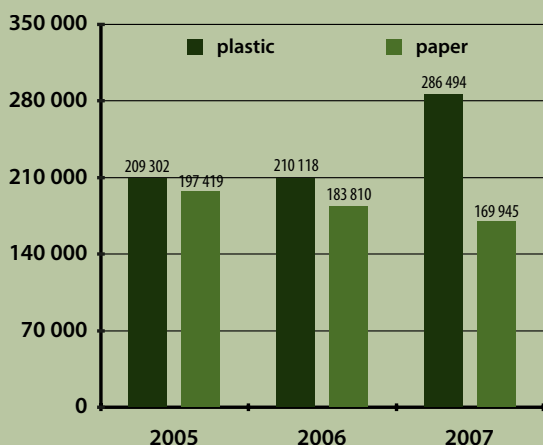


The quantity of plastic packaging has grown significantly in the past three years (from 30% to 50%), which is a consequence of technological changes (the introduction of plastic sack closing straps and forwarding letters in trays).

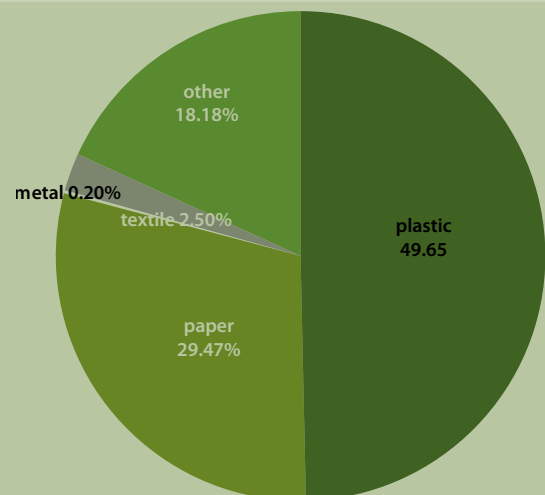
EN3-EN4 Energy

Our company is a major energy consumer. According to studies, operating buildings accounts for about 67% of the entire energy consumption, thus we have significant energy efficiency reserves. As a result of an almost 10-year self-financed heating and lighting modernisation, our energy consumption shows a downward trend.

Trend of quantity of plastic and paper packaging generated by Magyar Posta between 2005 - 07 (kg)



Packaging generated in 2007 by material



## OUR ENVIRONMENTAL PERFORMANCE

Energy resource	2005	2006	2007	Change in % between 2006 and 2007
Coal (GJ)	15 915	8 761	3 857	-56.0
Briquette (GJ)	443	316	885	180.1
Wood (GJ)	16 225	8 632	5 733	-33.6
Natural gas (GJ)	422 314	422 926	338 601	-19.9
Electricity (GJ)	172 804	184 853	180 785	-2.2
Petrol (unleaded) (GJ)	54 642	38 892	39 858	2.5
Diesel (GJ)	294 336	305 508	300 300	-1.7
PB gas (GJ)	1 034	846	846	0.0
Purchased thermal energy (distance heat) (GJ)	87 201	92 181	84 936	-7.9

On the one hand we use **direct energy** for heating purposes (gas, fuel oil, coal, briquette, wood), and for the vehicle park (petrol, diesel), and on the other hand **indirect energy**, electricity, is used for lighting, and operating electrical machinery and equipment (IT devices, air-conditioning, postal technology machines and equipment, and some facilities have distance heating and hot water for social use).

