

ALTEO Group

Integrated Report 2021



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1. Introduction

1.1. Message from the CEO

[102- 14]

Dear Reader,

I opened ALTEO's previous integrated report by stating that 2020 was a year in which we have moved a long way from the world as we knew it before the COVID-19 epidemic. As I write these lines, Eastern Europe is experiencing a crisis unlike anything since the Second World War.

Against this backdrop, 2021 will go down in the records as a year of true peace, which has given ALTEO the time it needed to move closer to achieving its goals. Among these, those related to sustainability are particularly important, especially the strengthening of ESG aspects in every detail of the company's operations.

We are proud to have succeeded in integrating this approach with ALTEO's strategy in a far-reaching and long-term manner, as clearly demonstrated by the ESG certification earned in 2022, and the outstanding ratings in the health and safety categories. However, this would not have been possible, nor could we have embarked on this journey, without the solid foundations of our integrated management system, health, safety and environment, legal and compliance. These were just as necessary as the consistent and systematic adoption of a renewables-based mindset that began years ago in the different business areas. The solar power plants and wind turbines added to ALTEO's portfolio were the decisive milestones on the road to the latter, as was the targeted refurbishment and re-commissioning of the Gibárt Hydropower Plant to meet the expectations of the era.

We are also proud that sustainability has been assigned an independent senior management position within the company, as well as the fact that it is held by a top female executive, the first in ALTEO's history. Our aim is to link even more closely our business and sustainability results, which we have always considered to be intertwined, and approached in an integrated way. And speaking of business performance: in 2021, ALTEO achieved the highest profit figures in its history, with outstanding profit growth. This was partly due to favorable market conditions, in particular the high balancing energy and capacity market prices experienced during the year. At the same time, the outstanding performance of our Virtual Power Plant contributed to this, as did the brilliant year in the retail business, which was the most affected by the pandemic in 2020. Last but not least, I must also mention the significant expansion of our renewable energy production capacity, which helped us meet the key objectives of our five-year strategy established in 2019 more rapidly than expected.

As a result, we have decided to set much bolder milestones than before for the period ending in 2026: the combined value of new investments and acquisitions may increase by up to an additional HUF 35 billion over the next five years, which implies significant growth in the period ahead. The market has rewarded our outstanding quarterly performance in 2021 and the excellent outlook with a strong

share rally, and it is no coincidence that ALTEO was named the Issuer of the Year with the highest share price increase in the premium category at the Best of BSE Awards. In addition to this well-deserved recognition, the company was also awarded the Responsibility, Sustainability, Corporate Governance and the Issuer Transparency Midcap Awards, and receiving our first ESG certification was equally good feedback for evaluating our achievements to date.

We will continue on this path with our usual momentum, while following the circular economy criteria; for example, by further developing our e-mobility business in a targeted way, and by increasing the weight of next-generation energy solutions in our portfolio with a new battery energy storage facility in Kazincbarcika.

The increased focus on our employees is an inevitable part of ESG thinking. On the one hand, this has not lost any of its importance since we were founded, but, on the other hand, it has also become more targeted and tailored to individual and specific needs than ever before, obviously, in part due to the pandemic. Last year we moved to a new, more sustainable office, which provides a more inspiring workplace for our colleagues and at the same time has less impact on the environment. We continue to support and encourage remote and hybrid work arrangements, making it a permanent and sustainable practice through regular efficiency reviews. This nowadays requires the maintenance of a completely reliable and secure IT environment, which is an essential part of stabilizing our business processes with the necessary state-of-the-art IT systems and solutions. This is as much about the community of our employees as it is about strengthening work-life balance in a targeted way: we contribute to the well-being and healthy lifestyle of our colleagues through independent initiatives that encourage and enable them to exercise and play sports, while keeping “wellbeing” criteria in mind when designing our internal communication platform.

Sustainability, spilled over to our everyday lives, will accordingly accompany us in the further development of our business processes. We will use the ESG certification, which is a benchmark in our industry, to push our stakeholders towards circular thinking, including by emphasizing environmental expectations in the design of our multi-level partner monitoring system.

We will continue to make every decision contribute to making the Earth a better world to live in. This was the path we set out on when we were founded in 2008, and, although we have often faced constraints, we are extremely proud that we have never been on a forced path. We are taking the steps that will enable us to lay the foundations today for success in the coming years in a planned and organized way, with the utmost flexibility and discipline under the circumstances.

1.2. Highlights 2021



1.3. On the way towards ESG

We at ALTEO have always believed in sustainable development from the start. To this end, we started laying the foundations for our ESG vision and strategy several years ago, ahead of our competitors and, in some respects, ahead of the market. We have come a long way since the publication of our first Sustainability Report, and we have achieved a number of ESG milestones over the years.

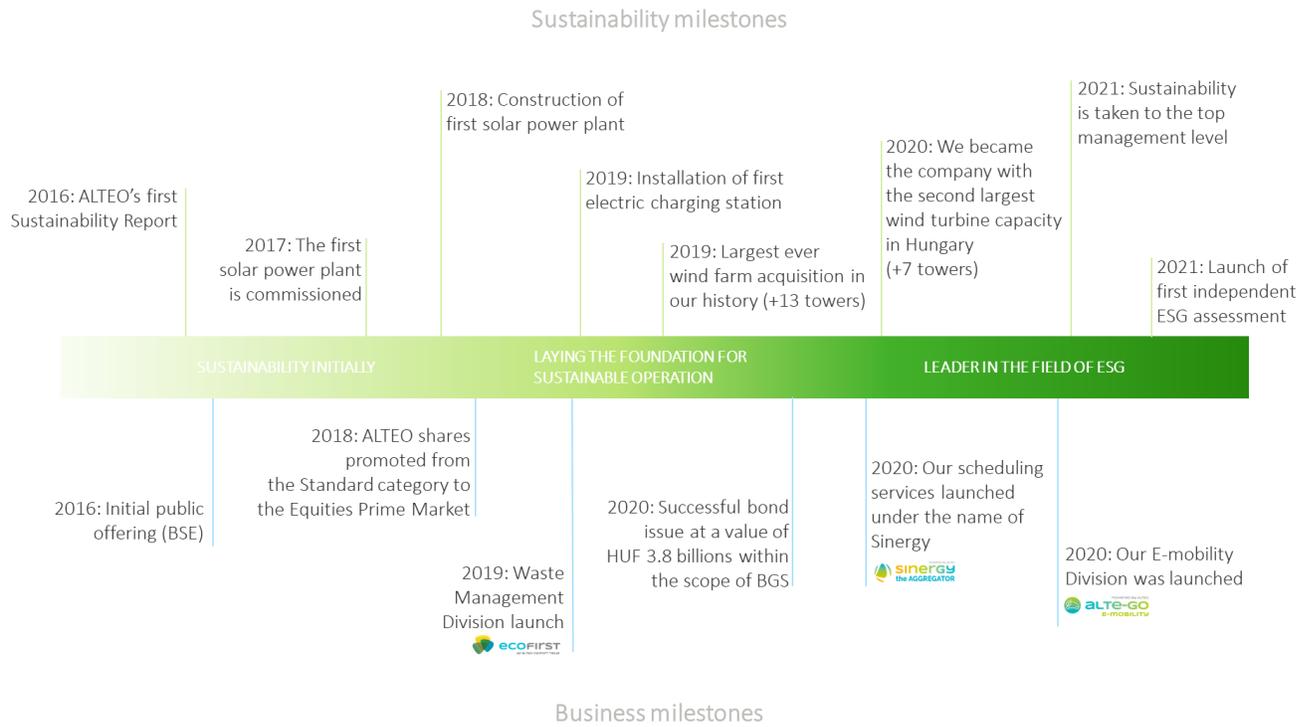
As this year's Integrated Report shows, we certainly do not stop here. As well as improving our business performance, we are constantly learning and improving to become a more environmentally and socially responsible company.

Sustainability milestones:

- 2016: ALTEO's first Sustainability Report
- 2017: The first solar power plant is commissioned
- 2018: Construction of first own solar power plant
- 2019: Waste Management Division launch
- 2019: The largest ever wind farm acquisition in our history (+13 towers)
- 2020: We became the company with the second largest wind turbine capacity in Hungary (+7 towers)
- 2021: Sustainability is taken to the top management level
- 2021: The first independent Environmental, Social, Governance (ESG) evaluation is launched

Business milestones

- 2016: Initial public offering (BSE)
- 2018: ALTEO shares promoted from the Standard category to the Equities Prime Market
- 2019: Waste Management Division launch
- 2020: The first energy storage facility is established
- 2020: Our scheduling service was launched under the name Sinergy
- 2020: Our E-mobility Division was launched
- 2021: Record high EBITDA profit



1.4. Tracking our commitments

Commitment	Status	Deadline	Achievements in 2021
GOVERNANCE		2026*	We had originally planned to invest HUF 20 billion by 2024 (including acquisitions), of which HUF 11 billion was already completed in two years, by 2021. According to the new strategy, the combined value of new investments and acquisitions could increase by up to a further HUF 35 billion over the next five years.
		2026*	In 2020, we launched two new business lines in this spirit: Renewable Production Management (RPM) and E-mobility. In future, we want to increase the share of RPM business line from the current estimated 15% to 25% by 2026.

Improving the Virtual Power Plant's capacities and flexibility		2026*	In 2020, the capacity was expanded with a total of 18 MW gas engine and the involvement of a new external partner, increasing the capacity of the gas engines involved in the regulation from 50 MW to 73 MW, and thus the flexibility as well. After Zugl6 (6 MW), in 2021, we delivered a new energy storage facility (5 MW) in Kazincbarcika. We intend to continue the capacity expansions in energy production and storage that we have already started, as the demand for balancing energy services is increasing in parallel with the spread of renewable energy power plants.
Enhancing the HR portfolio by increasing commitment, long-term retention and stabilization of employees		2021	The immediate actions of the satisfaction survey conducted in 2020 have been implemented, with several elements incorporated into the strategic HR plan. Ensuring long-term commitment and wellbeing has been defined as specific objectives, and as a part of this a Comprehensive Compensation Strategy has been developed. The foundations for a job evaluation system have been laid; streamlining steps have been started, and we are continuously benchmarking our positions against the market.
Improving internal communication, strengthening internal knowledge sharing	New goal	2022	

Commitment	Status	Deadline	Achievements in 2021
Obtaining certification according to ESG criteria		2021	In 2021, we prepared for the first certification and started the process with an international independent certification body. We obtained the first voluntary certification in January 2022. We will use our knowledge to explore further improvement opportunities in 2022.
New and greener head office		2021	We moved to Globe 3, where we designed the office space with sustainability in mind.
ALTE-GO electric car charging stations		2021	We have installed 60 charging points out of 78 planned for 2021. Our new target is 200 by the end of 2022 and 500 by 2023.
Determining the corporate carbon footprint (Scope 1-2-3) and setting a decarbonization target on the basis of this footprint	New goal	2022	
Application of TCFD guidelines in our reporting structure	New goal	2023	
Emission reduction targets set along SBTi (Science-Based Targets)	New goal	2024	
Publishing quarterly reports containing ESG criteria, in addition to the annual Integrated Report	New goal	2024	
As part of fleet greening, replacing 50% of the company car fleet with hybrid/electric drive and building the necessary infrastructure at our sites by 2025	New goal	2025	
Implementing ALTEO's Sustainability Strategy in the five key areas	New goal	2025	

ENVIRONMENT

	Commitment	Status	Deadline	Achievements in 2021
SOCIAL	Raising awareness of and promoting corporate social responsibility within and outside of the company		2021	In 2021, we performed ALTEO Sustainability Barometer (external representative survey) + ALTEO Sustainability and Health, Safety and Environmental Protection (HSE) Culture survey (internal, employee), on the basis of which we have set ALTEO's Sustainability Strategy. We identified 5 Key Areas, for which we established a sustainability program
	Strengthening the Health, Safety and Environmental Protection (HSE) culture: safety is our core value, Safety1st is our motto. Our aim is to maintain the results achieved (0 accidents), raise awareness, consistency, and increase motivation.	New goal	2022	2021: 0 work accident
	Support and encourage employee volunteering; our goal: At ALTEO Group level, min. 500 working hours/year	New goal	2025	

*ALTEO first formulated a five-year strategy in 2019, but since then we have been doing so well in meeting our targets over time that we have revised the targets marked with an *. There are some 2024 targets that the company is particularly well on track to meet, and others that it has already met.



2. About the integrated report

[102-50, 102-52] This document is the third integrated (financial and sustainability) report of ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság (hereinafter referred to as: ALTEO Nyrt. or ALTEO) and its consolidated subsidiaries (hereinafter jointly referred to as: ALTEO Group, Group or the Company). The purpose of this report is to present our efforts in sustainability, transparency and consolidated financial data to all our stakeholders.

The report presents key events and results for the period between January 1 and December 31, 2021, along with the economic, environmental and social impacts thereof, which are compared with data from previous years (2018-2020) for traceability.

[102-54][102-46] The Sustainability Report of the ALTEO Group is presented at the 'Core' level in accordance with the Value Reporting Foundation's <IR> Framework and the Global Reporting Initiative (GRI) Standards guidelines. This means that, in addition to the mandatory core indicators of the GRI, based on the results of the materiality analysis indicated in Chapter 2.2 of our report, we also present at least one disclosure on important topics, which will help to make our company's report more understandable and transparent.

Also to aid readability, we sought to minimize repeating general and company information that had already been published. For the various topics, the relevant detailed descriptions are available on our website. Such descriptions and further additional information are referenced in live links.

The Group was assisted by Deloitte Zrt. as a consultant in the preparation of this Integrated Report, while BDO was engaged to provide limited assurance¹.

[102-53] Should you have any comments in connection with our Integrated Report or the operations of ALTEO Group, please contact us at fenntarthatosag@alteo.hu so that we can take these into account in preparing the next report.

2.1. Our stakeholders

As a responsible company with integrated thinking, ALTEO treats its stakeholders as partners, with the highest priority. Our stakeholders provide important information on our performance and on the environmental, economic and social factors that shape ALTEO’s value creation processes. They also play a key role in determining the content of our annual Integrated Report.

In preparing this report, we have identified key stakeholders that have relevant information to assess our activities, both locally and in the industry. **[102-42]** Our list of stakeholders was identified through interviews with top management and is detailed in last year’s report (2020 IR, pp. 75-80)

[102-40] [102-43] [102-44] Introduction to our key stakeholder groups

Stakeholder group	Short description of the relationship	Capital created through the relationship with the stakeholder	Contact specifically for reporting purposes
Authorities, supervisory bodies	In discharging our obligations related to authorities, our primary aim is to ensure full compliance with the legal requirements. We seek to engage representatives of the authorities concerned in our activities several times a year, beyond official events and mandatory consultations.	Natural	Yes

¹ For more details on certification with limited assurance, please refer to: BDO Independent Assurance Report.

Shareholders and investors	We maintain a regular and active relationship with all our shareholders through written information and regular General Meetings.	Financial	Yes
Our clients	We regularly communicate with our customers, proactively seeking feedback and conducting satisfaction surveys.	Financial, manufacturing, intellectual	Yes
Our employees	We are also in close contact with our expanding team through performance reviews, career planning and periodic surveys.	Manufacturing, human, intellectual	Yes
Suppliers and subcontractors	Ensuring compliance with legal and business ethics expectations is a top priority in our proactive relationship with our suppliers and subcontractors.	Manufacturing	Yes
Local communities, civil organizations	We also become active members of our communities where we operate, and also in the wider community.	Social and communal	Yes
Media	We are committed to transparently communicating our successes, achievements and development plans, and we engage regularly with the press.	Social and communal	Yes

[102-44] During the stakeholder communication in connection with the 2021 Integrated Report, two priority stakeholder groups raised a topic each that was treated as a key issue in the report because of its importance for stakeholders. Among our external stakeholders, particularly our business partners, the topic of “water and wastewater” and the related SDG 6 “Ensure access to water and sanitation for all”² were prioritized, while our internal stakeholders, our employees, highlighted the topic of “installed capacity” and SDG 9 “Build resilient infrastructure, promote sustainable industrialization and foster innovation” as priority topics.

2.2. Materiality assessment

[102-46] Our report aims to present our sustainability, business and social impacts in an integrated way to our stakeholders. We defined the range of the topics covered by the report and the boundaries of the same on the basis of the materiality assessment performed at the end of 2021, in accordance with the degree of control that ALTEO Group has over each aspect, presenting all topics where ALTEO Group contributed as a decision-maker and/or implementer.

² SDG: Sustainable Development Goals, United Nations

The steps of the materiality assessment:

1. Assessing our environmental, social and economic impacts

We have identified and prioritized, with the involvement of experts and through a self-assessment process, the areas and issues on which the ALTEO Group and our value chain may have a direct or indirect impact. Our assessment also took into account international sustainability, industry trends, and regulatory and voluntary organizational requirements, as well as the ALTEO Group's goals, values and management approach.

2. Stakeholder analysis

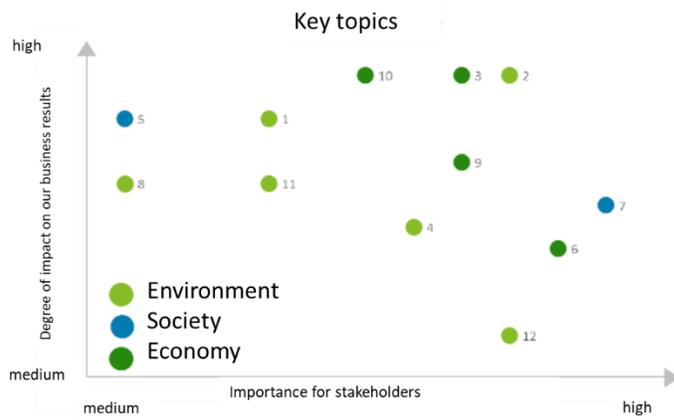
After mapping our external and internal stakeholders, we assessed the views of our stakeholders through an anonymous online questionnaire. As a result of their assessment, we have identified the issues that are most important to them and their expectations in relation to the topics presented in the Integrated Report.

3. Materiality matrix

The issues identified were matrixed according to their impact on stakeholders' opinions and decisions and the extent of their economic, environmental or social impact on the company, and then ALTEO's internal team of experts identified areas of priority for specific stakeholder groups, in addition to the generally relevant issues, which are presented in detail in this year's Integrated Report.

[103] [102-46] [102-47] Key topics

Due to the organizational changes in the ALTEO Group and the evolution of the industry's approach to sustainability, we considered it necessary to revise our previous materiality assessment from 2016 at the end of 2021. The results of this are presented in the external sustainability context set by the UN Sustainable Development Goals.



13 CLIMATE ACTION

1. Air emissions, air quality
2. Environmental compliance
3. Projects related to operations facilitating climate change mitigation

11 ENERGY EFFICIENCY **12** WATER AND WASTEWATER

4. Generated waste
5. Occupational healthcare, health and safety at work
6. Anti-corruption
7. Client data protection

9 ENERGY EFFICIENCY

8. Installed capacity
9. Innovation intended to improve products and services

7 RENEWABLE ENERGY

10. Total amount invested in renewable energy, amount of energy generated using renewables
11. Report on energy efficiency objectives

8 WATER AND WASTEWATER

12. Water and wastewater

2.4. Assurance letters

[102-56]



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INDEPENDENT ASSURANCE REPORT

To the management of Alteo Nyrt.

