

Remuneration Policy for 2020
of the Employee Share Ownership Program
set up by
ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság

Effective from: December 21, 2020

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With a view to the powers granted by the Board of Directors of ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság (registered office: H-1131 Budapest, Babér u. 1-5; company registration number: Cg.01-10-045985; hereinafter "**Company**" or "**ALTEO**") in Resolution No. 2/2020. (XII. 11.), the BoD members specified therein have established the Company's Remuneration Policy for 2020 (hereinafter: "**Remuneration Policy for 2020**") in Delegated Resolution 1/2020. (XII. 21.) of the Board of Directors:

1. Definitions:

For the purposes of this Remuneration Policy, the terms specified below have the following meaning:

Actual EBITDA per Share

The value expressed in HUF calculated as follows: the EBITDA recognized in ALTEO Nyrt.'s audited, IFRS-based consolidated report for the 2022 fiscal year, with the costs incurred in 2022 on account of this Remuneration Policy and recognized in the IFRS-based consolidated report added (this is "Actual EBITDA"), with the resulting Actual EBITDA divided by the average number of ALTEO Nyrt. shares in 2022.

Actual Earnings per Share

The value expressed in HUF calculated as follows: the net earnings recognized in ALTEO Nyrt.'s audited, IFRS-based consolidated report for the 2022 fiscal year, with the costs incurred in 2022 on account of this Remuneration Policy and recognized in the IFRS-based consolidated report added (this is "Actual Earnings"), with the resulting Actual Earnings divided by the average number of ALTEO Nyrt. shares in 2022.

ALTEO Nyrt.

ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság (registered office: H-1131 Budapest, Babér u. 1-5; company registration number: Cg.01-10-045985; hereinafter "**Company**" or "**ALTEO**").

Available Shares

The 645,200, that is, six hundred forty-five thousand two hundred dematerialized series 'A' ALTEO ordinary shares, having a face value of HUF 12.5, registered under ISIN number HU0000155726 – serving as the subject matter of the Remuneration Policy for 2020 – to be subsequently acquired by the ESOP Organization ("**ALTEO Share**").

Beneficiary/Beneficiaries

The persons specified in writing by the Employee, to whom the Employee's eligibility for exercising their Call Option and their membership stake in the ESOP Organization based on the Call Option is transferred upon the Employee's death.

Board of Directors

The Company's Board of Directors.

BSE	The Budapest Stock Exchange, as the regulated market providing for the public trading of Available Shares.
EBITDA	The earnings category before depreciation, the non-systematic reduction of ALTEO Group assets (typically impairment) and the deduction of financial profit/loss items and income tax, which ALTEO publishes on the basis of its audited, IFRS-based consolidated report and using this report to determine EBITDA (given that IFRS otherwise do not use EBITDA).
Employee	Any of the private individuals falling under the personal scope of this Remuneration Policy, employed by the Company in a legal relationship pursuant to the Labor Code or other legal relationship aimed at work, mentioned in the general sense.
Employees	All of the persons subject to the personal scope of this Remuneration Policy together.
ESOP Act	Act XLIV of 1992 on the Employee Share Ownership Program.
ESOP Organization	The Employee Share Ownership Program organization set up by the Company in line with the ESOP Act.
Founder	ALTEO Nyrt., the founder of the ALTEO ESOP Organization.
Heir	An heir as defined in Book Seven of the Civil Code (Act V of 2013), not disqualified from inheritance.
Labor Code	Act I of 2012 on the Labor Code.
Program	The Employee Share Ownership Program set up by the Company in line with the ESOP Act.

2. The objective of the Remuneration Policy for 2020

The core principle of the Remuneration Policy for 2020 – concurrently with the implementation of the Company’s business objectives – is to have Employees share in the Company’s successes. To this end, the Company provides Employees with a transparent and predictable system of benefits. The Remuneration Policy for 2020 also reflects the Company’s long-term business development plans and approach, whose objective is to improve the Company’s economic performance.

The aim of the Remuneration Policy for 2020 is to put in place a remuneration system that is in harmony with the Company’s business strategy and is aimed at improving the Company’s performance and, thereby, increasing shareholder value, in line with the related HR strategy,

the Company's long-term interests and corporate values; while also providing employees and associates with attractive remuneration.