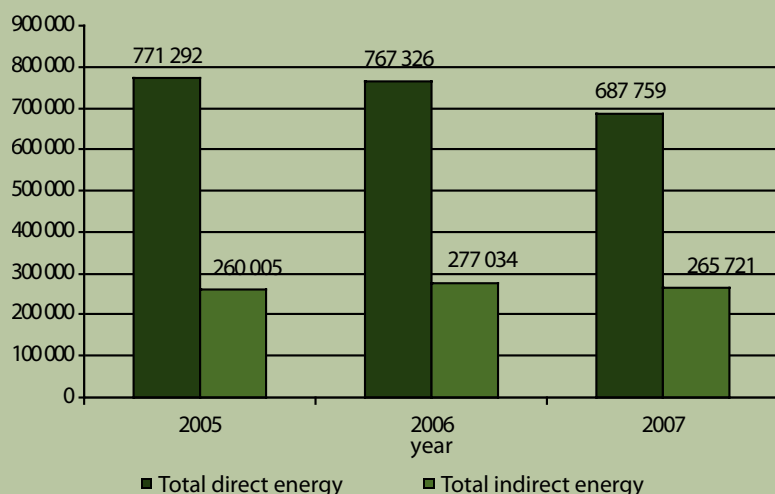
**EN5** The quantity of energy used in 2007 decreased compared to 2006. A large increase in the use of briquettes is compensated by the significant drop in lignite and wood. Total energy consumption was 10% less in 2007 year on year, direct energy consumption falling by 12% while indirect energy consumption was down by 4%. The effect of the modernisation of heating and lighting

contributed to the fall in energy consumption as did a reduction in the number of postal properties and favourable weather conditions.

**EN6** Last year we had a study made on the use of **renewable energy** and energy efficiency measures for postal properties. A concrete proposal was made to install solar panels to produce hot water at the National Logistics Centre and the concept plan of an energy conscious “eco-post” was also prepared.

**EN7** To reduce indirect energy use, lighting was modernised at 5 postal buildings in 2007, thanks to which an annual energy saving of 23.045 kWh was achieved. This amount of energy is roughly equivalent to carbon dioxide emissions of 8.3 tons/year.

Trend of energy use in heat units between 2005 – 2007 (GJ)



### Water consumption

#### EN8-EN9-EN10, EN25

Our water consumption is primarily for social needs. Water consumption in the reporting period was down by 5.7% compared to 2006. Specific water use did not change and the cost of water consumption fell by almost 2%.

In 2007 through the modernisation programme 9 facilities were connected to the mains drinking water supply. Magyar Posta has no water withdrawal requirement that significantly affects water sources. The quantity of water

consumed is for employees' hygienic and social needs, which justifies drinking water quality. Recycled and reused water is not used.

**Biodiversity**

**EN11-EN12-EN13-EN14-EN15**

Magyar Posta has almost 3,000 premises throughout Hungary, of which about 3%, 72 properties, are in protected areas and have a usable area of 70,139 m<sup>2</sup>. Almost 1,300 of our properties lie near protected areas.

The activity conducted at these facilities has a shallow impact on biodiversity. Conservation areas are relatively sparsely populated and have light road networks usually devoid of major roads and motorways. The postal backbone network does not affect these areas either. The number of visits per day to post offices is below average (collection/delivery routes, mobile posts, parcel deliveries, remote area post-men). This accounts for 2.1% of our transport performance, which was 1,611,507 km in 2007.

In designing new buildings and in the course of obtaining licences for the construction of investments and building reconstruction, the company consults local governments and authorities concerned.