This report has been prepared in accordance with the terms of our contract dated 30 June 2020 in order that we accomplish the independent external party examination of ALTEO Nyrt's Integrated Report 2021 document (hereinafter „Report”) presenting the non-financial performance and sustainable operation of ALTEO Nyrt.

The responsibility of ALTEO Nyrt's management

ALTEO Nyrt. is responsible for the preparation of the Report in accordance with the criteria of Core option of Global Reporting Initiative (GRI) Standard as described in the guideline to the Report.

This responsibility includes the selection and application of appropriate methods to prepare the Report and the use of assumptions and estimates which are reasonable in the given circumstances.

The scope of the examination, its criteria and limitations

The aim of this limited assurance engagement is to express a conclusion whether the selected information and data of the Report prepared for the year ended 31 December 2021 are prepared by the management of ALTEO Nyrt. in line with the GRI criteria.

The limitations of our examination

The scope of our examination referred to solely the sustainable performance indicators stated in the Report.

During our examination we have not fully examined all the sustainability data and information stated in the Report. Our examination solely included the compliance of the data reporting procedure with GRI principles and the sample-based testing of the data sources of the selected indicators.

Our examination of numerical data included in the Report was limited to the following sustainability indicators together with the testing of the data sources.

- 102-9: Supply chain
- 302-1: Energy consumption within the organization
- 305-4: GHG emissions intensity
- 103-404: Training and education
- EU11: System efficiency - average production efficiency

The examination of the other numerical data presented in the Report has not been performed. We have not examined previous years' data and trends relating to performance indicators presented in the report. Our report has been prepared solely for the purpose described in the first section of this report.

Our responsibility

Our responsibility is to report based on our work about the selected data and information included in the Report of 2021.

We prepared our report solely for the purpose of disclosing it in the documents of ALTEO Nyrt., and we do not accept any responsibility for any third party usage of the documents published as a result of this examination.

We conducted our engagement in accordance with the International Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" ("ISAE 3000"). This standard requires that we comply with the ethical requirements as well as plan and perform the assurance engagement to obtain limited assurance whether the selected information and data included in the Report of 2021 has been prepared, in all material respects, in accordance with the GRI criteria.

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Fővárosi Bíróság Cégbírósága, Cégjegyzékszám: Cg. 01-09-867785

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Summary of the work performed

The verification process, the examination of the Report have been prepared complying with ISAE3000, in accordance with the Electric Utilities and the Oil and Gas Sector Supplements of GRI Standard guideline.

Procedures performed

1. Assessment of the GRI in accordance with Core level:
 - Examination of the completeness and appropriate application of the indicators used in the Report;
 - Examination of the definitional use of GRI indicators stated in the Report;
 - The evaluation of the compliance of the Report with GRI principles.
2. Data level assessment of selected indicators, providing limited assurance:
 - Examination of the proper collection of basic data, examination of on-site aggregation and conversion of basic data, examination of the adequacy of data provision;
 - Checking whether the data was generated according to the definition of the respective indicator.
3. To confirm and to complete the statements above, we have conducted the following interviews at the organizational units selected relating to the Report of 2021:
 - Sustainability and HSE
 - Central Procurement
 - Accounting
 - Energy production, Operation and Maintenance
 - Energy retail, Energy trading and Control Center
 - Human Resources

In the engagements providing limited assurance, the evidence-gathering procedures are more limited than the ones applied for a reasonable assurance engagement, therefore less assurance is obtained than in case of a reasonable assurance engagement.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our limited assurance engagement, nothing has come to our attention that would cause us to believe that the selected information and data of the Report have not been prepared, in all material respects, in accordance with Core option of GRI Standard criteria, and the Report would not comply with the GRI criteria.

Budapest, 25 March 2022

András Schillinger
Director

BDO Hungary Audit Ltd.
1103 Budapest, Kőér utca 2/A
Registration number: 002387

Péter Kékesi
Certified Auditor
Chamber registration No.: 007128

This is the translation of the original Hungarian statutory report. In case of any discrepancies, the original Hungarian version prevails.

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Csoportazonosító (Group-ID-Nr): 17780711-5-42
Group VAT Nr.: HU17780711

3. ALTEO

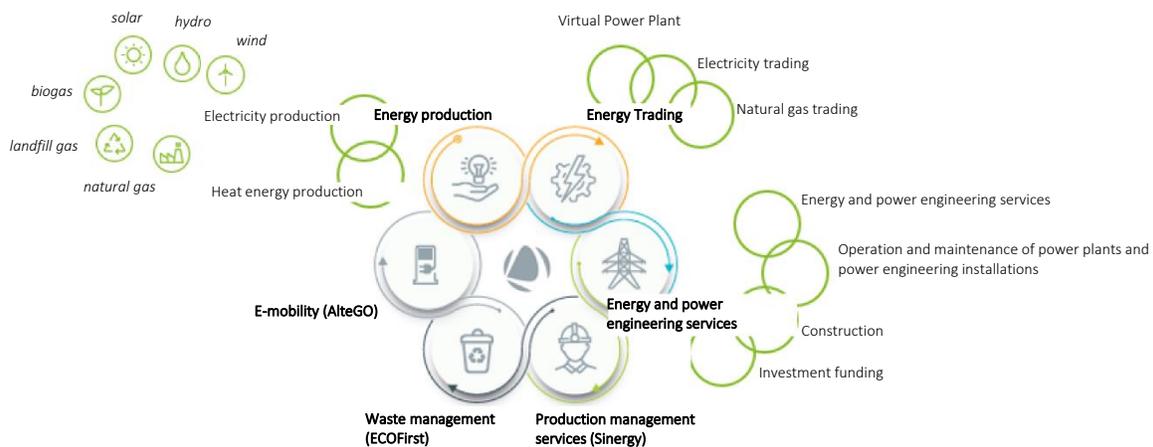
3.1. Our business activities

ALTEO - With Energy in Mind

[102-1] [102-2] ALTEO Nyrt. is a Hungarian-owned energy service and trading company with a modern outlook. The three pillars of our business activity are energy production based on renewable and natural gas energy carriers, energy trade and bespoke energy services and development projects provided for companies.

It is a priority for us to provide our customers not only with a reliable, but also with an environmentally conscious energy supply, based on renewable energy sources. Our partners are small, medium and large companies, whose needs are efficiently served by our own optimally designed mix of assets and our Virtual Power Plant.

Six main segments of ALTEO's activities and portfolio overview



Company data

[102-1] Name: ALTEO Nyrt. (and its consolidated subsidiaries, hereinafter jointly referred to as: ALTEO Group)

[102-3] Registered office: H-1033 Budapest, Kórház utca 6-12.

[102-5] Owners: (December 31, 2021)

63.32% Wallis Asset Management Zrt. and its subsidiaries

4.76% Board of Directors, Supervisory Board and top management

0.04% Own shares (Excluded from the face value in circulation)

2.46% Employee Share Ownership Program

29.42% Free float (outside of management)

[102-7] Issued capital: 242,328,425 Hungarian forint

Revenue: HUF 44 billion (December 31, 2021)

Number of staff: 292 employees

ALTEO's shares are traded in the Equities Prime Market of the Budapest Stock Exchange.

Our mission and vision

[102-16]

The sustainability approach is not only reflected in ALTEO's own activities, but also indirectly has a positive impact on the attitudes of our partners and investors.

In the design and development of our power generation portfolio, we have also focused on alternative and renewable energy units, as well as high-efficiency hydrocarbon-fired cogeneration systems. In the meantime, we are building a customer-focused and flexible energy trading business.

We believe it is important to support the efficient energy management of our partners to allow them to minimize the environmental impact and energy costs of their operations and to ensure the maximum utilization of efficient renewable energy sources.

Our approach offers a significant market potential to us, and in this way we are able to penetrate markets that contribute to the value of the Company and thus also to shareholder value.

Our mission:

The long-term goal of ALTEO Group is to become a definitive power engineering services provider that offers sustainable energy supply to its consumers as well as satisfactory returns to its shareholders through the optimized use of energy trading, decentralized energy production and efficient energy management.

Our vision and mission are built on the following three pillars:



Our vision:

Our vision is to create a sustainable business advantage for our partners by providing the best energy solutions of today, and to be the companies of tomorrow together.

Our values

At ALTEO, we attach great importance to introducing the basics of our corporate culture to our external and internal stakeholders, as we work along these values on a daily basis for common success.

Our values at ALTEO:

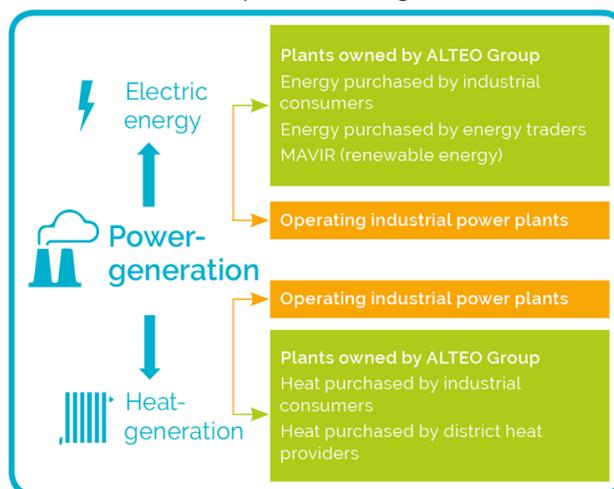


The values represented by the ALTEO Group, the basic conditions for fair, transparent and compliant business operations are set out in detail in the Code of Ethics of the Company (Chapter 4.3 – Code of Ethics).

Products and services
 [102-2] [102-4] [102-6]

Energy production

In the course of our energy production operations, electricity and heat is generated in power plants owned or operated by us. ALTEO generates energy using 24 power plant units in total, of which 16 utilize renewable energy sources. Our renewable energy portfolio includes weather-dependent wind farms, solar and hydropower plants and non-weather-dependent small-scale power plants that utilize biogas. Our heating power plants generate electricity and heat energy for industrial plants and serve urban district heating systems, and our portfolio also includes electric power storage units.



In 2021, our operations focused on quality improvement and maintenance, building on the portfolio and capacity growth of the previous year.

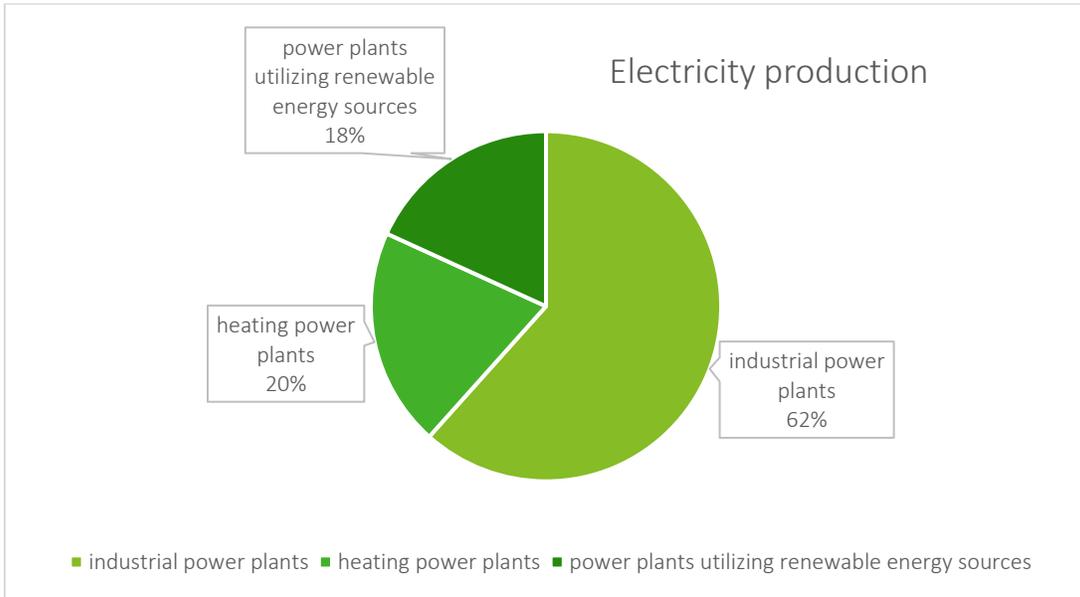
One of the most important achievements of our energy production in 2021 was that we met our strategic target of essentially running ALTEO-owned power plants continuously at 98% average availability. By renewing the contracts of the Kazincbarcika Heating Power Plant and BC Power Plant, our presence has been consolidated at all sites for the long term.

Power plant name / location	Installed electrical capacity (MW)	Electricity sales: Within the subsidized system / On the free market / Traded on the free market / Through the Virtual Power Plant (VPP)*
Owned power plants	135.3	
NATURAL GAS	66.1	
<i>(a) Heating power plants</i>	<i>66.1</i>	
(1) Győr	17.9	VPP
(2) Sopron	6.1	VPP
(3) Kazincbarcika	9.6	VPP
(4) Ózd	4.9	VPP
(5) Tiszaújváros	9.4	VPP

(6) Zugló	18.2	CC
RENEWABLES-BASED	69.3	
<i>(a) Hydro-power plants</i>	1.9	
(1) Felsődobsza	0.9	Subsidized
(2) Gibárt	1.0	Subsidized
<i>(b) Wind farms</i>	47.1	
(1) Ács	2.0	VPP
(2) Jánossomorja	1.8	VPP
(3) Pápakovácsi	1.8	VPP
(4) Törökszentmiklós	1.5	Subsidized
(5) Bőny	25.0	Subsidized
(6) Bábolna	15.0	Subsidized
<i>(c) Landfill gas</i>	1.1	
Debrecen 1	0.6	on the free market
Debrecen 2	0.5	Subsidized
<i>(d) Solar power plant</i>	19.1	
(1) Domaszék	2.0	Subsidized
(2) Monor	4.0	Subsidized
(3) Balatonberény	6.2	Subsidized
(4) Nagykőrös (solar power plant)	6.9	Subsidized
Operated power plants	87.9	
NATURAL GAS: Industrial services	82.9	
(1) BC-Power Plant	46.9	
(2) TVK Power Plant	36.0	
<i>Fuel oil</i>	12.0	
(1) TVK Power Plant	12.0	
RENEWABLES-BASED	10.0	
<i>(a) Biogas</i>	2.0	
Nagykőrös	2.0	
<i>(b) Solar power plants</i>	3.0	
Sormás	1.5	
Nagykőrös	1.5	

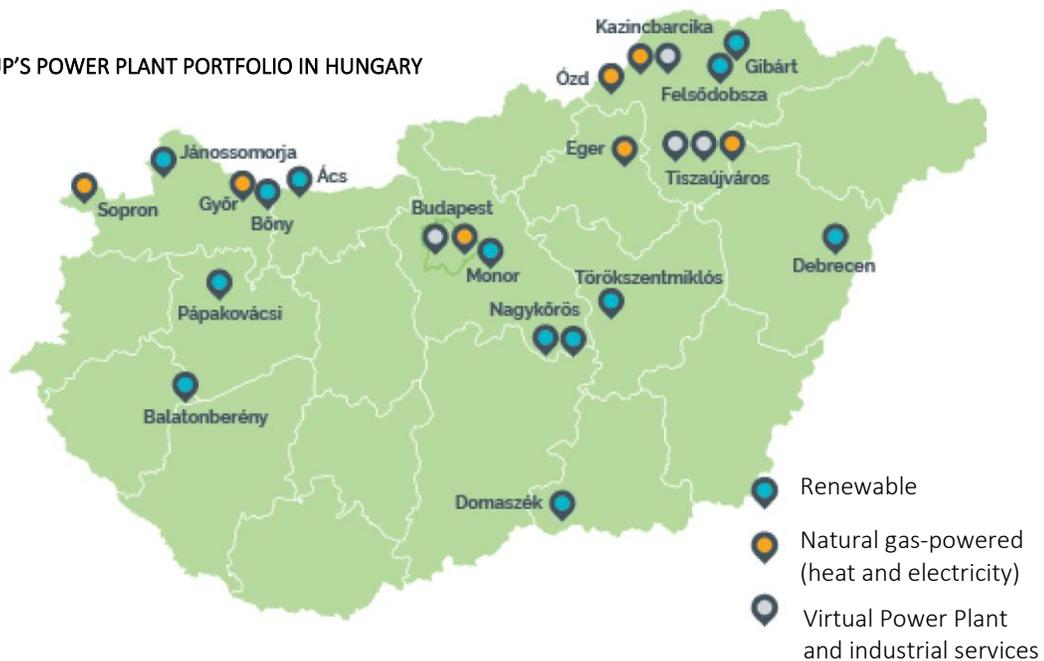
* Forms of electricity sales are further described in the Energy Trading chapter.

In quantitative terms, our power plants generated 897 thousand kWh of electricity, which constitutes the electric power of roughly 392 thousand households, along with 9.2 million GJ of heat energy, which makes up for the whole year's supply of heating in 224 thousand households. Of that, 62% was generated at industrial, 20% at heating and 18% at green energy utilizing power plants.



ALTEO's operations map according to the distribution of the power plant portfolio

ALTEO GROUP'S POWER PLANT PORTFOLIO IN HUNGARY
102-6



Wind farms

In 2021, the ALTEO Group maintained its second place in the domestic wind power market in terms of its market share. In 2021, the Bőny Wind Farm and the Bábolna Wind Farm were connected to the Virtual Power Plant, thus achieving the possibility to regulate their electricity production.

Hydropower plants

The Group currently operates two hydropower plants. The renovation of the Gibárt Hydropower Plant, which has been in operation for more than 100 years and declared a listed historic site, was completed in 2020. This project not only saw process technology upgrades implemented to ensure the continued long-term, reliable and cost-effective operation of the power plant, but also the restoration of the building. The grounds and structures of the hydropower plant are owned by Észak-magyarországi Áramszolgáltató Nyrt., while ALTEO Group owns the technological systems and architectural elements installed as part of the project. The relevant energy-generation equipment and installations of the Felsődobcsa Hydropower Plant, which operates on the River Hernád are owned by the ALTEO Group, while ALTEO leases the property and the sections of the power plant classified as other water structures from ÉMÁSZ Nyrt. Both power plants are operated by ALTEO's own specialists, and as of 2021, the Gibárt hydropower plant has been remotely operated. In addition, 2021 saw the successful remedying of the flood damage at Gibárt.

Solar power plants

The Domaszék Solar Power Plant, acquired in December 2017, was ALTEO Group's first solar power plant. Since then, ALTEO has acquired several solar power plants with a total installed capacity of more than 19 MW of electricity, in addition to which we operate further 3 MW.

Renewable gas

Small-scale landfill gas power plants in Debrecen	The small-scale power plants produce electricity from landfill gas generated at a landfill site in Debrecen. Debrecen I.: Owned by ALTEO since 2010. Debrecen II.: This small-scale power plant was built by the ALTEO Group, and it began electricity production in August 2018.
Nagykőrös Biogas Plant	The ALTEO Group concluded a long-term operation and maintenance contract with Energigas Kft. in 2020 for the purposes of performing operation and maintenance tasks related to the biogas power plant owned by it.

Power storage facility

ALTEO delivered its industrial scale, 6 MW capacity energy storage facility connected to Hungary's electrical grid through the Virtual Power Plant as a result of the Company's first research and development program in 2018. In addition to participating in frequency regulation for the electricity system, the purpose of the energy storage facility—innovative in both design and implementation with a focus on 21st century technical solutions—is to promote the market-based integration of renewable energy sources, particularly weather-dependent wind and solar power plants. This was among the first facilities of its kind in both Hungary and the Central and Eastern European region and, as such, it had a positive effect on the Hungarian electricity system on the whole.