By incentivizing the improvement of corporate performance in the long run, the Remuneration Policy for 2020 ensures that the interests of stakeholders and participants coincide with those of the Company. In addition to quality work, it is also the fundamental objective of the Company to incentivize Employees to enhance performance, to establish a vested interest in the long-term profitable operation of the Company and, thereby, to further increase shareholder value. The Remuneration Policy for 2020 also facilitates the enhancement of Employee commitment and helps Employees become interested parties in growing the Company's value by making their remuneration subject to an increase in corporate performance.

A further goal of the Remuneration Policy for 2020 is to increase the long-term commitment of Employees to the Company.

The Company announced a new strategy in 2019. The Remuneration Policy for 2020 is based on the strategic plan adopted at the end of 2019. Accordingly, the program's time horizon is as follows: January 1, 2020 – December 31, 2022, that is 3 years, with the emphasis on meeting 2022 target figures; any changes to the Company's profitability occurring in the meantime do not amend the original objectives of the Remuneration Policy.

3. The personal, material and temporal scope of the Remuneration Policy for 2020

- 3.1. The personal scope of the Remuneration Policy for 2020 extends to the Employees specified in Annex 1.
- 3.2. The Remuneration Policy for 2020 and the annex thereof governs the basic principles of the remuneration ensured in the context of the Remuneration Policy, as well as the terms and conditions pertaining to the financial assets acquirable by the ESOP Organization and to the membership stakes of Employees. The basic principles and the provisions contained in the relevant annexes are binding for all Employees.
- 3.3. The Remuneration Policy for 2020 enters into force on December 21, 2020 and loses effect when the ESOP Organization has acquired the full volume of Available Shares and the ESOP Organization has settled accounts with Employees.

4. The details and terms of the Remuneration Policy for 2020

- 4.1. The Available Shares may be distributed – provided the criteria are met – after the closing of the 2022 business year of the Company (following the adoption of the consolidated report).
- 4.2. In line with the Remuneration Policy for 2020, the ESOP Organization purchases ALTEO Shares equivalent to the volume of Available Shares either on the stock market or in over-the-counter trading. The Available Shares acquired may not be sold by the ESOP Organization prior to April 30, 2023.
- 4.3. The list of participating Employees and the maximum volume of Available Shares that may be acquired by the various Employees are contained in Annex 1 to the Remuneration Policy for 2020.

- 4.4. The Employee acquires a membership stake in the ESOP Organization with a face value determined as the product of the maximum volume of Available Shares to be acquired by the ESOP Organization in respect of them and the value of the ALTEO Share applicable on the day of provision. The financial assets contributed to the ESOP Organization by the Founder in kind as well as the financial assets directly acquired by the ESOP Organization at a given time must be proportionately recognized for the stake of the various Employees with a view to the maximum number of Available Shares due to Employees.
- 4.5. The Employees may acquire the following ratios (specified as a %) of the full volume of Available Shares, provided that the various criteria also presented below are met in full:

Criterion	Weight
1. ALTEO Share Price: in the period between January 1, 2022 and December 31, 2022, the volume-weighted average trading price on the BSE reaches HUF 1,178.	15%
2. Turnover: The aggregate turnover of ALTEO Shares as traded on the BSE in the period between January 1, 2022 and December 31, 2022 exceeds HUF 2,479 million and the volume-weighted average trading price in the same period is at least HUF 950.	15%
3. Actual Earnings per Share reaches or exceeds HUF 54.7 in 2022.	25%
4. Actual EBITDA per Share reaches or exceeds HUF 320 in 2022, with a view to the table in Section 6 below.	45%
Total:	100%
5. Excluding criterion: the rating of the bonds of ALTEO Nyrt. at Scope – or an alternative credit rating agency – drops below B+. In the event of the occurrence of the excluding criterion, 0 (zero) Available Shares may be distributed, regardless of whether criteria 1-4 are fulfilled.	

In respect of criterion 2, if any of the sub-criteria is not met, criterion 2 is to be considered as not having been fulfilled.

- 4.6. If not all criteria are fulfilled, in some restricted cases partial performance is also possible.

Partial performance is only possible in respect of the following criteria: criteria 3 and 4.