**Emissions**

**1. Air pollution**

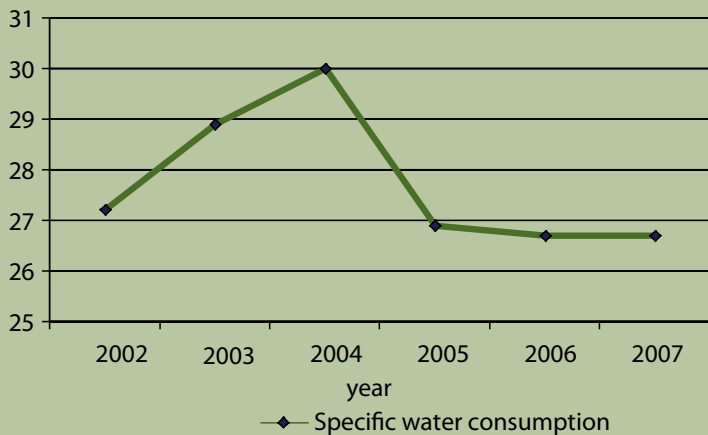
**EN16-EN17, EN19- EN20**

2105 pieces of fixed point gas-fired heating equipment with a capacity of over 140 kW were operated as point sources in 2005, and these figures were 87 and 94 in 2006 and 2007 respectively. In operating these, pollutants (NO, SO) are emitted into the air. The quantities are measured annually by experts or calculated. The annual total emission or quantity per point source of air pollutants for the whole of 2007 exceeds the annual values for 2006 by 30%. The reason for this is a rise in the number of hours of operation.

The maintenance of postal vehicles and the measurement of emission of pollutants are done by the service points of Postaautó Zrt. (Magyar Posta Cars & Trucks Co.) in accordance with relevant legislation.

The maintenance of air-conditioning equipment operated in facilities is done by professional servicing. The service concerned accounts to the authority for the refrigerant used in maintenance.

**Trend of specific water consumption  
Litre/person/day**



Waste water quantity m <sup>3</sup>	2004	2005	2006	2007	Change in % year on year
Waste water discharged into mains drainage	369 076	334 288	326 316	313 582	-3.9
Waste water collected in tanks	6 528	3 384	3 300	3 104	-5.9
Total	375 604	337 672	329 616	316 686	-3.9



## EN21, EN23 2. Discharge of water into the soil, groundwater and subsurface water

Waste water produced during postal activity is primarily of a communal nature, while technological waste water only arises from the kitchen technology of welfare establishments. Oily and fatty waste water is pretreated in fat traps prior to being released into the sewers. The quality of waste water is regularly checked by the operators of the sewer network.

99% of waste water leaves postal properties by main drainage. The remaining 1% in the lack of a sewer network is collected in closed waste water tanks, which are regularly emptied, thus there are no untreated waste water discharges.

The quantity of waste water discharged fell 3.9% year on year.

### Soil and groundwater pollution

Soil pollution is mainly caused by hydrocarbons seeping from underground fuel oil and fuel storage tanks, and the pipes connected to them. Due to replacing oil-fired boilers and the cessation of tanking at postal facilities, these tanks are being closed down according to a schedule (Győr and Miskolc Transport Depots – 2006). In the course of closing down soil and groundwater pollution around the tanks was noticed and thus remediation became necessary at the following premises: Budapest, District XIV, Egressy út 35–51. (2003), Heves Post Office (2003–2004), Békéscsaba Transport Depot (2006–2007), Hatvan, Bercsényi út 78 (in progress) and Sopron, Ipar u. 1 (in progress).

There was no significant spillage in the area of Magyar Posta as all activities take place in controlled and inspected conditions.

## 3. Carbon dioxide indicator

Based on the guidelines on greenhouse gas indicators published by the United Nations Environmental Programme in 2000, we converted the amount of energy used (natural gas, electricity and fuel) into carbon dioxide. Compared to 2006 the total carbon dioxide load fell by 8%, and within this the carbon dioxide derived from natural gas by 20%, from electricity by 2% and fuel by 1%.

### Carbon dioxide load of energy consumption (ton CO<sub>2</sub>)

Direct energy consumption	2005	2006	2007	Change in % year on year
Natural gas	23 800	23 835	19 050	-20%
Fuel – petrol	3 956	2 816	2 886	
Fuel – diesel	22 628	23 487	23 087	
Fuel total	26 584	26 303	25 973	-1.25%
Indirect energy consumption				
Electricity	17 376	18 588	18 179	-2.20%
Total	67 760	68 726	63 202	-8.04%

## 4. Waste

### EN22-EN24-EN27

In 2007 43 types of waste were produced with a total increase in quantity of 76.8% compared to the previous year. Within this hazardous waste fell by 70% and non-hazardous waste rose by 125%.