In 2021, a new battery-based energy storage unit was built in Kazincbarcika, which is described in greater detail in Chapter 4.2 "Innovation intended to improve products and services".

Gas engine cogeneration heating power plants

Our cogeneration heating power plants produce electricity and heat at the same time, using primary energy carriers, typically natural gas. These power plants are operated by ALTEO specialists.

Energy services

Our Company offers its partners activities related to the provision of energy services, the maintenance and development of energy systems and the implementation of new projects. We thus assume the risks associated with these tasks, and provide the technical and financial background needed to carry out the activities. This can include preparing and staging projects, complete project management activity and the turnkey implementation, as well as operation and maintenance of facilities.

General contracting and construction

In 2021, our General Contracting and Construction division completed two major projects in Tiszaújváros and Kazincbarcika.

TVK Power Plant

The lifespan extension of the TVK Power Plant in Tiszaújváros was primarily a general contracting job, but also included engineering services. The project, which ran from September 2019 to August 2021, secured a general contractor engineering service fee of HUF 1 billion.—This was a decidedly successful and fruitful project, with excellent cooperation between our organizational units.

Kazincbarcika energy storage facility

In 2021, a new battery-based energy storage unit was completed in Kazincbarcika, which is described in greater detail in Chapter 4.2 “Innovation intended to improve products and services”.

Operation and maintenance

ALTEO carries out operation and maintenance tasks (O&M) for certain energy facilities owned by third parties and of certain power plants owned by the ALTEO Group under long-term contracts, providing qualified staff and the materials and tools required for operation and maintenance. As part of the operation activities, ALTEO performs daily operation and maintenance, as well as operational processes related tasks, including the provision of fuel supply, preparation of production schedules, discharging regulatory reporting obligations, ensuring that all conditions for operational reliability and safety of supply are met, and simpler repair jobs.

Within the framework of maintenance activities ALTEO carries out the interventions typically required based on the number of hours operated, the replacement of parts as necessary, carrying out renewal jobs and repairing extraordinary malfunctions.

ALTEO currently performs operation and maintenance services at the following power plants:

- BorsodChem Power Plant and steam boiler
- TVK Power Plant
- Nagykőrös Biogas Plant
- Solar power plants in Nagykőrös and Sormás
- Our own heating power plants, hydropower plants, solar power plants and wind farms

In 2021, the Maintenance Team focused on our internal customers, and scheduled jobs were completed on time from Sopron to Debrecen. Cooperation between our regional gas engine maintenance crews has become closer. Our SG34 engine in Sopron is maintained by site and Füredi Road maintenance staff up to the 12 thousand service hours, in cooperation with operational management of the Sopron site. This year, full maintenance for our Jenbacher engines at the Ózd 6 site was completed by our team following the expiry of the OEM contract. The Füredi Road maintenance staff itself carried out the condition-based overhaul of the Cívís gas engine.

- ***Relocation of Eger Agria Park gas engine***

The Caterpillar gas engine (GM) with a low running-hour count that had previously been operated at the Agria Park shopping center in Eger was relocated to the Győr Power Plant as a substitute for the Győr GM1 unit, whose overhaul was due. The hardest part of the project was getting the engine and its auxiliary system out of the building. The operation involved architectural intervention. A roof section had to be removed, all without disturbing

the daily routine of a shopping mall near a busy urban junction. So craning and removal had to be done at night.



Hoist removal of Agria Park engine and auxiliary system

- ***M5 maintenance of our gas engines (GM1, GM2) in Tiszaújváros***

M5 maintenance for the Wartsila 220 gas engines at the Tiszaújváros Heating Power Plant started in the summer of 2021. M5 maintenance means an overhaul involving complete dismantling of the engine in the workshop, and the inspection and replacement, if necessary, of pistons, sleeves and cylinder heads. The work was carried out with the in-house resources of Maintenance, with the exception of crane work and moving tasks, and our colleagues spent 1900 man-hours on this project.



Hoist installation of refurbished engine in Tiszaújváros



Tiszaújváros GM2 overhaul inspection

- ***Facilities involved in O&M tasks in 2021:***

The maintenance of the generator auxiliary system at UNIPER's Gönyű Power Plant was one of our most important external projects. Thanks to our responsible and highly professional work here, we have been invited to carry out BOP maintenance of the gas turbine at the Malzenice Power Plant, the Gönyű Power Plant's sister facility, where we will be subcontracted by Siemens.

Energy trading

Our Energy Trading segment is divided into retail and wholesale trade departments selling energy primarily to small and medium-sized enterprises and large corporations, respectively, in two ways.

Energy sales on market basis (outside the subsidized system)

The energy trading process starts with the production of electricity and heat using primary energy sources, typically natural gas. We feed the generated electricity into the nationwide power grid or our consumers' grid, and use direct pipelines to deliver the heat produced to our partners, typically district heating providers or industrial consumers.

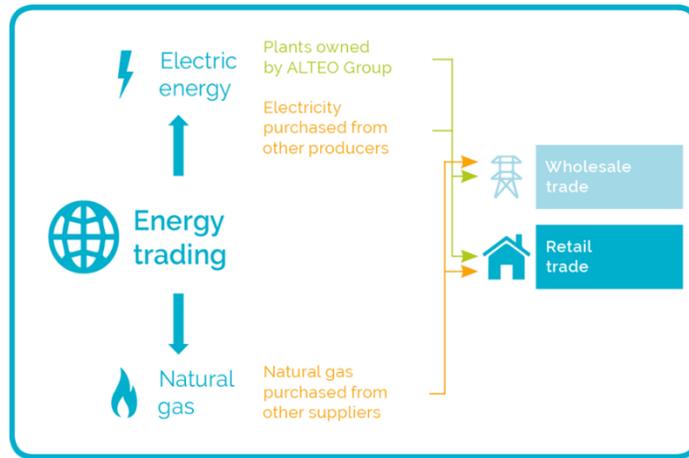
ALTEO sells (through the Virtual Power Plant) the electricity fed into the grid to electricity traders, MAVIR or its own consumers. Sales are realized on the basis of direct commercial agreements, in the framework of the organized electricity market (HUPX) or on MAVIR's ancillary services market.

Electricity generated to the consumer grid is sold directly to consumers, based on commercial agreements.

As district heating operators, we sell part of the produced heat to district heating suppliers, while the other part is sold directly to industrial and commercial consumers under long-term contracts.

Renewable energy sales within the subsidized system

This activity involves the production of electricity from renewable primary energy sources (solar, wind, water, landfill gas) in our own power plants, to be fed into the national grid. We sell the electricity that is fed into the grid within the subsidized system, to the KÁT balancing group operated by MAVIR, subject to a subsidized feed-in tariff.



Virtual Power Plant

The ALTEO Group’s electricity generation portfolio is made up of small-scale power plants, which it has organized into a system operation unit, referred to as a Virtual Power Plant, for the sake of efficient interoperability.

This harmonized operation makes it possible for our small-scale power plants to be combined under standard control as a stand-alone entity, and work as a major generator. As a result, the ALTEO Group electricity generation capacities that do not sell in the subsidized system become available in the ancillary services market.

The list of power plants included in the Virtual Power Plant is shown in the table on page 18. In addition to those listed there, two power plants owned by external partners are included in the Virtual Power Plant.

ALTEO services related to the Virtual Power Plant include:

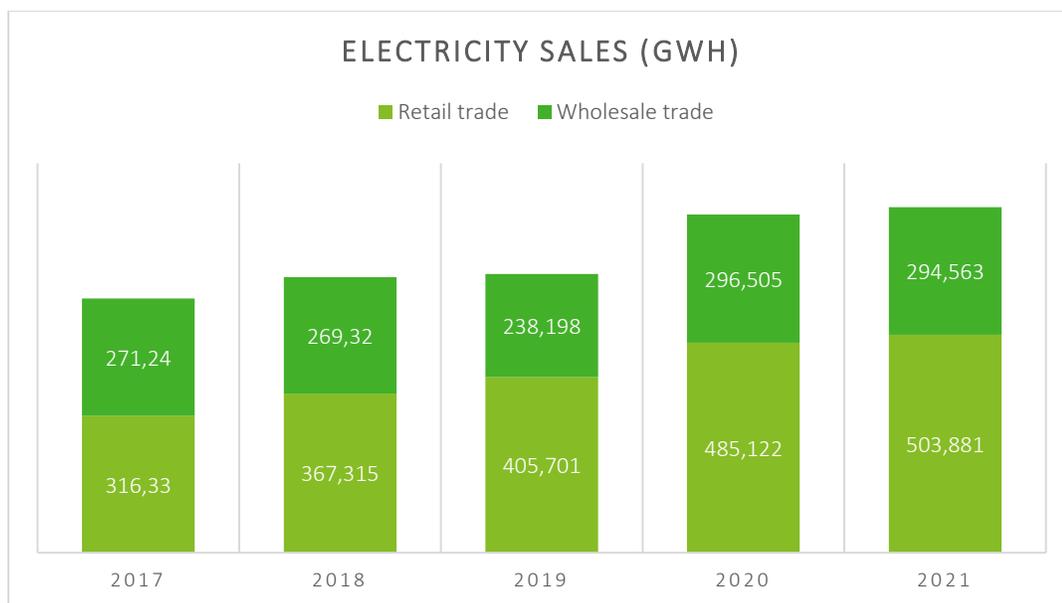


Additional information about the Virtual Power Plant’s operations and how it was developed is available on the ALTEO website.

Electricity trading

ALTEO Energiakereskedő concludes commercial agreements based on commercial, standardized (typically EFET6) samples, on the one hand, and it also buys electricity on the Hungarian Power Exchange (HUPX) through intermediaries, on the other. Electricity trading opens up an opportunity for the power plants owned by ALTEO Group to sell the energy they produce in an efficient way.

In 2021, we sold more than 798 GWh of electricity, of which the wholesale share came to 294 GWh. Retail sales have been growing steadily for the fifth year running.

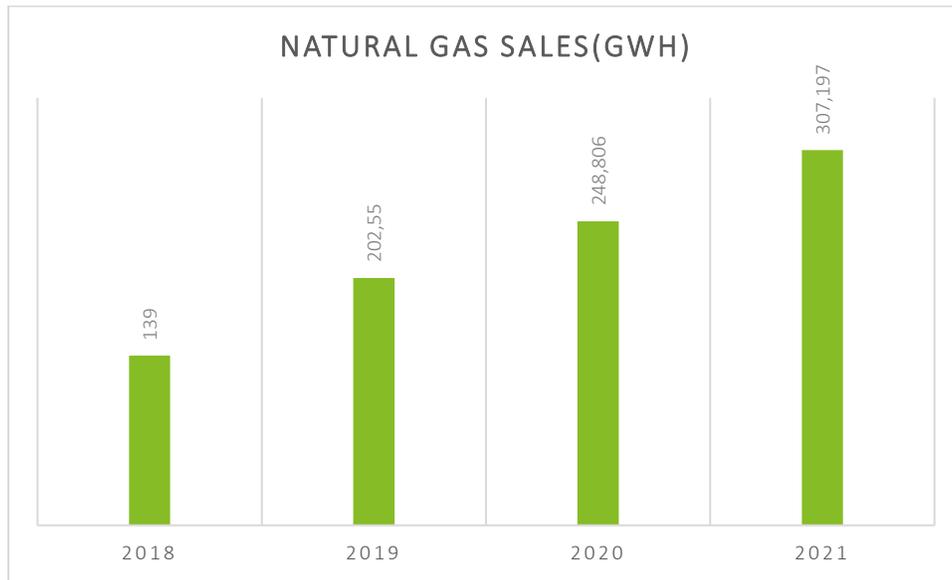


ALTEO’s electricity retail activities are limited solely to the sale of electricity on the free market. We mainly supply electricity and natural gas to office buildings, shopping centers, industrial parks, and small and medium-sized enterprises. As a free-market electricity trader, we do not provide universal service, i.e. we do not serve residential consumers. We pursue to promote setting favorable prices tailored to consumption locations and consumer habits by providing targeted advice on energy efficiency. Our goal is flexible, in order to meet the different needs of the users, mainly based on one-year contractual and settlement schemes.

Natural gas trading

The volume of natural gas sold last year shows an increase of 23%. Currently, we are active participants on the natural gas retail market, and although we are ready to take part in the

wholesale market, no trade transactions have yet been completed due to the current market circumstances.



The challenges of 2021

Over the past four years, we have seen a resounding breakthrough in our retail results. After a downturn due to the COVID pandemic in 2020, we achieved outstanding results in 2021, with our gross margin more than doubling. The size of our portfolio has grown, as has the number of clients.

Commercial and production management services

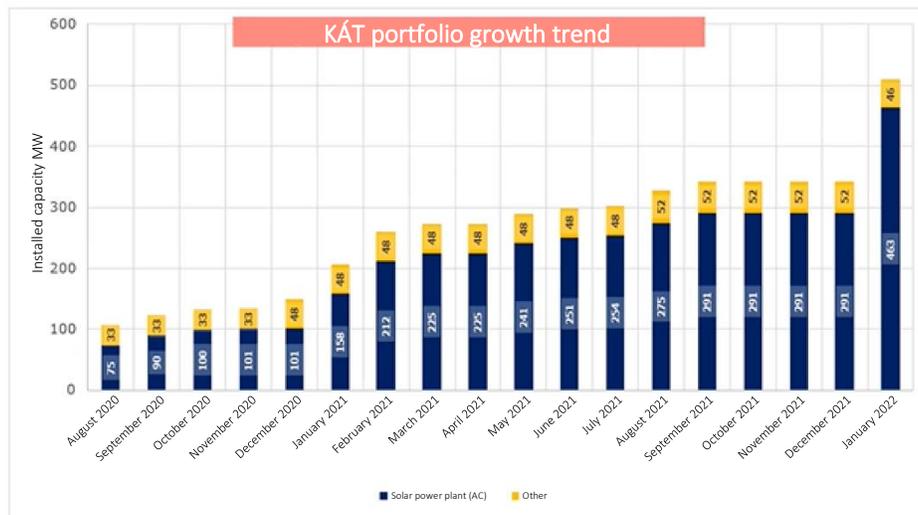
Our RPM (Renewable Production Management) business was established two years ago and has seen dynamic growth ever since. It has been set up as a response to a surge in EU and Hungarian subsidies for weather-dependent energy production units. Its operation on a system level poses a challenge, since as of April 1, 2020, the scheduling deviation settlement of the members in the mandatory offtake system (KÁT) balancing group underwent a major change, and this imposed a considerable burden to be borne by the affected producers. This burden is mitigated by providing a service intended to assist in forecasting production in weather-dependent energy production units. Over the years, ALTEO has acquired a high level of professional expertise in this field, which is required to integrate the aforesaid energy production units into a system.

Sinergy builds on the experience of the scheduling group, which has been operating since 2018, and on the competences acquired in the market for ancillary services, to offer a solution to the challenges of producers with its intelligent, comprehensive and risk-free scheduling services. Sinergy provides a full range of production management and administration services for (typically weather-dependent) power plants that utilize renewable energy sources. This includes the full management of the scheduling service,

taking over the payment of surcharges, reporting and administration towards HEPURA and MAVIR, as well as near real-time monitoring. All this is done with a reliably solid background and transparent operations. A simple scheme is offered for a fixed fee which includes a service provided to weather-dependent producers who are eligible for the KÁT and METÁR or who are already excluded from the KÁT, which fully relieves them from the obligation to pay the surcharge fee caused by the scheduling.

The RPM business continued to grow dynamically in 2021. During the year, the installed capacity of the scheduling group increased two and a half times, to 500 MW. We currently work with over 200 clients and continue to see huge potential for the future of the business.

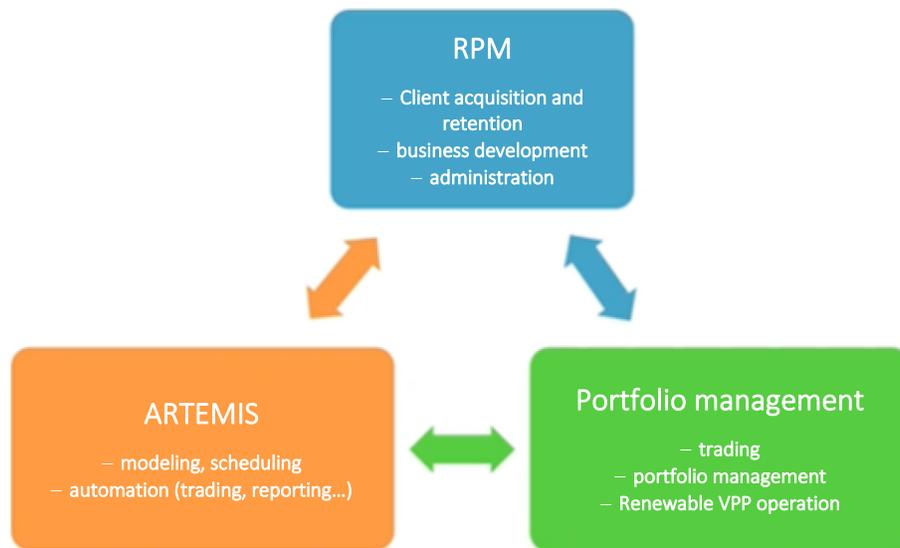
ALTEO KÁT SCHEDULING GROUP TREND



ARTEMIS

In 2020, we set up a business intelligence development group to work on the ARTEMIS project (Autonomous Real-Time Energy Management Information System). It is an integrated, highly automated, autonomous, real-time production management system. The group has automated 100% of the operational management of the ALTEO scheduling group, creating a continuous and automatic artificial intelligence-based scheduling system.

RPM works in tight collaboration with the ARTEMIS and the Portfolio Management teams.



Waste management

Our services mainly include waste collection from supermarkets as well as complex sustainability services in waste management. Emphasis will be placed on the trade of raw materials and by-products suitable for biogas plants.

This division was set up in 2019 with the primary objective is to provide the Nagykőrös Biogas Plant (see above) with sufficient quantities of feedstock considered waste (by other market players) to ensure the most cost-effective and sustainable operation. We are one of the few facilities in Hungary that can process packaged waste, in addition to being able to use the by-products of ethanol plants, by-products of animal or plant origin as input in the facility.

The electricity generated at the Nagykőrös Biogas Plant supplies electricity to approximately 4,500 families from 50,000 metric tons of feedstock per year, 90% of which is waste.

In 2021, we supplied feedstock to three other biogas plants in addition to the Nagykőrös plant, as part of our waste-management activities.

Services related to waste management include:



E-mobility

In 2020, we launched ALTEO’s E-mobility division named ALTE-GO. The purpose of setting up the division is to further strengthen ALTEO’s presence in the waste energy market and taking a position, in line with the Company’s strategy, in e-mobility, building on the other interests (real estate, car/mobility companies) of the majority shareholder group (Wallis’s) which operated according to business models that include leveraging opportunities presented by e-mobility services.

By today, something that has become clear is that electricity could be the “fuel of the future”. Consequently, it is likely that in the long term, the majority of the people will have some form of electric or electrically assisted motor vehicle. This twist of events will create major opportunities for ALTE-GO.

As a licensed electric charging equipment operator and electromobility provider, we ensure the sale, installation and comprehensive operation of charging stations throughout the country. We are planning to install and operate charging stations primarily in office buildings, parking garages, company sites as well as residential homes and condominiums, but also engage in installing public charging stations within the framework of strategic partnerships.