In the event of the partial fulfilment of the various criteria specified for partial fulfilment, the % weight for the given criterion as specified in the above Section 4.5 must be determined with the % weight adjustment shown in the table below (i.e. the % weight in Section 4.5 must be multiplied by the various % weights relating to partial fulfilment as shown in the table below):

Deviation from target figures	Actual EBITDA per Share – in HUF	Actual Earnings per Share – in HUF	% of share award due in the case of fulfilment of the criterion
Target figures	320	54,7	
Reaching or exceeding target	320 <=	54.7 <=	100%
Up to 5% below target	304-319.99	51.99-54.69	85%
Up to 5% to 10% below target	288-303.99	49.24-51.98	60%

Up to 10% to 15% below target	272-287.99	46.5-49.23	30%
More than 15% below target	<272	<46.5	0%

- 4.7. The fulfilment of criteria is presented to the Company's Board of Directors by the management of ALTEO, and the BoD is required to establish the fact of fulfilment – be it partial or full – and approve it based thereon.
- 4.8. In the event of the full or partial fulfilment of the criteria, Employees receive the Available Shares from ALTEO's ESOP Organization free of charge, without consideration paid; in the event of partial fulfilment, the above-specified adjustments are logically applied concerning the number of Available Shares.

5. Termination of the Employee's eligibility to participate in the Remuneration Policy for 2020

- 5.1. Termination of the eligibility to participate prior to the start of the period of the acquisition of Available Shares.

The Employee is eligible to acquire the Available Shares if their legal relationship making them eligible to participate in the Remuneration Policy for 2020 is in place with the Company on the day of publication of the Company's consolidated report for 2022.

If the Employee's legal relationship is terminated for any reason prior to this day, not including the case set out in Section 5.3 below, the Employee's membership stake in the ESOP Organization terminates on the last day of their legal relationship and the membership stake of the Employee acquired in the ESOP Organization is transferred to the Founder.

- 5.2. Retirement

In the event of retirement, the Employee's membership stake in the ESOP Organization terminates on the last day of their legal relationship and the membership stake of the Employee acquired in the ESOP Organization is transferred to the Founder.

- 5.3. Death of the Employee

In the event of the Employee's death, the membership stake of the Employee acquired in the ESOP Organization is transferred to the Beneficiaries specified by the Employee in writing. In the absence of a specified Beneficiary, the membership stake is due to the Heir.

The Beneficiary or the Heir are entitled to the rights and privileges due to the deceased Employee and also have the obligations of the Employee, with the proviso that the Beneficiary or the Heir may not designate an additional beneficiary for the event of their death and the membership stake thus transferred cannot be inherited.

In the absence of a Beneficiary or Heir, the eligibility to exercise the Call Option ceases and the membership stake of the deceased Employee is transferred to the Founder with the day of the Employee's death.

- 5.4. Change of position

In the event of a change in position, the Membership stake acquired in the ESOP Organization in respect of the original position terminates on the day of the entry into force of the change in position and the Employee's membership stake is transferred to

the Founder, unless the body eligible to provide the Available Shares decides on maintaining eligibility for participation. The body eligible to provide benefits may make the maintenance of eligibility for participation subject to terms and conditions.

The body eligible to provide benefits issues its resolution on the maintenance of eligibility for participation by the day of the entry into force of the change in position at the latest. In the absence of such resolution, the Employee's eligibility for participation terminates on the day of the entry into force of the change in position and the Employee's membership stake is transferred to the Founder.

If the body eligible to provide the benefits decides on maintaining eligibility for participation, the Membership stake acquired in the ESOP Organization is due to the Employee with the original terms, rights and obligations, but also taking the terms and conditions set out in the resolution of such maintenance into account. In the event of the breach of or non-compliance with the terms, the Employee's eligibility for participation terminates with immediate effect on the day of such breach or non-compliance, and the Employee's membership stake is transferred to the Founder.

6. Withdrawal of the membership stake, settlement of accounts

- 6.1. In the event of the cessation of eligibility criteria, the fulfilment of the objective of the Remuneration Policy for 2020 or the frustration of the Remuneration Policy for 2020, the Employee's membership stake is withdrawn in the manner detailed in the Articles of Association. The membership stake transferred to it on account of the cessation of the Employee's eligibility for participation is withdrawn by the Founder by no later than the second interim statement of financial position date or the second reporting date following the cessation of eligibility for participation.
- 6.2. The Employee is not entitled to any compensation or other consideration on account of the transfer of their membership stake in the ESOP Organization to the Founder.
- 6.3. In the event of the fulfilment of the objective of the Remuneration Policy for 2020, by the deadline set out in the Articles of Association the Employee shall make a declaration upon the withdrawal of the membership stake on whether they wish to receive the Available Shares as securities or whether they wish to receive the consideration thereof in cash.
- 6.4. The Employee acquires the Available Shares without consideration paid; however, the ESOP Organization is entitled to withhold a ratio of Available Shares whose market value at the time of provision provides coverage for the fulfilment of tax and contribution payment obligations borne by the Employee.
- 6.5. The request pertaining to the transfer of Available Shares is subject to the Employee specifying – in their declaration as per Section 6.3 – a securities account held by a domestic investment provider in respect of which account they are the beneficiary. The costs of the release (transfer) of the Available Shares qualify as operating costs for the ESOP Organization.
- 6.6. Within 3 days of the verified receipt of the request, the ESOP Organization commences the withdrawal of the Employee's membership stake in line with the provisions of the Articles of Association.