Significant types of waste are shown in the table below:

Waste type	2004	2005	2006	2007	Change in % year on year
	(kg)				
accumulators	9 969	6 946	4 836	1 822	-62.3
neon lights	2 871	2 712	1 593	2 256	41.6
e+e	36 406	49 912	58 957	45 086	-23.5
toner	3 878	4 735	4 815	4 964	3.1
soiled packaging	2 538	1 546	1 644	2 116	28.7
batteries	1 037	1 025	894	1 227	37.2
construction and demolition	0	0	146 670	343 983	134.5
office paper	529 718	573 645	539 000	1 073 907	99.2
plastic packaging	4 837	8 725	27 000	25 809	-4.4
paper and cardboard packaging	135 282	119 355	134 000	107 900	-19.5
biodegradable kitchen	0	0	0	13 484	
polluted soil	937 010	0	146 990	0	
other	66 454	61 399	38 591	71 446	85.1
total	1 730 000	830 000	958 000	1 694 000	76.8

Waste type	2004	2005	2006	2007	Change in % year on year
	(ton)				
Hazardous waste	1052	88	238	71	-70,2
Non-hazardous waste	678	742	720	1623	125,4
Total waste	1730	830	958	1694	76,8

20% of all waste was construction and demolition, and 63% office paper waste. The company sent 1,250 tons for recycling: 1,179 tons of paper, 27 tons of plastic, 41 tons of e+e waste, 1.8 tons of accumulators and almost 834 kg of neon lights.

#### a.) Communal waste

The quantity of communal solid waste grew by 49.2%. The reason for the increase is the subject of a review.

#### b.) Office paper waste

Between 2004 and 2007 2,716 tons of waste office paper were selectively collected at almost 500 postal facilities, thereby reducing the amount of solid communal waste and cost of disposal. The amount collected in 2007 showed a 99% increase year on year. This can be explained not only by the increase in the intensity of selective collection but also by the disposal of documents due to moving offices.

#### c.) Packaging waste

588 tons of packaging waste were produced between 2004 and 2007. Waste that can be recycled and reused (paper, cardboard, plastic sack closing straps, plastic [PP] bags and [PE] film, accumulators, metal, wood, electronic appliances, toners, ink cartridges) was handed over to waste collectors and recyclers.

78.7% of waste packaging collected in 2007 was paper and cardboard, and 19% was plastic. In the period 2004-2007 the percentage of plastic grew slightly, reaching 20% in the reporting period (2007).

Packaging waste	2004	2005	2006	2007	Change in % year on year
	(kg)				
paper and cardboard	135 282	119 355	134 000	107 900	-19.5
plastic	4 837	25 240	27 000	25 809	-4.4
wood	480	0	0	0	
metal	8 041	0	0	121	
textile	0	0	0	212	
total	148 640	144 595	161 000	134 042	-16.7

Trend of quantity of communal solid waste between 2004 – 2007, ton/year



In general it can be stated that of the different types of waste not every type is produced each year, and the annual construction, investment, reconstruction, and maintenance works and scrapping plans influence the type and quantity.

All waste generated at facilities is handed over to carriers, treaters or recyclers holding appropriate licences to be dealt with further, and we do not accept waste from external business organisations and neither do we undertake the treatment or reuse of waste at postal facilities.

In the coming period further action is required in the areas below:

- The collection of hazardous and packaging waste produced is not complete and at a corporate level is not unified (differing local conditions).
- Records for non-hazardous waste are not complete.
- As regards communal solid waste, the contract is based on the volume of the container, frequency of emptying and the size of the area (m<sup>2</sup>) of the facility, which does not reflect the actual quantity of waste.

Targets and programmes are required to eliminate the deficiencies, included in the waste management plans to be reviewed.

**EN26** The results of programmes aimed at reducing environmental burdens in recent years are given in the company's environmental reports at [www.posta.hu](http://www.posta.hu) and in this report.