ALTE-GO electric car charging stations in 2021:

- Tiszaújváros town center
- Praktiker Budaörs
- Wing Máriássy Office Building, Budapest
- Leányfalu Thermal Baths
- ALTEO Globe 3 office building
- Infopark, entrance to Building I
- new Jaguar-Land Rover showroom, Budapest

Public chargers can be used with the PannonCharge mobile phone application, while customers using private charging units can identify themselves and start/end charging with an RFID token.

As a next step, we will participate in the development of a national charging network, and build a higher capacity charging facility (150kW). In addition, we aim to supplement our complex approach with comprehensive solutions (charging, storage, solar panel, etc.) in cooperation with various internal partner departments.

ALTE-GO strategic cooperation with Wallis Group

ALTEO and AutoWallis Nyrt. have concluded a strategic cooperation agreement to coordinate their e-mobility-related services in the future. Our agreement is based on the shared commitment of the two companies to sustainable and transparent operation and to transition to green economy. The agreement also covers the sales of innovative energy solutions related to the charging of electric vehicles.

3.2. Awards, recognition, cooperation

We are proud to be recognized for our responsible operations in 2021. Our achievements have been rewarded with the following awards.

- Best of BSE 2021

In October 2020, our bonds with a nominal value of HUF 3.8 billion were registered in the Bond Funding for Growth Scheme (BGS) of the Central Bank of Hungary. Our spectacular success on the issuer side seems to have caught the attention of the outside world: our Company has been awarded three prizes in the Best of BSE 2021, which rewards the most outstanding performers and players in the domestic capital market:

- Issuer Transparency Mid-cap Award
- Issuer of the Year with the Highest Share Price Increase in the Premium Category
- Responsibility, Sustainability, Responsible Corporate Governance Award

- UniCredit Bank - Sustainability campaign cooperation

After its anniversary campaign in 2020, UniCredit Bank presented in November 2021 its partner companies that are genuinely environmentally responsible, including the ALTEO Group.

- Prizma Creative PR Award (Bronze): ALTEO's Sustainability Barometer

In this year's award-winning research that focused on environmental awareness, behavior and financial attitudes, we looked primarily at the precise impact of these factors on investment practices and decision-making.

- Deloitte Green Frog Award - Sustainability Report of the Year

Following on from the Best First Report Award in 2017, our 2021 Integrated Report won the Best Sustainability Report Award, the highest accolade for companies that have excelled in non-financial reporting.

Cooperations

[102-12] [102-13]

We are continuously looking for cooperation opportunities through which we can contribute to resolving today's economic, social and environmental issues. This is why we are members and active participants in the following sustainability initiatives in Hungary:

- Business Council for Sustainable Development in Hungary (BCSDH) Attila Chikán, CEO of ALTEO Group has been President of BCSDH since early 2016.
- Hungarian Business Leaders Forum (HBLF): we participate in the Business Ethics and Transparency Working Group.
- Member of the Presidential Committee on Sustainable Development, Hungarian Academy of Sciences,
- Member of the Board of the Sustainability Section, Hungarian Economic Association,
- Member of the Supervisory Board of the UNICEF Nation Committee Hungary.

In line with our diverse portfolio and operations, we are members of several professional organizations. Our memberships are of strategic importance, as through them we not only share our knowledge and experience, but by utilizing our networking capabilities we can contribute to initiatives that help build a future that ALTEO Nyrt. envisions.

Our further strategically important memberships:

- Hungarian Cogenerated Energy Association
- Hungarian Energy Traders' Association
- Organization of Hungarian Industrial Maintainers (OHIM)
- Association of Hungarian District Heating Suppliers
- Hungarian Wind Energy Industry Association
- Hungarian Biogas Association
- Hungarian Chamber of Engineers.

In addition to the above memberships, we also provide funds for the work of the Regional Centre for Energy Policy Research (RCEPR) and the Association of Environmental Service Providers and Manufacturers (AESPM).

3.3. Our ESG approach

Increasing sustainable energy production and coordinating it with prudent and rational energy management is one of the major challenges of our age. Global issues are no longer remote and isolated tasks, rather intertwining challenges that arise already in our daily lives and affect us directly.

An important element of our growth strategy is a mindset prioritizing sustainability, which is equally reflected in our goals, in monitoring our performance and in our Integrated Report. Consideration of environmental, social and corporate governance (ESG) factors has been part of the operation of ALTEO since its foundation, and one of the main objectives of our future programs is to define it specifically, and to develop a framework for the practical application of the ESG approach. In addition to our decision-making and internal operations, the ESG approach is also a priority for our investments.



This was the reason why obtaining an independent ESG rating was one of our priority goals in 2021, thus affording all our stakeholders with information on our performance that can be easily, factually and informatively compared to that of other companies.

As a result of our work, ALTEO became the first company in the Hungarian energy sector to obtain an independent, international ESG certificate. In the course of the rating process, the Company became the first company in Hungary to achieve a lower risk level than the global average in the sector of independent energy producers and traders, and utilities.

In the ESG rating process, the Group achieved the maximum score (100) in the “Health and Safety” category, which is also above the industry average and a world-class result.

Our sustainability strategy

As a prelude to the ESG certification, we developed a comprehensive sustainability strategy. We involved our employees from the outset and used a questionnaire to assess their knowledge related to sustainability and the main areas that concern them. The participation rate of our staff in the mapping exercise was extremely high (72%).

As a result of this survey, we developed the current sustainability strategy of the ALTEO Group:

1. Carbon footprint reduction

We accurately calculate our current carbon footprint (in addition to the current Scope 1-2 emission, also Scope 3) so that efforts to reduce it can be incorporated into our strategy.

2. **Transport:**

We are continuously greening our company fleet so that 50% of our vehicles will be hybrid or electric by 2050. Our e-mobility business provides the chargers required.

3. **Waste reduction:**

We collect office waste selectively, and we support reuse through education and donations. We are striving to make the office completely paperless.

4. **Organization:**

We help our staff to adopt more sustainable practices through regular communication and education. We regularly take part in events on the topic and we also take a green approach to organizing our own events.

5. **CSR programs:**

We participate in volunteer projects related to sustainability and the environment, and support selected organizations through fundraising. We also involve municipalities and educational institutions in CSR programs. Our target is to spend at least 500 working hours a year on charitable activities at a Group level by 2025.

ALTEO's Sustainability Strategy:



Our long term goal is to lead the domestic market through our deep commitment to ESG, and to work with our stakeholders to drive change for more sustainable energy production. Our goal for 2022 is to create an even more holistic Sustainability Strategy that integrates not only our ESG guidelines, but also the UN Sustainable Development Goals (SDGs) into our daily operations.

4. Corporate governance and sustainable business management

Key messages of this chapter:

- Our Group structure changed with the sale of one of our own power plants, BC-Therm
- We have revised our business strategy, which has partly resulted in new objectives for the next 5 years (2022-2026).
- Our Compliance Management System and Integrated Governance Policy continue to play a central role in our corporate governance strategy.
- Our risk management systems and policies have provided a solid basis for making sustainability a priority at the corporate level, as evidenced by the appointment of Anita Simon to Deputy CEO, which brings sustainability to top management level.
- In 2021, for the first time in the life of the Company, we defined the UN Sustainable Development Goals (SDGs) related to the Company's key issues, which we intend to integrate into our daily operations at company level in the future.

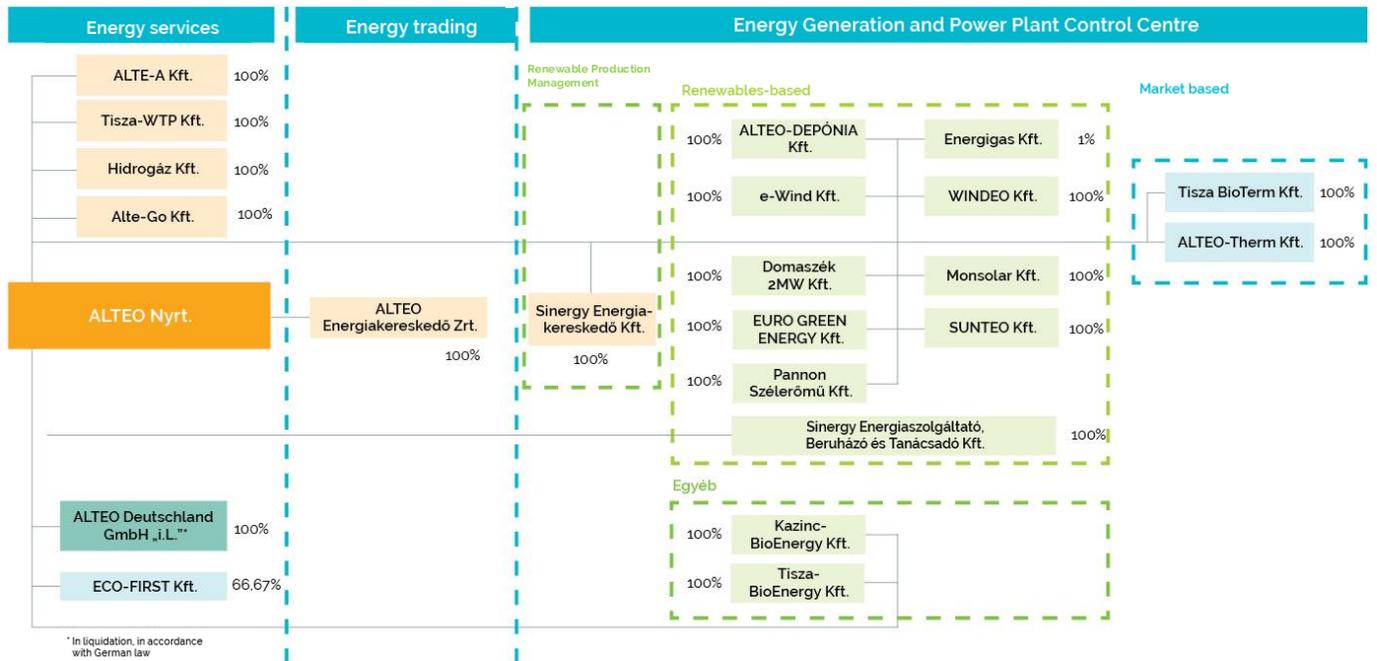
4.1. Corporate governance structure

In line with our goal to create value for our stakeholders, the ALTEO Group considers the transposition of sustainability values and principles into corporate governance practices a priority. Management development and the integration of sustainability objectives into management incentive schemes are key aspects of corporate governance. The Integrated Management System (IMS) is the fundamental document for this system, in which the Company's management commits itself to providing quality services, safe work environment, energy efficiency, environmental protection and sustainability.

Group structure

[102-45] Our operational structure reflects our complex activities: all of our project, manufacturing and trading companies operate as a subsidiary of ALTEO Nyrt.

The structure of ALTEO Group on December 31, 2021



Both the financial and GRI Sustainability Report sections of the Integrated Report cover the performance of all companies in the figure.

Corporate governance structure

[102-18] The rules governing the appointment and removal of senior executives and the amendment of the Articles of Association are laid down in the Civil Code of Hungary and in the Company’s Articles of Association. The latter are available on the Company’s website and at other disclosure points (www.investors.alteo.hu; www.bet.hu; www.kozzetetelek.hu).

General Meeting

The General Meeting is the supreme body of ALTEO Nyrt., which consists of all shareholders. It has an exclusive responsibility to make decisions regarding the management and operations of ALTEO Nyrt. The Board of Directors convenes the General Meeting at least once a year.

Due to the COVID-19 pandemic, ALTEO’s Board of Directors adopted resolutions on matters within the competence of the General Meeting throughout 2021. Shareholders did not call for the General Meeting to be convened in order to subsequently approve the resolutions adopted by the Board of Directors within the competence of the General Meeting within the limitation period stipulated in Government Decree No. 502/2020 (XI. 16.) on the re-introduction of deviating

provisions for the operation of partnerships and corporations in a state of danger applicable to the Board of Directors acting within this competence. The resolutions adopted by the Board of Directors within its competent of the General Meeting are described in detail in Section 2.5.1 of Annex 2 to the Annual Report.

Board of Directors

The Board of Directors is the administrative organ of ALTEO Nyrt. that exercises its rights and duties as a body. Its members are the legal representatives of ALTEO Nyrt. The Board of Directors coordinates and manages ALTEO Group, provides guidance and defines ALTEO Nyrt.'s business and development concept. The Board of Directors consists of at least three natural persons and elects its chairperson from among its members. The members of the Board of Directors are elected by the General Meeting for a definite term of up to five years. At present it has five members and their term of office expires on April 30, 2025.

The General Meeting has authorized the Board of Directors to make decisions on certain matters at its own discretion, within the limits of such authorization. Such authorizations are described in detail in Section 2.2.4 of Annex 2 to the Annual Report.

The key decisions made by the Board of Directors in 2021 are presented in Section 2.5.1 of Annex 2 to the Annual Report. The most important events under company law in relation to the Subsidiaries are described in Section 2.5.2 of Annex 2 to the Annual Report.

Supervisory Board

ALTEO Group's operation is supervised by the Supervisory Board (SB). Its objective is to ensure the protection of the owners' interests as well as to supervise the management of ALTEO Nyrt. The current members of the SB, whose mandate expires on April 30, 2025, were selected based on their expertise and industry knowledge.

Audit Committee

The Audit Committee (AC) assists the SB in overseeing the financial reporting system, selecting the statutory auditor and cooperating with the statutory auditor. The Audit Committee has the right to request information from members of the Board of Directors or senior executives of the ALTEO Nyrt. who are required to provide written answers to such inquiries. The Audit Committee consists of three members, who are elected by the General Meeting from among the independent members of the Supervisory Board. The term of office of the Audit Committee members expires on April 30, 2025.

Executive Board (top management)

The six members of the Executive Board (top management) are responsible for the Company's operational management. They are responsible for ALTEO Group's operational leadership, cost-effective operation, quality service delivery, provision of healthy and safe working conditions and environmental protection, compliance with current legal requirements and the company's own Integrated Management System (IMS) requirements within the framework of implementing the Company's strategy. At the management overview convened once annually by the CEO, the management reviews and assesses fulfillment of the above requirements and defines development opportunities for the future. As part of the overview, the management monitors, among others, the performance of the tasks outlined in the Quality, Energy and HSE objectives and programs, and it also sets new tasks where necessary.

Bringing sustainability to top management level

As a testament to our commitment to sustainability, Anita Simon, former Head of the Waste Management Division of ALTEO Nyrt. will continue to work as "Deputy CEO for Sustainability and Circular Economy" starting from June 2021, bringing sustainability as a priority area to the top management decision-making level. Anita is not only the first Executive Board member responsible for sustainability, but also the first female top executive in the life of ALTEO Nyrt.

Furthermore, also from June 1, 2021, Péter Luczay, who had held the position of Deputy CEO for Production and Risk Management at the Company so far, started working in a position of Deputy CEO for Production Management and Business Development.

Auditor

In accordance with current regulations, ALTEO Nyrt. is required to have a statutory auditor. In 2021, this role was delegated to BDO Magyarország Könyvvizsgáló Kft.

Major changes affecting the organization in 2021

[102-10]

Sale of business share

On March 3, 2021, ALTEO as seller and BorsodChem Zártkörűen Működő Részvénytársaság (hereinafter: "**BorsodChem**") as buyer concluded a business share sale and purchase contract to transfer the ownership of a business share representing the entire issued capital of BC-Therm Kft. fully owned by ALTEO. With the fulfillment of the closing conditions stipulated in the sale and purchase contract, the ownership of the business share in BC-Therm Kft. was transferred to BorsodChem on May 31, 2021.

By executing the sale and purchase contract, the parties discharged their obligations arising from the long-term heat supply and capacity utilization contract they had previously concluded, where BorsodChem undertook to purchase the business share in BC-Therm Kft. by the date set out therein.

The sale and purchase contract is without prejudice to the operation and maintenance activities pursued by the Company at BorsodChem's site; so ALTEO will continue to operate and maintain the boiler plant.

Annual review of the credit rating

Scope Ratings GmbH carried out the annual review of the credit rating of the Company's bonds issued as part of the Bond Funding for Growth Scheme, as a result of which last year's credit rating was maintained, in other words bond rating was confirmed at BBB-. The credit rating agency also confirmed both the BB+/Stable issuer credit rating of the Company and its S-3 short-term debt rating.

New RDI project

ALTEO and the Alfréd Rényi Institute of Mathematics have submitted a grant application as a consortium in response to tender notice code number 2020-1.1.2-PIACI KFI, titled "Support for Market-driven Research/Development and Innovation Projects", which was announced by the Hungarian National Research, Development and Innovation Office. The Ministry of Innovation and Technology has found the grant application titled "Development of a Real-time Autonomous Power Engineering Information and Generation Management System", ID 2020-1.1.2-PIACI-KFI-2021-00229, worthy of support. The amount of the grant comes to HUF 401,021,730 out of the nearly HUF 1 billion total cost of the project.

Long-term trade and business agreements

ALTEO-Therm Kft. with ALTEO being its sole member, Barcika Szolg Vagyonkezelő és Szolgáltató Korlátolt Felelősségű Társaság and the Municipality of Kazincbarcika agreed with regard to the contract for district heat production, investment and long-term heat supply concluded on September 11, 2001, in effect until September 15, 2022, and other relevant contracts that, in order to continue their mutually beneficial long-term cooperation, they would conclude another long-term contract for heat supply for a term of 10 years following the expiry of their previous contract. Pursuant to the newly signed contract, in accordance with the terms and conditions therein, ALTEO-Therm will supply Barcika Szolg Kft. with heat until September 30, 2032.

ALTEO and BC-ERŐMŰ Kft. agreed with regard to the operation and maintenance contract they concluded on September 29, 1999 and amended several times that, in order to continue their mutually beneficial long-term cooperation, they would conclude another long-term operation and maintenance contract for a term of 15

years following the expiry of their previous contract and proceeded to sign this contract on January 4, 2022. The new contract secures energy supply for one of the major industrial companies in Hungary, BorsodChem, thus reinforcing ALTEO's leadership in the B2B energy service sector. Pursuant to the newly signed contract, in accordance with the terms and conditions therein, ALTEO will operate and maintain the power plant and steam boiler owned by BC-Erőmű Kft. until December 31, 2036.

Merger of subsidiaries

As the next step in the process to streamline the corporate structure of the ALTEO Group as announced at the extraordinary General Meeting of November 8, 2017, the Company decided in March 2022 on the merger by absorption of its subsidiaries listed below. The merger involves the absorption of the following companies also under the Company's direct and exclusive control into EURO GREEN ENERGY Kft., operating with the Company as its only member:

- WINDEO Kft.;
- e-Wind Kft.;
- HIDROGÁZ Kft.;
- Kazinc-BioEnergy Kft.;
- Tisza-BioEnergy Kft.;
- Tisza BioTerm Kft.

The Company schedules the mergers by absorption for June 30, 2022, and therefore the legal effects associated with the mergers will apply as of July 1, 2022.

Other events

Own share transactions, share transactions of the ALTEO ESOP Organization and other events not listed above, including those occurring after the reporting date, are described in Sections 2.5 and 2.6 of Annex 2 to the Annual Report.

4.2. Business model and strategy

In addition to sustainability, innovation remains the guiding thread of our operations, and the Group's five-year strategy has been designed with this in mind.

Our strategy

In response to the significant changes in the energy market and the achievement of our targets prior to the projected dates, we revised our business strategy in 2021, which is available on our website for the period 2022-2026. The strategy incorporates the various macro trends affecting the energy sector and the Group's specific strategic responses to them.