7. Implementation and review of the Remuneration Policy for 2020

- 7.1. In line with the provisions of the Articles of Association, the authorized person and the senior executive are responsible for the implementation of the Remuneration Policy for 2020 and for overseeing compliant operation.
- 7.2. The Founder subjects the Remuneration Policy for 2020 to an internal review every year and, furthermore, may subject it to extraordinary review or terminate the Policy in the event of material organizational changes or changes occurring to its statutory (including in particular in relation to the ESOP Act), capital market or economic environment.

8. Tax and contribution consequences

Pursuant to the Remuneration Policy for 2020, the income tax and contribution consequences of ALTEO Shares acquired from the ESOP Organization must be determined based on Hungarian personal income tax and social security laws, the applicable double taxation treaties, the regulation on the coordination of social security systems of the EEA and bilateral social security/social policy agreements.

9. Governing law and other provisions

- 9.1. The Program, the Remuneration Policy for 2020, and the rights and obligations of Employees and the Company arising from the Program are governed by Hungarian law and are to be interpreted and implemented as per the provisions of Hungarian law.
- 9.2. The invalidity or unenforceability of one or more provisions of the Remuneration Policy for 2020 does not impact the validity and unenforceability of other provisions.
- 9.3. This Remuneration Policy for 2020 serving as the basis for the Program can only be amended by the Founder by ensuring that such amendment does not result in the reduction or frustration of the rights or reasonable expectations of the participants of the ESOP Organization relating to the Program or an increase of burdens undertaken earlier in relation to the Program.
- 9.4. With a view to the fact that certain Employees are also members of the Board of Directors, the remuneration payable to such persons pursuant to the Remuneration Policy for 2020 must also be approved by the Company's General Meeting. In the absence of such approval by the Company's General Meeting, no remuneration may be paid pursuant to this Remuneration Policy to Employees who are members of the Board of Directors.

10. Program administration

- 10.1. The senior executive of the ESOP Organization keeps ongoing records on eligible persons and the membership stakes of eligible persons, as well as on the Founder.
- 10.2. Within 8 (eight) days of the issue and withdrawal of membership stakes, the senior executive of the ESOP Organization reports to the court of registration the number and aggregate face value of issued and withdrawn membership stakes as well as the remaining membership stakes after such issue or withdrawal.

- 10.3. Pursuant to the provisions of the ESOP Act, the internal policy of the ESOP Organization comprises the remuneration policies serving as the basis for the ESOP and the annexes thereof.
- 10.4. Should any Employees participating in the Program have any questions relating to the operation of the Program or pertaining to the above-regulated sections, they can contact the senior officer of the ESOP Organization.

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Budapest, December 21, 2020

The Board of Directors of ALTEO Nyrt.

Annex 1

Employees falling under the personal scope of the Remuneration Policy:

Name of the employee	Grounds for authorization	Employee's position	Number of Available Shares (maximum, no. of shares)
Attila László Chikán	Delegated Resolution 1/2020. (XII. 21.) of the Board of Directors	CEO, Member of the Board of Directors	154,848
Zoltán Bodnár		Chief Financial Officer	90,328
Domonkos Kovács		Deputy CEO for M&A and Capital Markets, BoD member	90,328
Péter Luczay		Deputy CEO for Production and Risk Management	90,328
Viktor Varga		Deputy CEO for Energy Production and Energy Supply	90,328
Gergely Kis		Director for Energy Trading	32,260
László Molnár		Head of the Business and Development Division	32,260
Dr. Zoltán Pataki		Chief Legal Counsel	32,260
Anita Simon		Head of the Waste Management Division	32,260
Total		–	–