### **EN28 Environmental fines**

In the reporting period the environmental protection authority imposed one fine on the company for non-compliance with legal regulations. This was a waste water fine arising from the non-complying behaviour of an external company renting a kitchen. To avoid further pollution, the tenant has been advised in writing several times of the measures that need to be taken, and the implementation of these is continually being checked.

### **d.) Hazardous waste**

Between 2004 and 2007 1,449 tons of hazardous waste was generated from company activity.

Polluted soil in the course remediation at the facilities at Budapest, District XIV, Egressy út 35–51 (in 2004) and the Békéscsaba Transport Depot (in 2006) caused an increase in the weight of hazardous waste (937 tons and 147 tons respectively).

### **e.) Other waste**

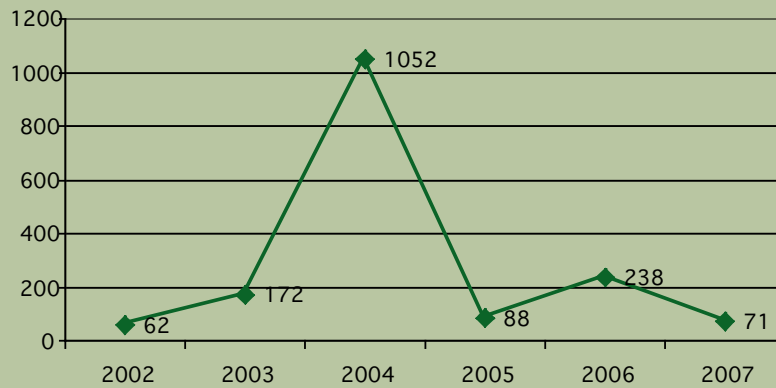
**Waste from construction and demolition** originating from the reconstruction of properties was among the types of waste in 2007, which reflects compliance with regulations.

At 122 premises unified **dry battery collection points** have been located and the waste collected is removed free of charge by our contractual partner (Re'lem Kft).

When moving from office buildings **data carriers** for destruction (CD, DVD, floppy) were collected in safe, closed individual containers. 70 kg of such waste was destroyed by Remondis Kft.

In 2006–2007 the collection of **compressed PET bottles** began at two premises, the Headquarters' office block and the training building. 650 kg of waste bottles were taken away by a recycling company.

Trend of quantity of hazardous waste between 2001 – 2006 (ton/year)



**EN29 Transport**

Transport is a major factor impacting the environment in Magyar Posta’s operation. In 2004 trucks replaced rail transport on backbone transport routes. Today mail is transported exclusively by road. With this and the introduction of the **mobile post service** to small villages, the number of mail carrying kilometres and the fuel consumed grew, increasing the burden on the environment.

At the same time, the emission of pollutants by vehicles was significantly reduced by the continuous modernisation of and appropriate operation of the **vehicle fleet**. Over the last four years the vehicle park has grown significantly but at the same time it has become more modern. At present vehicles made in 2004, 2005 and 2006 comprise almost 60% of our fleet which conform with the EU 3 standard as regards emissions.

9 electric powered vans were put into service as an experiment in 2002. These perform delivery duties in environmentally sensitive areas of a historic nature (the Castle District in Budapest, and in Debrecen and Pécs).

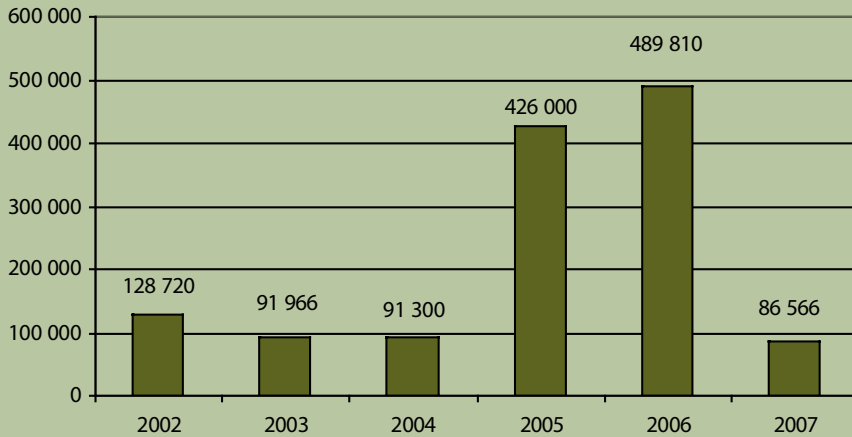
The **number of vehicles** fell by 7.5% as old, uneconomical vehicle types were withdrawn from service.