Both Hungary and ALTEO have ambitious plans for renewable energy production. On account of the fluctuations in the output of weather-dependent renewable energy generating power plants, however, there is a significant market need for scheduling and balancing activities as well, the latter of which is provided for the vast majority by our gas engine power plants. For this reason, in addition to creating power plants producing renewable energy, ALTEO also views the development of these two services as a major market opportunity.

ALTEO Group continues to observe the following three criteria in its operations, developments and investments:

1. Secure energy supply is crucial for us to be perceived as a valued service provider.
2. Energy efficiency ensures that our services are provided economically and preferably with a low burden on the environment.
3. We consider climate awareness as our responsibility for future generations, which goes beyond the mitigation of environmental health impacts.

Guiding principles of our strategy:

- expansion of the Virtual Power Plant and natural gas power plant portfolio,
- maintaining organic growth in the energy trading segment,
- IT development of real-time autonomous response capabilities, preparing for the merging of markets,
- developing our renewable production management business and expanding our renewable power plant portfolio,
- support to the circular economy via our waste management (waste to energy) and e-mobility business lines.

Innovation intended to improve products and services

The name ALTEO was created as a combination of the words “alternative” and “energy provider”. The brand name indicates that we are different from other market actors, that we are committed to unique and also innovative solutions.

The world is changing. The harmonization of sustainability with profitability, innovation and also the security of core operations represent a challenge that companies need to face, and only those in the energy sector. ALTEO is proud to say that its growth since 2008 has been driven by fast and flexible operation that is destined to expansion that creates value. ALTEO is therefore not only following but also encouraging change by making innovation a priority approach in its projects.

Currently, one of the biggest issues related to renewable energy sources is the problem of storing the energy produced. So far, ALTEO has won two tenders for energy storage projects to investigate the predictability of weather-dependent energy source utilization, and has built an energy storage facility both in the Zugl6 and at the Kazincbarcika Heating Plant. These are key projects that could address the big challenges of the future.

Our innovation project in Kazincbarcika

The main objective of our project 'Integration into the electricity system of a storage facility constructed from battery cells of different parameters', launched in 2021, is to respond to the ever-increasing balancing needs of the electricity system, both in terms of quantity and quality. Battery energy storage facilities are the most common form of development to facilitate this. At the same time, the design of the battery energy storage unit in Kazincbarcika differs from the standard market solutions that operate today. What makes this project special is that in addition to batteries optimized for high-output energy storage installations, batteries manufactured for electric cars are also built into the system.

[ALTEO-1] For more information on our innovation-related research and development (RDI) funding and expenditure, see page 103. of our Financial Report.

Impact Investment

Since the very beginning, one of the objectives of ALTEO's strategy has been to become the leading impact investment opportunity in the Hungarian capital market. The essence of impact investment is for a given investment to be also socially and environmentally sustainable, in addition to generating financial returns. It is important to emphasize that the three factors together make up this investment strategy, so in terms of its positive impact on the environment and society, it is not a charitable activity: return is clearly one of the most important measures of investment also in this case. Besides, the Company itself is investing in projects that qualify as impact investment: ALTEO is an impact investor, similarly to its own investors.

This investment strategy, which is extremely popular in Western countries, is a relatively new concept in Hungary. ALTEO, as a responsible company, is one of the first representatives of the impact investment approach in Hungary, and the acquisition of an independent ESG certification was an important milestone in this process (Chapter 3.4).

4.3. Compliance Management System

[103-419] Operating in full compliance with the laws is crucial for ALTEO. Our internal processes were designed so that the competent persons are informed in due time about new laws that enter into force, as well as about amendments to the existing laws. Within the framework of its internal knowledge sharing project, ALTEO Group organizes further training courses on topics concerning the Group's operations (e.g. insider trading).

In compliance with the law, we revise our electricity and natural gas trade business codes in every six months and regularly update our retail contract templates in line with the business code amendments and the relevant practices. In addition, we periodically revise the contract templates used by the project development and the purchasing functions.

We are committed to operating ethically and transparently, which is why the ALTEO Group Compliance Management System is of paramount importance in the life of the Company. The Compliance organization reports directly to the CEO.

The Compliance organization informs the Company's Compliance Committee and Supervisory Board about its activities and work plan and any issues identified.



Business ethics

We provide our employees with a working environment based on mutual trust, respect for others and respect for their dignity. We respect our employees' right to freedom of religion, freedom of assembly, right to rest, leisure and regular paid leave.

We take individual preferences into account when defining working hours and work procedures, and provide solutions to any issues that may arise. Our employees working at our headquarters are offered a flexible working schedule and the possibility to work from home. These options are facilitated by the significant progress that has been made in digitization and also in the field of information security in this regard.

[102-16] ALTEO published its *Code of Ethics* in 2016, demonstrating its commitment to fair, compliant and transparent business operations.

The Code of Ethics is a useful guide: it offers help and protection to our employees and provides information to our partners about the standards of behavior represented and required by our Group.

The standards established in the Code of Ethics impose higher requirements on Group employees compared to existing laws. All of our employees take the compulsory training and exam every two years. After entry, new entrants take the ethics training and exam in an e-learning system.

In 2021, in the course of the biannual review, we amended the Code of Ethics in accordance with the ESG criteria, providing an increased focus on our commitment to basic human rights, meeting our sustainability objectives, and action against corruption and fraud. We have added new items to our core values: respect for human rights, transparency, fair market practices, respect for others and integrity.

The Company is committed to respect for human rights, which includes, among others: non-discrimination, freedom of thought, conscience and religion, freedom of expression, respect for private and family life.



Whistleblowing Hotline

Since 2016 we provide the opportunity to report ethical issues online, through our website, via phone or e-mail, even anonymously, but under all circumstances protecting the whistleblower. This way, our whistleblowing system complies with Directive (EU) 2019/1937 of the European Parliament and of the Council on the protection of individuals who report breaches of Union law, which requires all medium

and large companies to operate an online whistleblowing system to report breaches. Whistleblowing is available to all of our stakeholders, be it an employee, business partner or a private individual. In all cases, we will investigate the reports, draw lessons, provide the necessary information and support.

Employees are reminded to report all breaches they experience. No ethics related whistleblowing were received in 2021.

Compliance with laws and policies

When developing the ALTEO Group’s regulatory regime, the priority was to establish and ensure the conditions for transparent operation within the organization, a framework for business operations, procedure for cooperation among business functions, documentation of processes, and to provide a clear definition of tasks and associated responsibilities.

In 2021, ALTEO Group has created three new policies related to the Compliance area: the Physical Security Policy, the CCTV Policy - Central Office Building and the corporate tax tender procedure. In addition, five policies were amended, namely the Code of Ethics, the Information Security Policy, the Authorization and Access Management Policy, the Dawn Raid Policy and the CCTV Policy for the Sites (six sites).

Compliance risk map

Since 2015, ALTEO Group completes and analyses a Compliance RISK questionnaire in November each year to prepare its Compliance Risk Map to eliminate the possibility of corruption, fraud and abuse. This Questionnaire shows the risk awareness of the managers in the areas under review, compared to the identified and actual risks of the Group.

This questionnaire covers topics related to the following six business areas.

Business Area	Topic
<p>1 Corporate governance</p>	<p>The questions on corporate governance provide answers on how the Company’s management manages risks, what tools, internal rules and organizational structures are used to fight corruption, fraud and insider trading. How it protects business information and how much emphasis it attaches to maintaining the Company’s reputation in its marketing strategy and in its external and internal communications</p>
<p>2 HR policy</p>	<p>The topics related to HR policy provide an idea of the adequacy of the Company’s internal communication, the sharing of internal information, and the emphasis the Company places on raising awareness and operating in a transparent and regulated manner.</p>

3	Finance – Accounting	It determines how the Company regulates the payment and reviewing of invoices, and the emphasis it places on ensuring that payments are always made in a controlled, approved and properly documented manner.
4	Publicity/Transfer of information	As regards publicity, risks related to the regularity of cooperation with business partners, the publicity of the conditions imposed by the Company (service related expectations), the appropriateness of the selection process used for contracts, the definition of professional competence criteria, can be assessed.
5	Procurement	The risk map of the procurement area determines the transparency of the procurement processes, the regularity and controlled nature of the tendering process, and the appropriateness of the pre-qualification criteria used.
6	Corporate culture and ethics	In what ways the Company regulates conflicts of interest and the prohibition of unlawful benefits, and how important compliance with ethical principles in its operations is considered by the Company, both in relation to its employees and its business partners. What does the Company does to increase awareness.

This questionnaire was made available to 28 managers. The managers who completed the questionnaire assessed the Group’s compliance at 76%, which is 1% lower compared to the previous year, but still close to the best (2018) level also in this year.

Anti-corruption program

[103-205] ALTEO has demonstrated its commitment to fair, compliant and transparent business operation. In order to ensure such fair, compliant and transparent operation, we have established strict rules on conflict of interest in the Code of Ethics, for example it is prohibited to grant and receive undue benefits, and small gifts and business invitations can be accepted only on certain conditions.

Activities and jobs that are particularly vulnerable to corruption are closely monitored to prevent corruption.

In all cases of suspected corruption or fraud, we conduct an investigation in accordance with our internal rules of procedures.

[205-3] In 2021, we received no information on any cases of potential corruption. We screen our business partners, and we expect them to be aware of, accept and comply with our Code of Ethics.

The above mentioned whistleblowing hotline also serves the purposes of reporting corruption and fraud, but reports can also be made via email or over the phone. Whistleblowers are also offered the option of anonymity.

Conflict of interest

All new entrants are required to make a conflict of interest statement as part of the onboarding process, in accordance with our internal rules. In the event of new contractual relationships, transactions or other forms of value transfer, affected employees must specifically declare that there is no business or personal involvement with respect to the transaction.

In 2021, we examined the conflict of interest statements of 49 new entrants and 2 new declarants, and found that 29% of them had some conflict of interest, such conflicts were authorized with conditions or we instructed the relevant employees to eliminate the circumstances that gave rise to the conflict of interest.

All conflict of interest statements of our employees are reviewed every two years. In 2021, all conflict of interest statements have been reviewed. 92% did not contain any conflict of interest, while 8% contained circumstances causing a conflict of interest, but all employees had declared such conflicts of interest in advance and asked for the related authorization. 80% of the reasons for conflict of interest are other employment relationships (e.g.: sole proprietorship, membership in a SB, work in an association), 10% is related to executive offices and 10% to ownership in a company with similar activities to those of the ALTEO Group.

Business partner screening

[102-9] [102-10] We consider it important to establish and develop relations with suppliers. Our existing network of suppliers contributes to the high-quality of our energy services, and at the same time constitutes a predictable and stable environment to suppliers.

Our relationship with our suppliers and other business partners is based on mutual trust and respect. We strive to work with only those suppliers who comply with the applicable legal and ethical business standards. To that end, we established an ***audit system to screen our business partners***, with a pre-qualification procedure at its core. Depending on the nature of the service, potential business partners, suppliers and subcontractors are requested to fill out a pre-qualification form. Existing suppliers are rated every three years.

The pre-qualification process was divided into three pre-qualification types, thus creating a tiered system of pre-qualification for companies (simple, basic, complex). Companies that meet our ethical criteria (that is rejecting all forms of corruption and bribery while conducting business in a fair and transparent manner) and our sustainability criteria are given positive ratings.

Particular attention is also paid to the pre-qualification of foreign countries, both within and outside the EU. Accordingly, we have identified region-specific areas and issues (for example, respect for human rights, anti-child labor practices, acceptance of EU law) that we assess during the pre-qualification process.

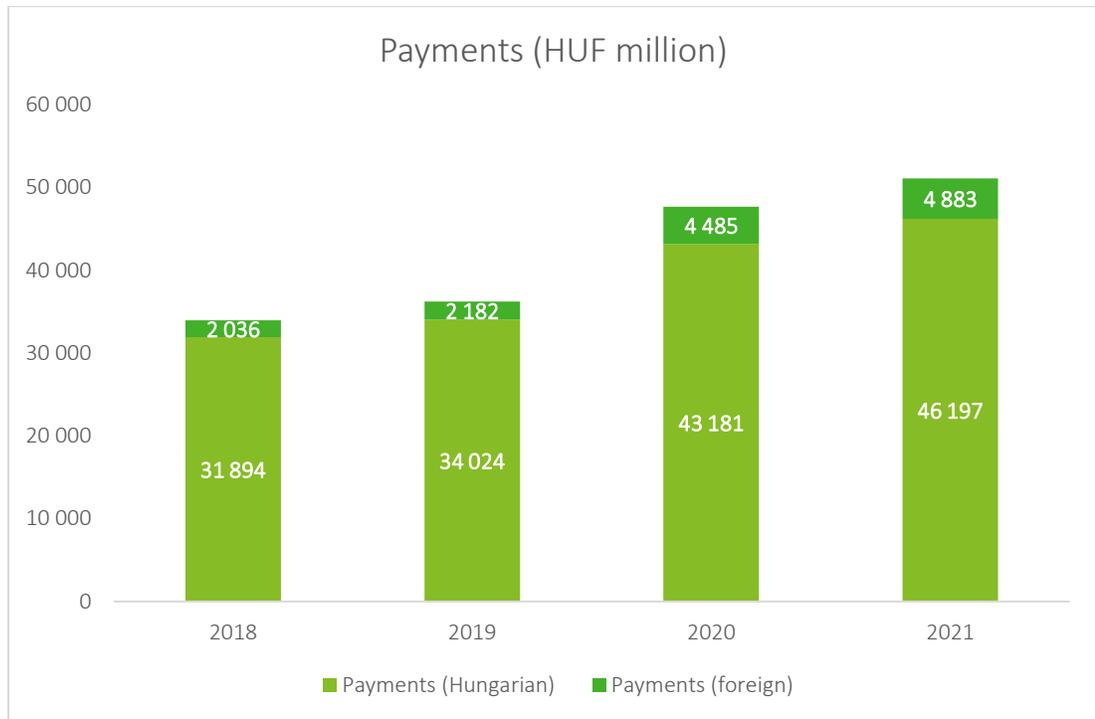


Ratio of Hungarian suppliers

In view of the objective of cost-efficiency, we strive to select local suppliers (i.e. businesses with registered premises in the local region) so that the economic benefits of our operations should materialize in our direct environment.

In 2021, about 94% of our suppliers were Hungarian companies and entrepreneurs. In total, we paid more than HUF 51 billion for the services of our suppliers, of which a significant share (90%) was paid to Hungarian companies and contractors.





In 2021, we performed the compliance audit of 38 companies (26 Hungarian and 12 foreign companies), and we ruled out 12 risky companies.

Audits

In 2021, we conducted 10 investigations (3 new and 7 reviews) to identify and eliminate risks arising from compliance with the law and internal rules, and processes. Investigations covered the management of company assets (cars, mobile devices), the pre-qualification processes in the procurement area and data protection compliance in relation to the COVID situation. No serious nonconformities were identified, but recommendations were made to improve the efficiency of certain processes.

Security

Data protection

We provided ongoing support to business areas throughout the year on data protection issues that arose, and we reviewed all contracts with data protection implications from a compliance perspective and submitted recommendations for any necessary changes. We reviewed the data asset inventory against the non-procurement contract management processes of business areas and, in cases where there was non-procurement contract management by the business area and it was not

included as a data processing item in the data asset inventory, it was included as new data processing.

In 2021, the Compliance organization reviewed 54 contracts, of which 27 required a data processing agreement due to the nature of the task covered by the contract. The data asset inventory was revised in terms of new data processing (pandemic-related personal data).

We have developed a data protection framework for direct marketing contacts to support business areas. In line with the data protection rules, the contracting process now includes the consent of business partners required for direct marketing messages. Consent is recorded in conjunction with the digitization of contracts and the withdrawal of previously given consent is recorded at the request of the partner.

Client data protection

[103-418] As data controller, ALTEO's primary task is to define the scope of personal data processed by it relating to natural and legal persons and other companies, the way in which such data are processed, to ensure that the constitutional principles of data protection and the requirements of data security are complied with, and to prevent unauthorized access to, alteration, unauthorized disclosure or use of, data relating to system users. This obligation is complied with through our IT Policy issued in September 2016.

Our aim is to protect our customers' data and prevent their disclosure to unauthorized third parties.

Personal data may only be collected and processed for specific purposes and in accordance with the requirements of fairness and lawfulness. Personal data may only be processed to the extent and for the duration required to achieve such purposes. The data processed must be proportionate to the purposes for which they are processed. By signing the contract, our customers accept the provisions of the Business Code on personal data processing, and our Company undertakes to process the data in accordance with the law.

ALTEO processes the personal data obtained and processed by it in full compliance with the Act on Right of Informational Self-determination and the data processing guidelines set out in the Privacy Notice, and shall not disclose them to unauthorized third parties. ALTEO may only make the User's personal data available to third parties in exceptional cases, based on a judicial or authority decision or a legislative provision.

ALTEO ensures the security of data. In doing so, it takes technical and organizational measures to ensure the protection of recorded, stored and/or processed data and prevent their destruction, unauthorized use and unauthorized alteration.

ALTEO regularly audits the data processing activities of its business areas on the basis of ad hoc and annual schedules, identifying nonconformities, defining the tasks to be performed in order to correct them and monitoring corrective actions.

[418-1] In 2021 there were no incidents resulting in data loss or data theft, and the Compliance department did not receive any related complaints. In 2021 one privacy incident occurred. We investigated the incident after becoming aware of it in accordance with our internal data protection procedures. We have taken the necessary measures accordingly. We informed the Data Subjects by e-mail of the occurrence of the incident, requested them to delete the data transmitted by accident, informed the notifier separately and reported the incident to the authority.

Information security and cyber security

Information security governance, IT security expert support and related strategic planning tasks are the responsibility of the Compliance organization.

In 2021, we have implemented a number of enhancements in collaboration with IT and our business partners to raise the maturity level of IT and information security, as well as data and cyber security. We work to prevent attacks that overload IT resources, collect logs and analyze logs to detect malicious anomalies, deploy anti-virus solutions, encrypt workstations and servers, deploy state-of-the-art border protection solutions, and protect our mobile devices.

We have received 67 reports of information security incidents, phishing, ransomware emails, Internet and phone scams, which we have investigated and taken action to stop.

As part of an internal audit, we conducted a compliance review of ALTEO's Risk Management Policy against the ISO/IEC 31000:2018 Risk Management Standard and the ISO/IEC 27001:2014 Information Security Management System Standard. We found that ALTEO's existing Risk Management Policy is structurally sound, both in terms of the framework and processes, and the methodologies applied.

Within the framework of an external audit, the integrity compliance of the billing system must be certified in accordance with Section 43(4) of Act LXXXVI of 2007 on Electricity and Section 100(1b) of Act XL of 2008 on Natural Gas Supply.

The IT and information security requirements laid down in the applicable laws include the administrative, physical and logical protection requirements assigned to the security class of the electronic information system.

Compliance with these requirements is verified each year by an external auditor subject a statutory authorization. The audit of the IT system's integrity is carried out in three-year cycles, i.e. a comprehensive audit in the first year and a review every two years thereafter to maintain the integrity certification. The integrity audit conducted by HUNGUARD was again successfully completed in 2021.

The mandatory bi-annual training and exams set out in our Information Security Policy were completed by 100% of our employees in 2021. The aim of the training is to familiarize employees with our internal rules on information security and to raise awareness of information security.

To measure employee information security awareness, we regularly checked compliance with our Clean Desk Policy throughout the year, with a result of 80% (the number of employees who complied with our internal rules).