**Mileage:** as a result of the continuous optimisation of the network of routes, the average number of kilometres travelled by vehicles fell by 3.6%.

**Fuel consumption:** thanks to the modern fleet of vehicles, the quantity of fuel consumed by vehicles fell by 1.2%.



Trend of environmental investments (HUF thousand)



The total of environmental protection expenditure over five years was almost HUF 114 million, from which we financed

- building the Environmental Management System (complying with ISO 14001)
- eradicating soil and groundwater pollution,
- removing disused fuel storage tanks,
- conducting environmental protection measurements and status assessments, and waste management.

### Travel reducing solutions

Besides proper maintenance and servicing, we introduced and successfully operate a taxi system of non-mail carrying vehicles from Budapest to certain parts of the country. We provide a timetabled bus service for a 50 km area to take employees to work at the National Logistics Centre in Budaörs in the outskirts of Budapest.

### EN30 Environmental financial data

In the past five years the company has devoted HUF 1,400 million on environmental protection investments, such

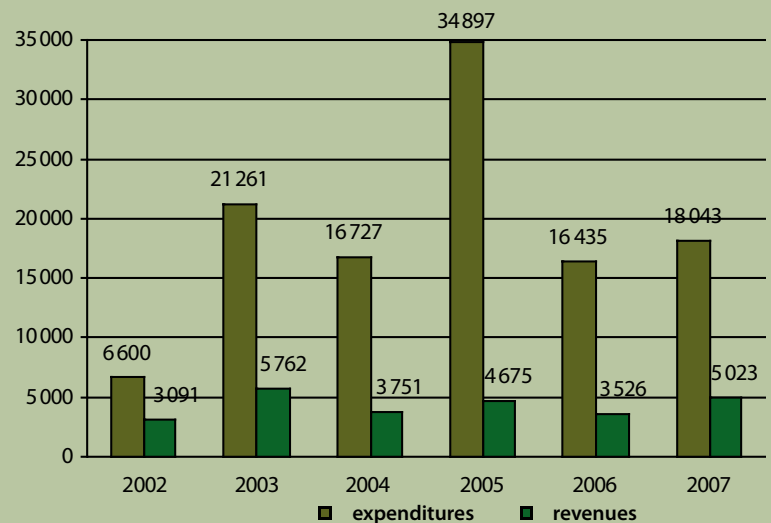
- connecting postal facilities to mains water and drainage,
- modernising heating
- creating modern technological conditions for waste management.

Key projects realised between 2005 and 2007 were:

- connecting 387 properties to main drainage,
- modernising heating at 494 properties, and
- connecting piped drinking water to 101 properties.

In 2007 total environmental protection expenditure amounted to over HUF 18 million, which was a 9.8% increase on the previous year. Revenues generated from the sale of recyclable waste were up over 40% year on year.

Trend of environmental expenditures and revenues (HUF thousand)



Green taxes				
Green tax (HUF)	2005	2006	2007	Change in % year on year
product charge	20 127 000	23 657 000	27 140 000	14.7
air pollution charge	473 906	425 000	1 155 000	171.8
soil pollution charge	249 717	529 320	467 370	-11.7
<b>total:</b>	<b>20 850 623</b>	<b>24 611 320</b>	<b>28 762 370</b>	<b>16.9</b>

### Green taxes

The size of the product charge is determined by the amount of packaging and paper carrying advertising generated in a given year. The value of the charge rose by 14.7%. The soil charge fell by 11.7% as a result of connection to mains drainage.

Environmental protection investments 2007	HUF million	Number
Procurement of environmental protection equipment (4 items)	1	4
Connection to mains drainage (in 15 buildings)	12	15
Modernisation, regulation of heating (in 23 buildings)	37	23
Lighting modernisation (in 20 buildings)	20	20
Water connection modernisation (in 9 buildings)	9	9
Heat insulation of façade, changing windows (in 2 buildings)	9	2
<b>Total</b>	<b>88</b>	<b>73</b>



## Environmental indicators

Environmental indicators	Change in %(+/-) year on year
Paper use	-9.4
Total energy consumption	-10.1
Energy consumption per capita	-4.5
Proportion of fossil fuels	-2.2
Gas consumption	-19.9
Electricity consumption	-2.2
Total water consumption	-5.7
Water consumption per capita	No change
Mileage of vehicles (total road transport)	-3.6
Fuel consumption - petrol	+2.5
Fuel consumption - diesel	-1.7
Total fuel consumption	-1.2
Total quantity of waste	+76.8
Quantity of communal solid waste	+49.2
Quantity of hazardous waste	-70.2
Quantity of paper waste	+75.6
Quantity of waste water discharged	-3.9
Total quantity of air pollutants emitted at source points	+28.7
Total carbon dioxide emissions of energy consumption	-8.0

## Energy

Indicator	Unit	2005	2006	2007	Change in % between 2006 and 2007
Total energy consumption	thou GJ	1 065	1 063	956	-10.1
Total energy costs	HUF million	4 257	4 889	4 852	-0.8
Specific energy costs	HUF thou/GJ	4	5	3	-37.0
Proportion of fossil fuels	%	74.07	73.12	71.51	-2.2

## Water

Indicator	Unit	2005	2006	2007	Change in % between 2006 and 2007
Total water consumption	cubic metre	383 836	376 850	355 496	-5.7
Cost of water consumption	HUF thou	79 489	83 822	82 227	-1.9
Number of staff	persons	38 768	38 686	36 428	-5.8
Specific water consumption	litre/person/day	26.9	26.7	26.7	0.0

## Transport

Indicator	Unit	2005	2006	2007	Change in % between 2006 and 2007
Number of vehicles <sup>1</sup>	vehicle	5 072	4 442	4 108	-7.5
Number of petrol driven vehicles	vehicle	no data	no data	1 588	
Number of diesel driven vehicles	vehicle	no data	no data	2 511	
Number of electric vehicles	vehicle	9	9	9	0.0
Total road transport	km	88 098 506	89 490 722	86 238 774	-3.6
Fuel consumption - petrol	l	1 782 192	1 268 493	1 300 000	2.5
Fuel consumption - diesel	l	8 443 372	8 763 855	8 614 458	-1.7
Total fuel consumption	l	10 225 564	10 032 348	9 914 458	-1.2
Average fuel consumption of vehicle park	l/100 km	11.6	11.2	11.5	2.7

1 = contains data for vehicles of Magyar Posta's fleet on mail routes (trucks, cars, mopeds, slow vehicles) as well as service vehicles

## Emissions

Indicator	Unit	2005	2006	2007	Change in % between 2006 and 2007
Total quantity of hazardous waste	ton/year	88,5	238	71	-70.2
Quantity of communal solid waste	ton/year	7 008	10 050	14 992	49.2
Quantity of waste paper collected	ton/year	693	673	1 182	75.6
Waste water discharged into mains drainage	cubic metre	334 288	326 316	313 582	-3.9
Waste water collected in tanks	cubic metre	3 384	3 300	3 104	-5.9
Total emissions of air pollutants	ton/year	8.2	7.8	10.14	30.0
Carbon monoxide (CO)	ton/year	1.6	-	-	
Nitrogen oxides (NOx)	ton/year	6.2	7.6	9.76	28.4
Sulphur dioxide (SO <sub>2</sub> )	ton/year	0.2	0.2	0.38	90.0
Solid material	ton/year	0	0	0	~
Soot	ton/year	-	-	-	~