Physical security

In the design of the central offices, we have endeavored to create a safe and secure environment using modern technology, including cameras, access control and remote monitoring systems. The design of our physical security system is fully compliant with the requirements of the external integrity audit of the billing system, IT and information security.

We started to develop asset protection for the power plants and sites (objects) operated by ALTEO Group in line with industry practice. We agreed with the managers of the power plants on the security categories and classifications of the sites, we revealed gaps and proposed the necessary security technology improvements. In 2021, we prepared cost plans and a schedule for technological improvements and new investments in asset protection for the years 2022-2023.

Risk management -

Integrated Management System (IMS) and Health, Safety and Environmental Protection (HSE)

[102-11] [403-1] [G4-DMAVkez.] [103-307]

In our business, energy services and investment activities, we are committed to ensuring that the quality of our services exceeds customer expectations. In addition to our core business interests, we pay particular attention to creating a healthy and safe working environment, to keeping our surroundings clean, to observing the principles of precaution, responsible care and prevention, with a commitment to social responsibility, thus contributing to sustainable development. We ensure this through our Integrated Management System (IMS).

The Integrated Management Policy of ALTEO Group states that in the spirit of our commitment to sustainable development and social responsibility, we pay particular attention to

- the continuous improvement of our service quality,
- the use of new and innovative technologies,
- the creation and maintenance of a healthy and safe working environment,
- the continuous improvement of energy efficiency,
- the careful use of our environment's resources,
- the preservation of natural assets, the protection of our environment and the consistent and systematic improvement of our environmental performance.

The IMS includes a system integrating four international standards:

- ISO 9001:2015 Quality Management System (QMS)
- ISO 14001:2015 Environment Management System (EMS)
- ISO 45001:2018 Occupational health and safety management system (OHSMS)
- ISO 50001:2018 Energy management system (EnMS)

For ISO 45001 and ISO 50001, we successfully transitioned to the new 2018 standards in 2020. Our certificates are available on the website.

The integrated operation of these systems enables ALTEO to operate at the highest level international standards at all times. This also ensures compliance with the current laws and stakeholder expectations.

During its operation so far, ALTEO has paid special attention to the avoidance of risks, so the introduction of the risk-based mindset observed in recently issued international standards was not unknown to us, therefore the transition to these was not an obstacle either. In 2021 our external audits were again completed without any nonconformity being identified.

Focusing on stakeholder expectations, of course, we also took into account and assessed external risks beyond our control while undertaking the risk assessment. In this way, we can ensure that the precautionary principle is implemented at all times during the operation of ALTEO Group. We are continuously striving for improving the quality of our services and our HSE activities. This includes reducing our HSE risks to a reasonable and acceptable level and the prevention of work accidents, fire incidents and environmental pollution (Chapter 5.2.). We also pay particular attention to protecting our employees' health (Chapter 6.2.).

We strive to achieve our goals along the entire value chain, so compliance with the IMS requirements is also an important selection criterion of our suppliers and business partners (see in detail: above - Business partner screening).

In accordance with the IMS rules, HSE walkthroughs were conducted by the senior management, the site function and the IMS area at each site in 2021. This year we ensured our compliance with the standards by conducting 40 internal audits covering the operation of the IMS for all four standards at all of our sites and organizational units. The audits identified a total of 265 nonconformities.

Risk management as a cornerstone of becoming an ESG-driven Company

The establishment of a solid foundation for the IMS and the HSE was essential to ensure that the ALTEO Group integrates environmental and social considerations into its daily operations at system level. Years of work, continuous monitoring, feedback and incorporation of lessons learned have made sustainability a priority area at company level. As of 2021, a dedicated team will deal with sustainability at company level and the area has been moved to top management level (Chapter 4.1).

4.4. Risk management

The detailed description of ALTEO Group's business environment and risks as well as the analysis of market and industry risks are included in Chapter III.3 – Risk Matrix of Annex 1, presented as part of our IFRS³ consolidated financial statements.

4.5. Sustainable development

The preparatory work and the results of the consultation prior to the ESG rating highlighted the areas within sustainability where the Group should pay more attention in the future. For ALTEO, becoming a sustainable, ESG-driven company is a journey of continuous learning and development, and incorporating the lessons learned into our future strategy.

In 2022, we aim to make our Sustainability Strategy even more explicit and launch its integration into the overall corporate and business strategy of the Group. In addition to the ESG guidelines, we also aim to incorporate the UN Sustainable Development Goals (SDGs) that are relevant to our activity into this strategy. As an initial step in this process, we have conducted a questionnaire survey in this year's Integrated Report materiality

³ IFRS: International Financial Reporting Standards.

assessment (Chapter 2.2) to assess which SDGs our external and internal stakeholders consider should be a priority for ALTEO.

Based on this survey, the goals, which are already reflected in this year’s Integrated Report under the different material topics, are the following. “Clean Water and Basic Public Sanitation” were primarily of high priority to our external, while the “Industry, Innovation and Infrastructure Goals” to our internal stakeholders. However, the other four targets are uniformly important topics for all our stakeholders.

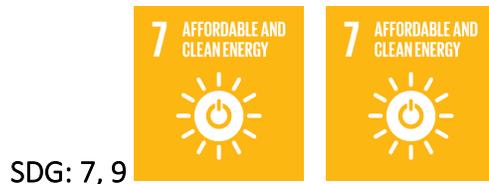


5. Sustainable Energy

Key messages of this chapter:

- Large-scale power plant expansions were implemented at ALTEO-owned power plants between 2018 and 2021 using renewable energy carriers.
- The re-opening of the Gibart Hydroelectric Power Plant and the full-year operation of the Bábolna Wind Turbine increased the amount of renewable electricity generated by our Company.
- We are proud that in 2021 we have been able to ensure nearly 100% availability of the power plants owned and operated by the ALTEO Group.
- In 2021, most of our power plants using renewable energy carriers continued to operate at 95%+ efficiency levels.
- The total direct and indirect CO₂ emissions from ALTEO Group operations decreased from 224 thousand metric tons in 2020 to 194 thousand metric tons in 2021.

5.1. The future of energy



ALTEO Nyrt. is committed to sustainability and renewable energy production. As a sustainable company, one of ALTEO’s main objectives is to contribute an increasing share to Hungary’s renewable energy production and to achieve climate neutrality by 2050. Our company is

committed to creating value through sustainable development, and to promote this, we have voluntarily obtained our first ESG certification. The experience gained during the ESG certification process has revealed new potential for short and long-term development, which will also help us to extend our 2022 Sustainability Goals.

As part of its portfolio, the ALTEO Group owns and operates a total of 26 power plant units, and controls 223.17 MW of electricity and 783.36 MW of heat generation capacity. Renewable power plants account for more than 50% of the company's installed electrical capacity.



Renewable power plants account for more than 50% of installed electrical capacity

ALTEO's power plants operate with high efficiency and availability, with CO₂ emissions of 0.0551 t/GJ per 1 GJ of energy produced. Efficiency, controllability and central monitoring are ensured by the Virtual Power Plant.

Despite the COVID epidemic and staff shortages in some areas in 2021, the maintenance of our power plants was uninterrupted, their quality has improved and the satisfaction of our industrial customers continues to be high.

In its Integrated Management Policy, ALTEO has set itself the objective of paying particular attention to the continuous improvement of energy efficiency, including the assumption of a role in training and educating the next generation in local educational institutions. Moreover, as a major player in the Hungarian energy sector, the Company's investments in energy efficiency contribute to Hungary's economic growth.

Energy production

[102-7]

Energy demand in Hungary and globally is growing year by year, changing from one moment to the other. To ensure the stability of the system, the electricity system needs to respond flexibly to these changes. To this end, in addition to large power plants, small power plants that can be flexibly switched on and off to meet current demand, became necessary. The ALTEO Group's objective is to be a reliable partner in the secondary or balancing control system. To this end, the company operates high-efficiency natural gas-fired cogeneration power plants. In line with the objectives of the European Union, ALTEO is committed to continuously increasing the share of renewable power plants, which will have the effect of increasing the overall share of renewable power plants in the domestic energy mix.

Electricity production

Installed electrical capacity

[EU1]

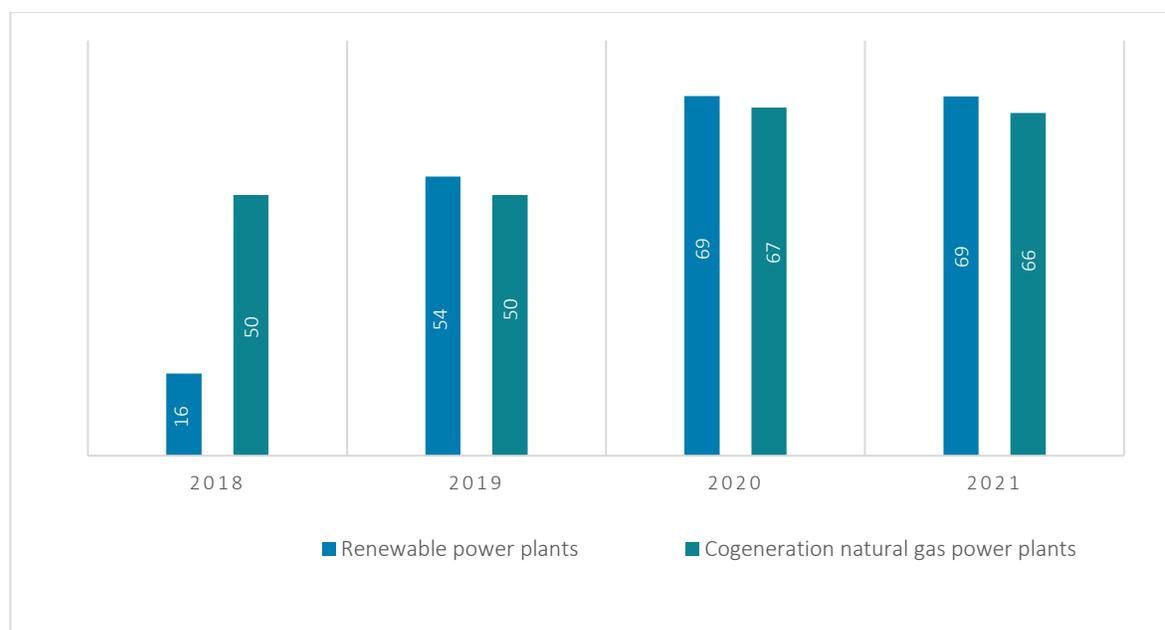
ALTEO aims to steadily increase the capacity of its renewable and cogeneration power plants, thus contributing to the transition of the European Union and Hungary towards

carbon neutrality. The electrical output of the power plants owned by the Company is close to the 2020 results, due to the reclassification of the Nagykőrös power plant to the 'operated' category.

INSTALLED ELECTRICAL CAPACITY (MW)

	2018	2019	2020	2021
POWER PLANTS OWNED BY ALTEO GROUP	66.0	104.0	136.3	135.3
Natural gas	50.2	50.2	67.1	66.1
Hydro	1.4	1.4	1.9	1.9
Wind	7.1	32.1	47.1	47.1
Landfill gas	1.3	1.1	1.1	1.1
Solar	6.0	19.1	19.1	19.1
POWER PLANTS NOT OWNED BY ALTEO GROUP	84.9	87.9	87.9	87.9
Natural gas	82.9	82.9	82.9	82.9
Biogas	2.0	2.0	2.0	2.0
Solar	-	3.0	3.0	3.0

INSTALLED ELECTRICAL CAPACITY OF ALTEO-OWNED POWER PLANTS (MW)



The installed electrical capacity of power plants owned by ALTEO has not changed significantly in 2021. The decrease of 1 MW observed for cogeneration natural gas fired power plants is due to the suspension of industrial/commercial services at the Agria Park and MOM Park plants.

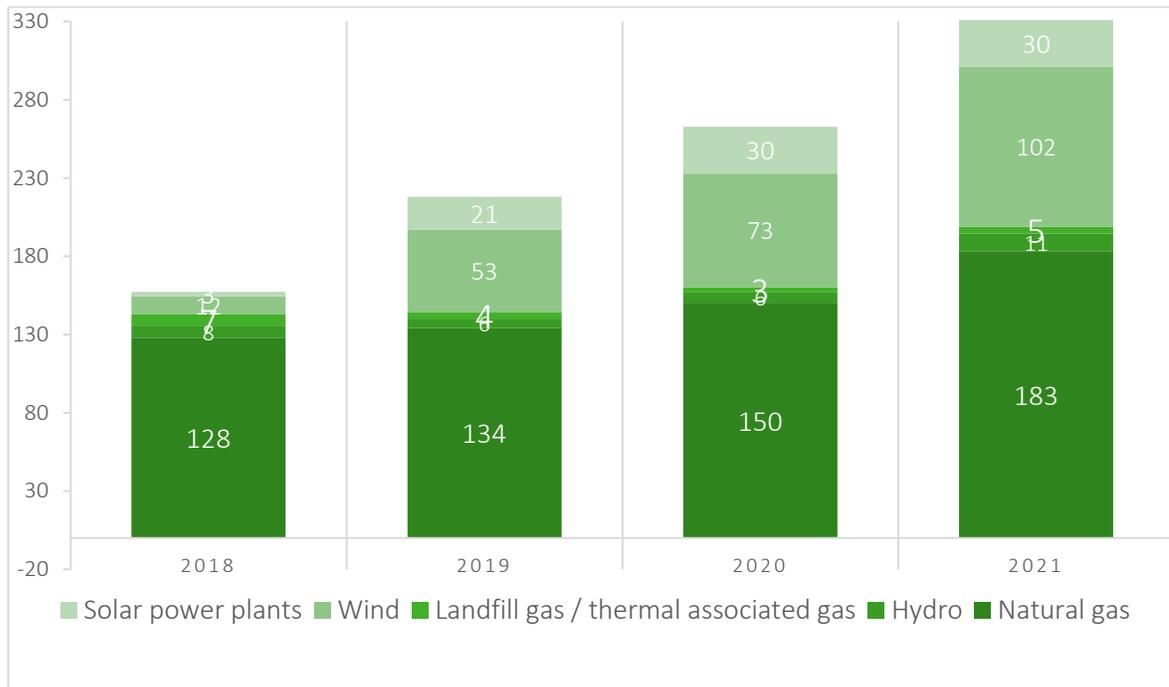
Amount of electricity produced

[EU2]

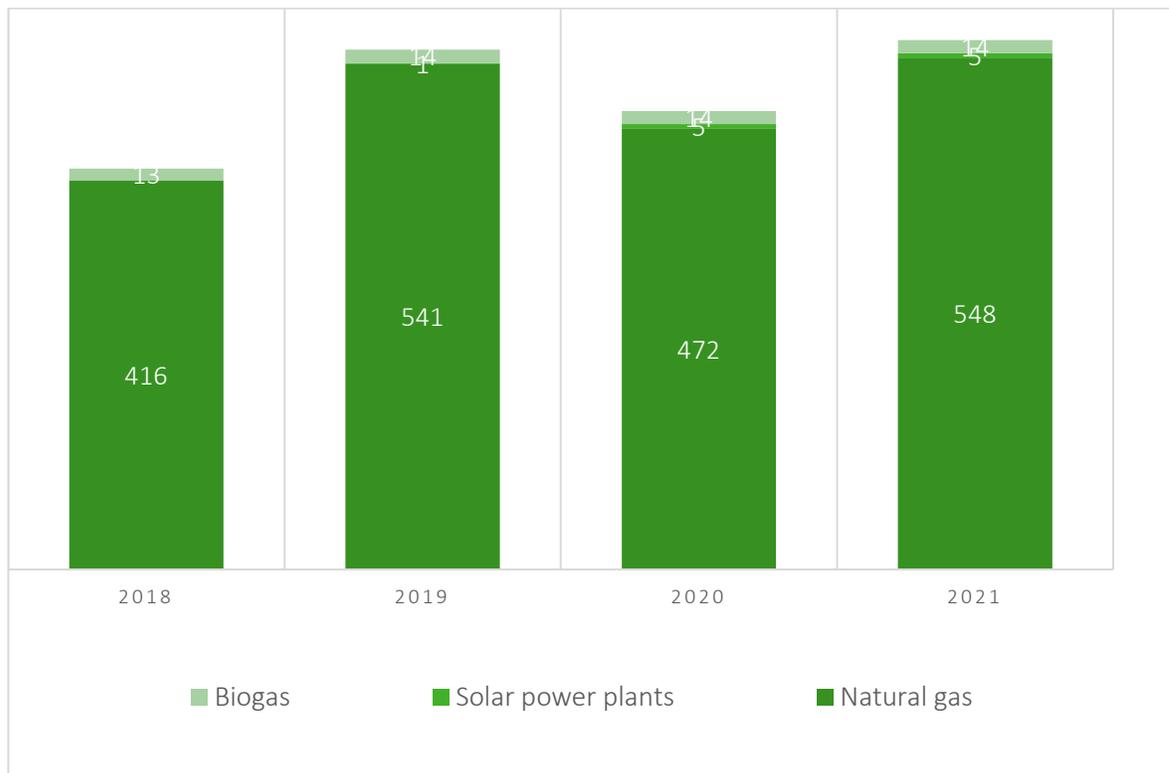
The power plants owned and those operated by ALTEO Group generate energy from different energy carriers. While the ALTEO-owned power plants saw large-scale renewable power plant expansions between 2018 and 2021, the majority of the plants in operation are cogeneration natural gas plants.

In the case of hydroelectric power plants, there was a 42% increase in the amount of the electricity produced, due to the capacity expansion of the Gibart Hydroelectric Power Plant at the end of 2020. For wind turbines, there is a 29% increase compared to the previous year, due to the fact that the Bábolna Wind Turbine was in operation already for the whole year in 2021.

ELECTRICITY GENERATED BY POWER PLANTS OWNED BY ALTEO (GWH)



ELECTRICITY GENERATED BY POWER PLANTS OPERATED BY ALTEO (GWH)



Heat energy production

In 2021, installed natural gas thermal capacity has further decreased compared to the figures seen in 2020. This is due to the aforementioned discontinuation of services at the Agria Park and MOM Park small power plants and the mid-year sale of BC-Therm to BC-Erómű. In the latter case, however, ALTEO will continue to operate the plant, so all of this capacity has been transferred from owned to operated.