## Financial figures of environmental protection

Indicator	Unit	2005	2006	2007	Change in % between 2006 and 2007
Total investments	HUF million	17 909	13 626	11 294	-17.1
Environmental investments	HUF thou	426 000	489 810	86 566	-82.3
Investment rate	%	2.4	3.6	0.77	-78.6
Business expenditure	HUF million	153 592	170 712	177 972	4.3
Environmental expenditure (without communal solid and liquid waste treatment)	HUF thou	34 897	16 435	18 043	9.8
Expenditure rate	%	0.023	0.01	0.01	0.0
Cost of transport and treatment of hazardous waste	HUF thou	5 383	4 100	2 700	-34.1
Cost of treatment and disposal of communal solid waste	HUF thou	136 997	137 217	158 630	15.6
Cost of waste water discharged through drainage	HUF thou	73 836	76 130	82 227	8.0
Transport, treatment of waste water collected in tanks	HUF thou	9 412	6 295	2 990	-52.5
Income from sale of waste	HUF thou	3 479	3 526	5 026	42.5

## Training

Indicator	Unit	2005	2006	2007	Change in % between 2006 and 2007
Tertiary corporate training courses (extended by the environmental module)	number	8	8	7	-12.5
Number attending tertiary corporate training (extended by the environmental module)	person	95	92	88	-4.3
Rate of participation in training	%	0.32	0.27	0.26	-3.7



## 4. GRI INDICATOR INDEX



Topic of indicators		Compliance	Page no.
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EC2	Financial implications of climatic change	✓	25
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EC4	Financial support received from the government	✓	27
EC5	Ratio of entry level wage and minimum wage	–	27, 28
EC6	Suppliers	✓	
EC7	Local hiring and proportion of senior management	irrelevant	
EC8	Infrastructure investments and services for public benefit	no data	
EC9	Significant indirect economic impacts	no data	
<b>Environmental Performance Indicators</b>			
EN1	Quantity of material used	✓	45
EN2	Percentage of materials recycled	✓	45
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EN11	Protected areas	✓	47
EN12	Impacts on biodiversity	✓	47

Topic of indicators		Compliance	Page no.
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EN24	Hazardous wastes	✓	48, 49, 51
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EN26	Initiatives and results to mitigate environmental impacts	✓	50, 51, 52
EN27	Percentage of products sold and their packaging reclaimed	✓	49
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EN29	Significant environmental impacts of transport	✓	51
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Topic of indicators		Compliance	Page no.
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LA8	Training, education, counselling, prevention, risk control related to serious illnesses	✓	33
LA9	Agreements with trade unions on health and safety at work	✓	33
LA10	Average annual training hours per employee	✓	34
LA11	Programmes for skills management and lifelong learning	✓	34
LA12	Percentage of employees receiving performance reviews	✓	34
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HR2	Percentage of suppliers and contractors that have undergone screening on human rights	✓	36
HR3	Human rights training for employees	✓	36, 37
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HR6	Elimination of child labour	✓	37
HR7	Elimination of forced labour	✓	37, 38
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HR9	Rights of indigenous people	irrelevant	

Topic of indicators	Compliance	Page no.
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S04	Actions taken in response to incidents of corruption	no data
S05	Participation in public policy development and lobbying	✓ 41
S06	Financial and in-kind contributions to political parties	✓ 41
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PR1	Health and safety assessment of products and services	✓ 28
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PR3	Product and service information	✓ 28
PR4	Non-compliance with regulations and codes concerning product and service information	✓ 28
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PR7	Non-compliance with regulations and standards on marketing communications	✓ 29
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PR9	Fines for non-compliance with laws and regulations on the provision and use of products and services	✓ 29