INSTALLED HEAT CAPACITY (MW)

[EU1]

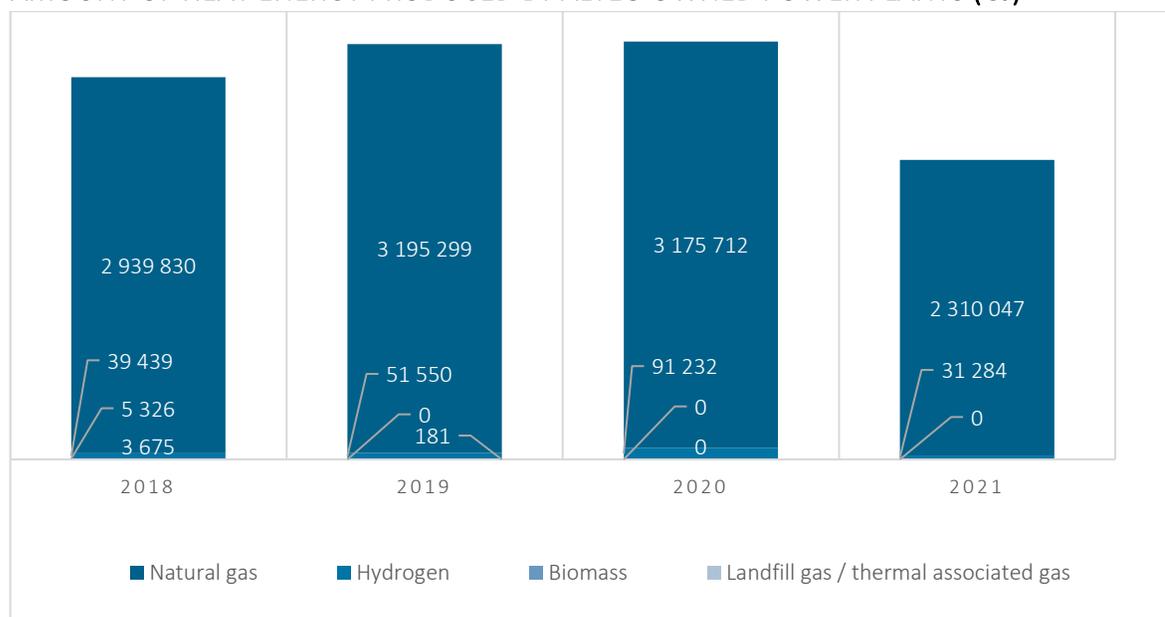
	2018	2019	2020	2021
POWER PLANTS OWNED BY ALTEO GROUP	284.8	284.6	283.2	184.8
Natural gas	282.9	282.9	282.1*	183.7
Landfill Gas /	1.3	1.1	1.1	1.1
Biomass	0.6	0.6	0.6	-
POWER PLANTS NOT OWNED BY ALTEO GROUP	680.5	680.5	680.5	861.7
Natural gas	503.5	503.5	503.5	593.6
Hydrogen	58.0	58.0	58.0	148.1
Methane	58.0	58.0	58.0	58.0
High inert gas	61.0	61.0	61.0	61.0

*: The 2020 figures in the table on page 61 of the 2020 Integrated Report have been amended due to the thermal capacity included in the new license of ALTEO Thermes. This change affected the heating plants in Sopron and Kazinbarcika, where the installed heat capacity decreased by a total of 3.8 MW [102-48].

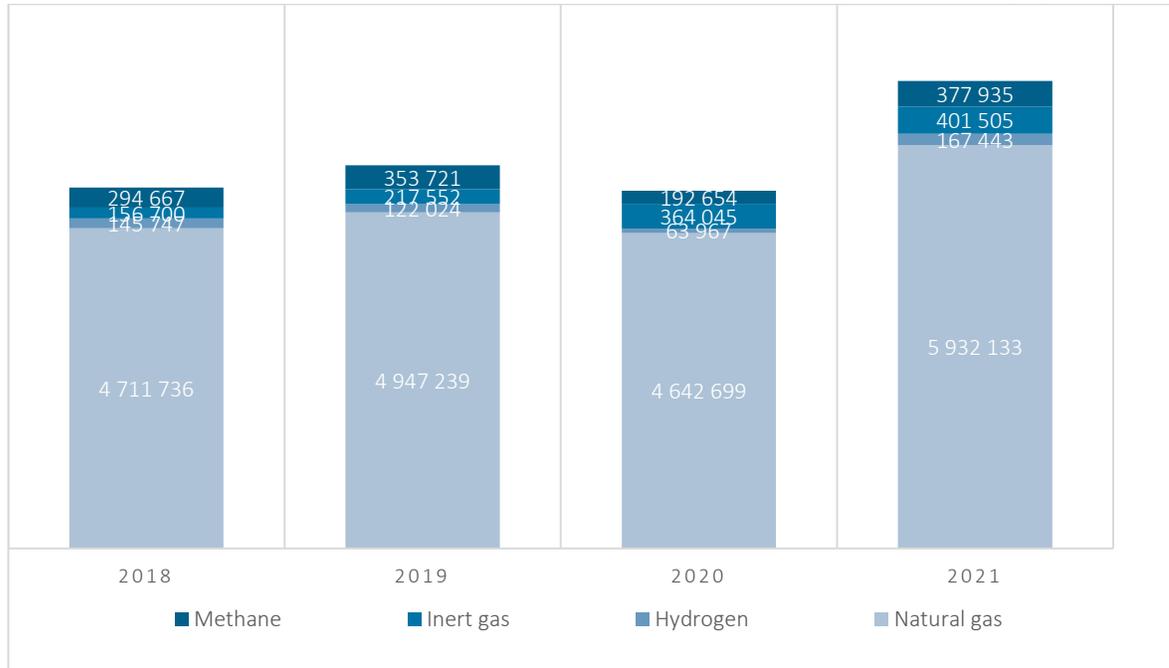
Amount of heat energy produced (GJ) [EU2]

The amount of heat energy generated by the power plants owned and operated by the ALTEO Group is largely dependent on the direct demand of its contracted partners. Among the owned power plants, natural gas-based heat generation increased by nearly 25% in Ózd, 22% in Kazincbarcika, and 18% in Győr. At the same time, BC-Therm’s change of category during the year is the biggest difference compared to last year’s figures: the amount of heat produced by owned plants decreased, while the amount of heat produced by operated plants increased by a similar proportion, while hydrogen-based heat production fell by almost half.

AMOUNT OF HEAT ENERGY PRODUCED BY ALTEO OWNED POWER PLANTS (GJ)



AMOUNT OF HEAT ENERGY PRODUCED BY ALTEO OPERATED POWER PLANTS (GJ)



Fuel use and system efficiency

[302-1]

Apart from electricity from renewable sources still produced in the subsidized electricity system and the regulated prices of district heating, all our products are market-based and have to compete in a competitive market. As a key condition for this, the selected technologies should always be the most efficient ones available, and that is why we prefer cogeneration, and why we have renovated our hydropower plant in Gibárt.

In our Integrated Management Policy, we have also set ourselves the goal of focusing on the continuous improvement of energy efficiency, the economical use of environmental resources, the protection of our environment and the conservation of the natural assets. The basic operation, management, continuous development and efficiency of our systems are the responsibility of not only the Executive Board, but also the site managers. Developments that increase system efficiency are reflected in the annual quality, the HSE and EnMS objectives, while specific tasks are included in the bonus objectives that form the basis for staff performance appraisals. We also evaluate the effectiveness and implementation of developments, performance indicators and production data at annual management reviews.

For industrial services, heat energy is sold under contractual terms and conditions, while in the case of district heating, the sale price is set by the authority, and that is why the capacity to generate heat at an economically viable cost level is also critically important in those cases.

Cogeneration

The essence of cogeneration is that there are two power engineering products: heat and electricity. Both are generated under the same process technology, using identical primary energy sources. Cogeneration plants achieve that by using a gas engine or gas turbine to drive the generator, which, in turn, produces electric power. In general, for gas engines, other waste heat from flue gas and the gas engine is utilized, while for gas turbines (in some cases also for gas engines), flue gas heat is utilized in a waste heat recovery boiler suitable for steam generation.

Increasing the efficacy of fuel utilization is in our economic, environmental and macroeconomic interest. It constitutes an environmental task, since fuel that can be saved through cogeneration need not be exploited to the detriment of the environment; saving fuel also reduces the burden on the environment by cutting CO₂ emissions. When based on the correct technical design, cogeneration also holds significant economic benefits, making it possible to reduce the price of power engineering products. By using cogeneration, close to 40% of primary energy can be saved, as compared to stand-alone technologies required to generate an identical amount of heat and electricity.

Primary energy consumption

In the power plants owned or operated by ALTEO Group, the main fuel used is natural gas. In addition to natural gas, particular attention is paid to increasing the share of renewable energy sources in the energy mix, through the use of classical renewable energy sources and “waste gases” held by customers. Methane, hydrogen or high inert gases are used to generate heat energy instead of being flared, thus protecting our environment and contributing to the development of a circular economy.

TOTAL PRIMARY ENERGY CONSUMPTION (GJ)

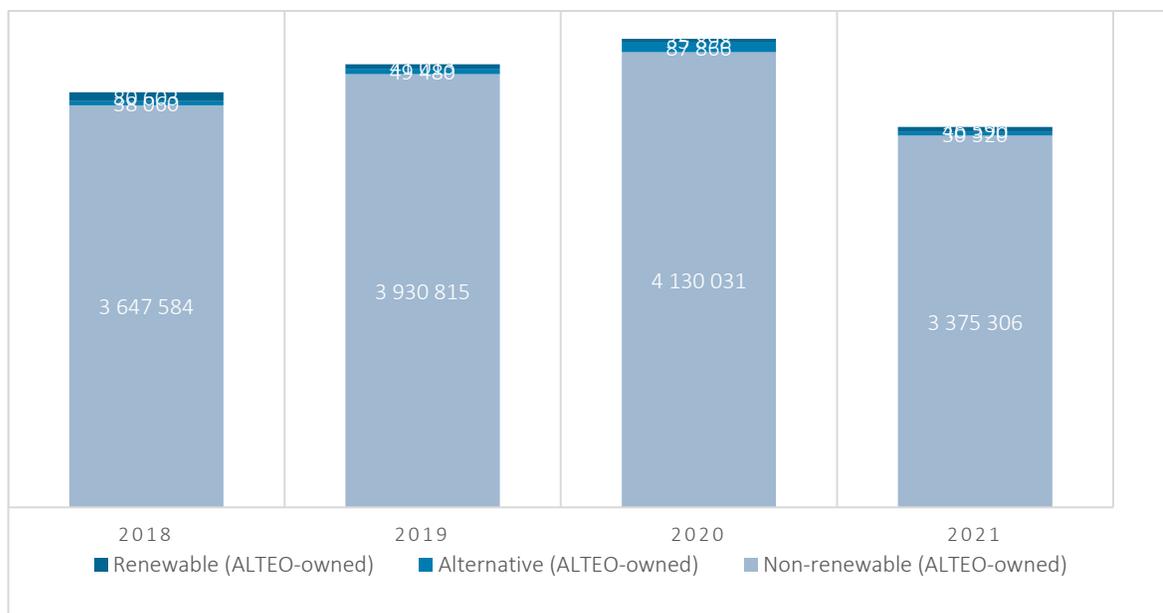
	2018	2019	2020	2021
TOTAL ENERGY DEMAND (GJ)	11,664,070	13,458,499	12,543,658	13,177,296
A) TOTAL PRIMARY ENERGY CONSUMPTION	11,569,396	13,352,356	12,451,722	13,074,671
Renewable	187,278	155,001	140,402	148,756
Non-renewable	11,382,117	13,197,355	12,311,320	11,388,937
Alternative (methane/hydrogen/inert gas)	896,622	1,452,523	1,194,321	1,534,978
B) ENERGY PURCHASED	94,674	106,143	91,937	102,625
Electricity	77,832	84,997	69,499	71,613
Heating	1008	1039	1189	1113
Steam	15834	20107	21248	29899

C) ENERGY SOLD	10,298,515	11,530,063	11,155,956	12,403,297
Electricity	2,088,077	2,743,111	2,673,138	3,198,015
Heat energy	8,210,438	8,786,952	8,482,818	9,205,282
TOTAL ENERGY CONSUMPTION WITHIN THE ORGANIZATION	1,365,555	1,928,436	1,387,703	773,999

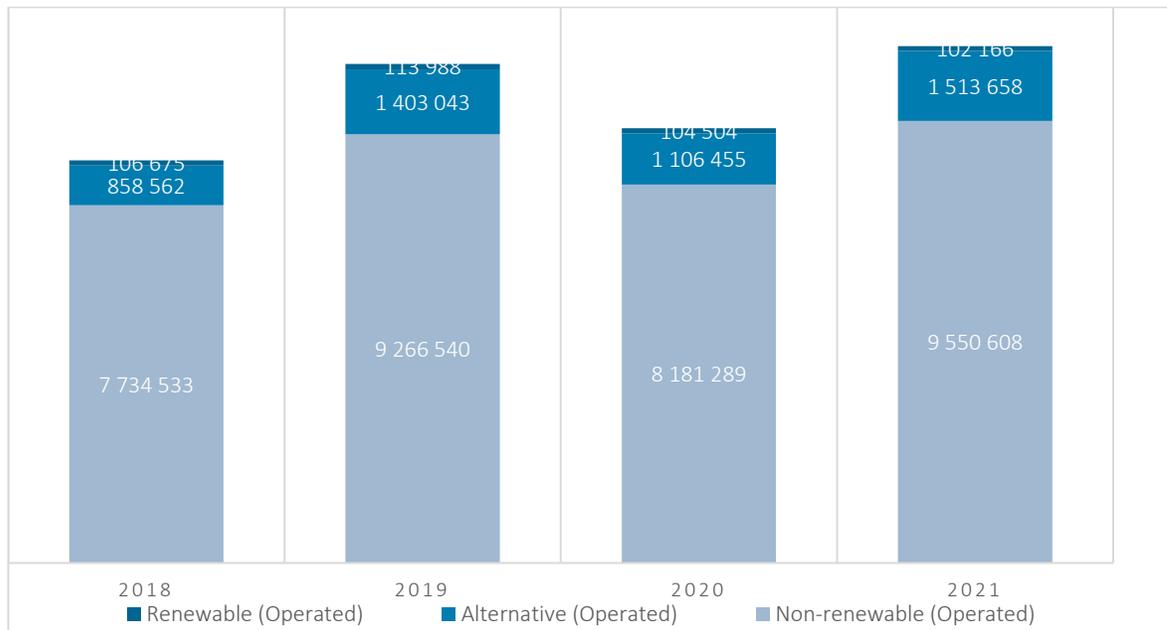
Energy consumption data is collected from meter readings, while natural gas consumption data is based on invoices received from the local gas distributor or gas vendor.

For the purposes of this report, renewable primary energy consumption use only includes uses from weather-independent renewable sources (biogas, landfill gas, biomass). For weather-dependent renewables, we do not yet have measuring instruments that would allow us to measure the exact amount of energy obtained from solar, wind or hydro sources.

TOTAL PRIMARY ENERGY CONSUMPTION IN POWER PLANTS OWNED BY ALTEO (GJ)



TOTAL PRIMARY ENERGY CONSUMPTION IN POWER PLANTS OPERATED BY ALTEO (GJ)



Efficiency

[EU 11]

The efficiency of each power plant is described with an efficiency indicator. The use of efficiency as an indicator is also relevant from the point of view of sustainability. On the one hand, the efficient use of natural resources, such as primary energy sources, is particularly important to promote environmental sustainability, and on the other hand, efficient resource use increases the competitiveness of our company. The higher the power efficiency of a process or power plant, the greater the ratio of utilization of the energy inherent to the energy carrier.

In the case of our power plants fueled by renewables (such as wind, solar, and hydro energy), efficiency was calculated, in accordance with the GRI expectations, from electricity consumption and electricity produced, therefore in these cases efficiency equals the efficiency of the electric transmission system.

In 2021, most of our power plants using renewable energy carriers continued to operate at 95%+ efficiency levels.

Type	Power plant (ALTEO-owned)	Combined power-plant efficiency
Wind turbine	Ács	98.7%
	Jánossomorja	98.8%
	Pápakovácsi	98.9%
	Törökszentmiklós	97.8%
	Bőny	98.5%
	Bábolna	96.7%
Hydro	Felsődobza	98.8%
	Gibárt	98.9%
Landfill gas	Debrecen 2	34.9%

Biogas	Nagykőrös	49.1%
Solar power plant	Domaszék	99%
	Monor	99%
	Balatonberény	99%
	Nagykőrös	99%

Energy production based on non-renewable energy sources mostly involves cogeneration, therefore, the actual efficiency of the entire power plant is shown by the figures relevant for the whole power plant.

Power plant (ALTEO-owned)	Electricity cogeneration efficiency	Heat cogeneration efficiency	Total cogeneration efficiency	Efficiency of boiler heat generation
Győr	37.3%	18.3%	55.6%	78.2%
Sopron	41.3%	32.2%	73.5%	91.3%
Kazincbarcika	34.4%	42.6%	77.1%	94.9%
Ózd	40.5%	39.9%	80.5%	-
Tiszaújváros	36.8%	39.1%	75.9%	89.0%
Zugló	42.2%	39.5%	81.7%	-

Availability

[G4-DMARedek]

[EU30]

These days, the issue of energy supply security is becoming increasingly important at both local and global level. ALTEO is committed to supplying energy to its customers from sustainable sources in an economical way, even in the face of globally rising energy prices. The quality of our services is shown by the high level of reliability and consistent high availability.

The ALTEO Group has formulated the Company's policies for energy production, operation and maintenance in the form of policies and procedures included in the Integrated Management System. These procedures regulate in detail the operation, maintenance and troubleshooting policies that enable the Company to ensure maximum availability (Chapter 4.3 – Risk Management).

The ALTEO staff are committed to continuously monitoring the sites, identifying factors affecting availability and improving indicators on an ongoing basis. To this end, the Company is implementing specific improvements and targets in both the short and long term.

Availability shows the ratio of planned to unintended outages for each power plant. Due to differences in monitoring methods and tools, the data may contain uncertainty.

In the case of electricity generation, the availability of our installations is presented. For wind and solar power plants, availability is calculated per electricity generation unit, then projected to relevant sites as a whole.

We are proud that in 2021 we have been able to ensure nearly 100% availability of the power plants owned and operated by the ALTEO Group.

Average availability rate (electricity)	2018	2019	2020	2021
AVERAGE AVAILABILITY RATE OF ALL POWER PLANTS	91%	93%	91%	97%
POWER PLANTS OWNED BY ALTEO GROUP				
Natural gas	95%	96%	87%	96%
Heating power plants	95%	96%	87%	96%
Industrial and commercial services	100%	100%	100%	-
Wind	83%	82%	88%	100%
Landfill gas	78%	72%	89%	51%
Hydro	98%	100%	100%	99%
Solar power plants	98%	100%	99%	100%
POWER PLANTS NOT OWNED BY ALTEO GROUP				
Natural gas	89%	96%	82%	89%
Biogas	96%	97%	97%	96%
Solar Power		100%	100%	99%

As regards heat energy services, our customers are district heating utilities and large industrial consumers, and availability is broken down by heat supplied to them. To calculate the rate of availability, the duration of scheduled and unscheduled outages is compared to total possible operating hours. Outages mean the instances where we are unable to meet contractual terms, i.e. we are unable to provide heat energy of sufficient quantity and quality to our customers.

Average availability rate (heat energy)	2018	2019	2020	2021
AVERAGE AVAILABILITY RATE OF ALL POWER PLANTS	97%	98%	92%	94%
POWER PLANTS OWNED BY ALTEO GROUP				
Natural gas	96%	98%	92%	97%
Heating power plants	95%	99%	91%	97%
Industrial and commercial services	96%	98%	97%	100%
POWER PLANTS NOT OWNED BY ALTEO GROUP				
Natural gas	97%	97%	89%	90%

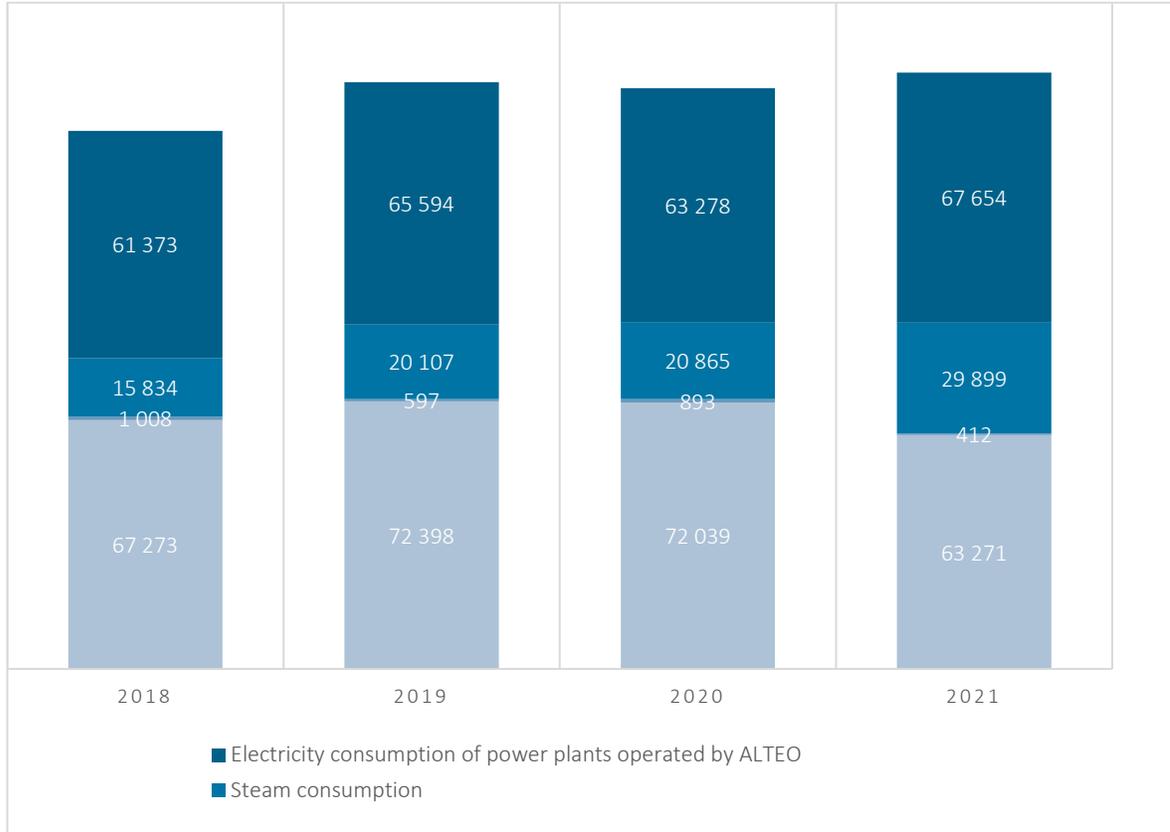
In-house consumption

[302-1]

In-house consumption is used to denote the electricity and heat energy required to operate our sites. Compared to 2020, there was no considerable change in the amount and composition of consumed energy.

From a sustainability point of view, the data on in-house plant consumption highlights the effectiveness of the Company's energy efficiency measures, making transparent the energy demand of the ALTEO Group's owned and operated power plants and how it is covered.

IN-HOUSE CONSUMPTION OF ALTEO GROUP SITES (GJ)



5.2. Environmental compliance

SDG: 6, 7, 12, 13



[103-302]

In the course of their activities, the sites of ALTEO Group handle materials and apply technologies that could pollute the environment if not used for their intended purposes, or not in compliance with the law. Group companies hold all the necessary environmental permits and have the necessary regulations in place, and our experts work with increased care and attention.

The ALTEO Group's environmental expectations and standards are set out in the Integrated Management System (IMS). Compliance with external (statutory) and internal (IMS) requirements is audited through internal and external audits under the IMS framework, as well as during official inspections.

[307-1]

In 2021 and the two preceding years, no environmental fines were imposed on ALTEO. The external SGS audit carried out in 2021 found no nonconformities. At the same time, internal audits resulted in numerous observations that could lead to improvements in the Company's internal processes

Disaster management

[G4-DMAVkez.]

In line with statutory provisions, ALTEO Group has emergency strategies and plans in place, with stakeholders also involved in their development (as required by law). As part of safety engineering, our fire prevention and disaster management activities are based on prevention, which is achieved through emergency management measures, the provision of fire-fighting equipment, and reporting near-miss accidents.

Fire hazard is considered as key risk by ALTEO Group, and for the purposes of managing it most of our facilities are equipped with fire alarm systems and automatic fire-suppression equipment. CO₂ fire extinguishers are operated inside gas turbine enclosures.

The fire-prevention and emergency requirements for facilities are set out in the Fire Safety Regulations; additionally, damage control plans have been drawn up, along with comprehensive protection plans for two industrial power plants, and these include the rules of conduct and requirements—fully covering HSE-related statutory requirements—to be followed in emergency situations, in addition to measures to be taken in the event of fire.

In order to prepare for emergencies, these plans are regularly reviewed (as frequently as required by law or whenever change occurs at the relevant site) and shared with staff in the form of training courses; emergency exercises are also held every year. Facility-specific fire prevention requirements are set out in the fire safety regulations and the fire alarm plans.

These plans are drawn up for each site and, although not in the public domain, they can be accessed by our members of staff at any time.

In 2021, there was a total of one fire incident, and no lost business day work accidents or subcontractor accidents occurred. By April 2022, ALTEO Group will have achieved two years of accident-free operation, which is an outstanding achievement by global standards.

Process safety

[G4- G4-DMA Cr. mgmt]

Our power plants are considered hazardous operations, given that we operate furnace installations running at high temperatures, and our systems work with high-pressure hot water, steam and flue gas. On top of the statutory requirements, preventing work accidents, increased exposures and fires is of critical importance for our company. Our Integrated Management System includes an Energy Management System (ISO 50001; EnMS) and an Occupational Health and Safety Management System (ISO 45001; OHSMS), which—complementing and integrated at system level with the Quality Management System and the Environmental Management Systems—ensure that risks from our operational activities are reduced to a minimum.

[403-2] As part of the Integrated Management System, environmental impact registers were introduced for the assessment of risks. Preventive measures are implemented for processes deemed to pose a risk.

The safety of operations is ensured by preventative maintenance, as well as our technical support system (extRIM), which supports our management system.

5.3. Greenhouse gas (GHG) management



SDG: 13

Emissions

[103-305][EU5]

The ALTEO Group is committed not only to increasing the use of renewable energy sources in its power generation portfolio, but also pays particular attention to minimizing our environmental footprint in order to operate sustainably. To this end, we are continuously reducing our greenhouse gas emissions to the extent possible. However, as we implement our emission reduction efforts, we must be mindful of balancing the uneven generation of weather-dependent renewables in the electricity grid system by using flexible and highly efficient natural gas power plants.

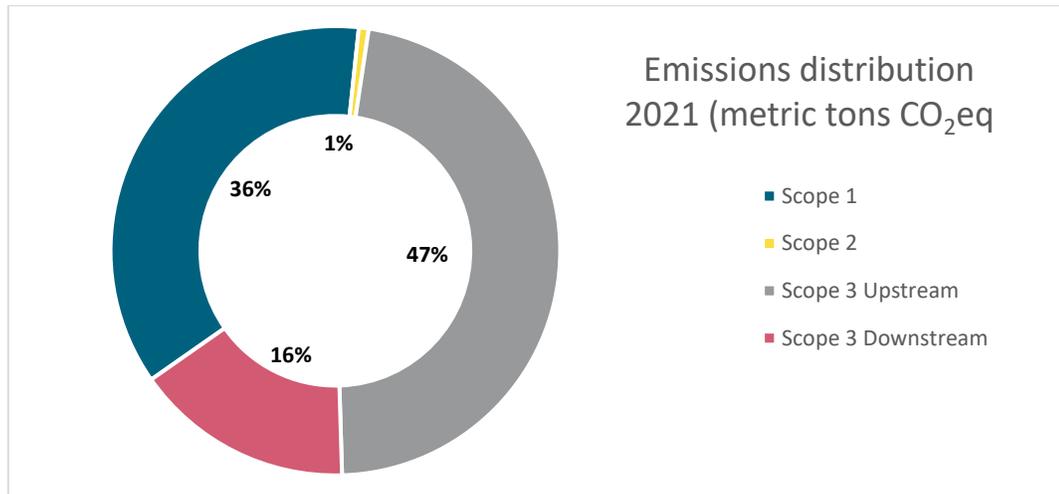
[305-1] [305-2]

TOTAL DIRECT (“SCOPE 1”) AND INDIRECT (“SCOPE 2”) CARBON DIOXIDE EMISSIONS OF ALTEO GROUP (MT)

	2018	2019	2020	2021
Gross direct CO2 emissions	205,842	219,987	230,744	190,959
Gross indirect CO2 emissions	5,511	5,884	3,365	3,710

Between 2017 and 2021, the total direct (“Scope 1”) and indirect (“Scope 2”) carbon dioxide emissions of ALTEO group have been assessed. To convert greenhouse gas emissions from petrol, diesel and purchased heat into carbon dioxide equivalents, we used the available Defra conversion factors, updated annually. Defra’s greenhouse gas methodology takes into account carbon dioxide, methane and nitrous oxide, which are used to calculate the Company’s emissions in carbon dioxide equivalent. The ALTEO Group uses a financial audit to approach emissions in a consolidated manner.

[305-3] In 2021, for the first time, ALTEO’s other indirect (“Scope 3”)⁴ emission was calculated, providing a comprehensive picture of the Group’s emissions. “Scope 3” represents approximately 62.90% of ALTEO’s total emissions, which in 2021 amounted to 330,007 metric tons of CO2 emissions. Among the “Scope 3” emissions, the largest carbon footprint came from Fuels and Energy related activities, which were not considered as part of “Scopes 1 and 2”.



⁴ The following gases were included in the calculations: CO₂, CH₄, N₂O, HFCs, PFCs, SF₆. The calculation was based on the Greenhouse Gas Protocol standards (Corporate Standard, Corporate Value Chain (Scope 3) Standard), supplemented by the GHG Protocol standard for waste management, using available scientific literature, as well as Ecoinvent, Defra, National Inventory Report (Hungary), International Energy Agency, Greenhouse Gas Protocol Scope 3 Evaluator, eiOLCA emission factors

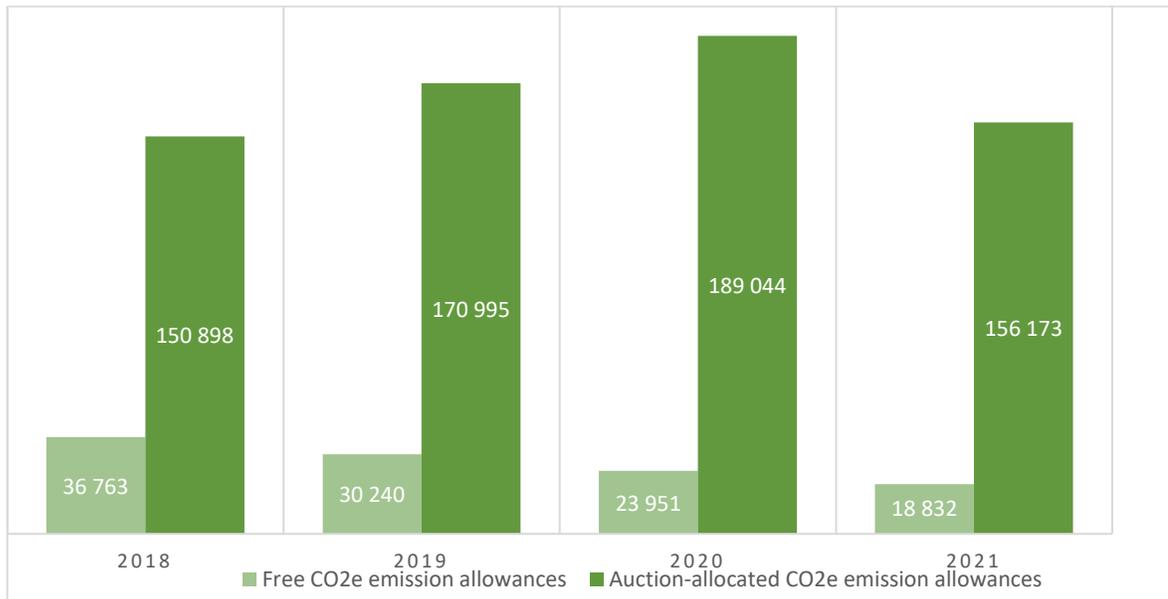
To reduce carbon dioxide emissions cost-effectively, the European Union created its Emission Trading Scheme (EU ETS); the purpose of which is to define the maximum amount of greenhouse gas emissions (cap) and to keep accurate records of emission units. In this context, the facilities concerned are allocated a set quantity of free emission allowances (quotas). At the end of each current year, facilities publish a report on their emissions. If emissions in the current year exceed the quota quantity, the difference must be bought on the carbon market, and if emissions in the current year are lower than the quota quantity, the remaining quota can be sold on the carbon market. The CO₂ allowances that may be freely allocated continuously decrease; the reason for which is to incentivize actors to minimize the amount of emitted greenhouse gases.

In its third trading period (2013-2020), the EU ETS promoted an annual emission reduction of 1.74% in the sectors concerned. The aim was to achieve a 21% reduction in the emissions of sectors involved in the EU ETS by 2020 as compared to 2005. For the period 2021-2030, the annual emissions reduction target has been increased to 2.2%, with the aim of encouraging the achievement of the 40% emissions target set by the Council of Europe for 2030 compared to year 1990 as a base.

The ALTEO Group's various power plants (Győr Power Plant, Sopron Power Plant, Kazincbarcika Power Plant, Tiszaújváros Heating Power Plant, Zugló Power Plant) participate in the EU ETS allowance trading scheme and also receive emission unit allocations.

In 2021, freely allocated allowances covered around 12% of total emissions of power plants operated by ALTEO Group; therefore, we had to purchase a large amount of CO₂ allowances at auctions.

Total received and purchased CO₂ quota of ALTEO Group

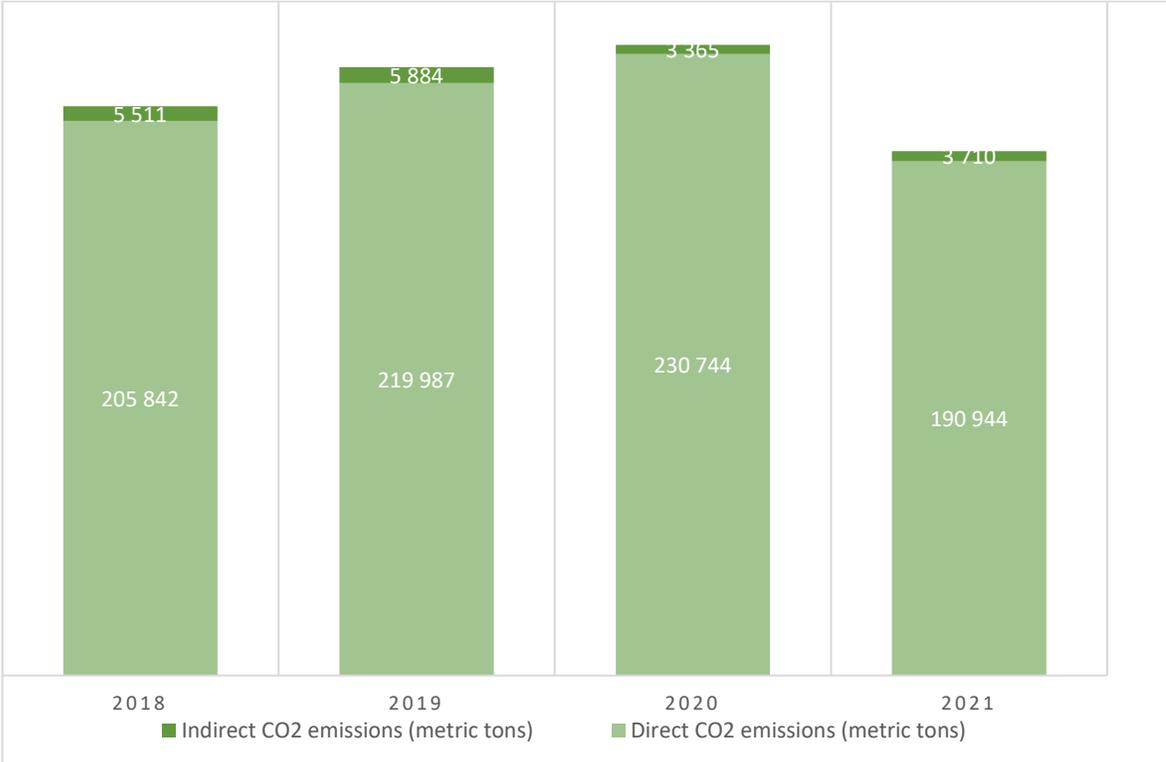


Our direct (Scope 1) carbon dioxide emission comes from using fuel materials required for the energy generation process, while our indirect (Scope 2) emission comes from carbon dioxide emission linked to purchased energy we use, as well as using company cars for transportation to and from our sites.

[305-4]

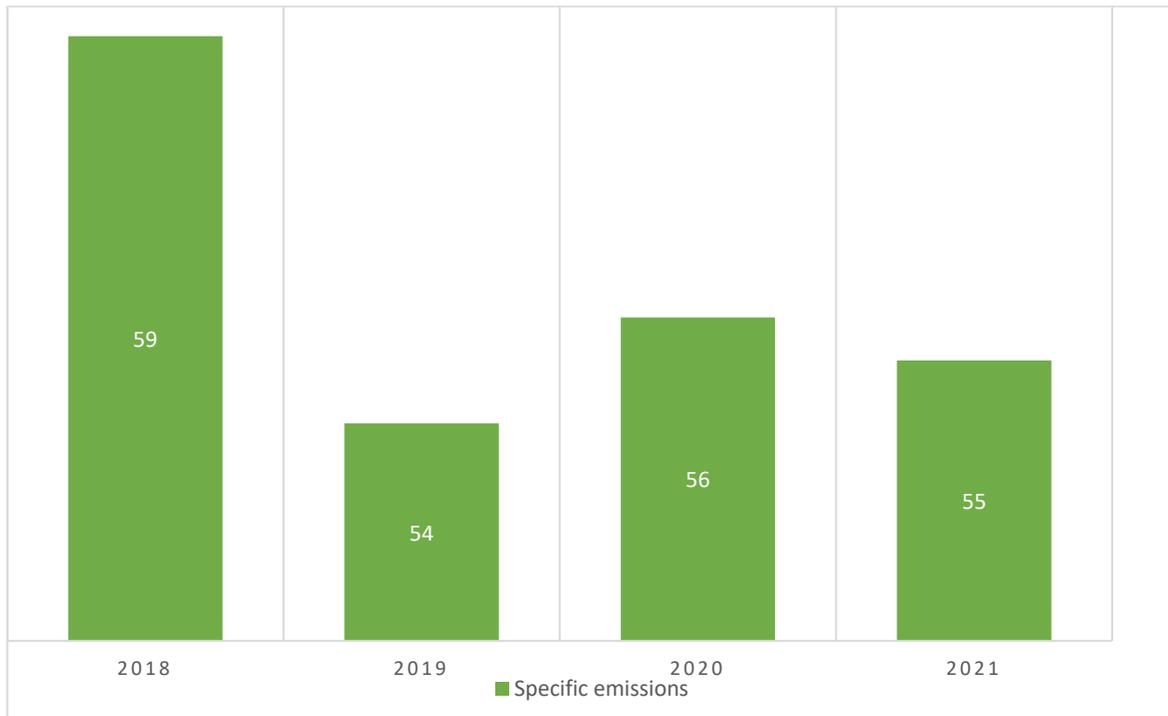
Total direct and indirect CO₂ emissions from ALTEO Group operations decreased from 234 thousand metric tons in 2020 to 194 thousand metric tons in 2021. This is the result of the significant reduction in emissions from the use of company cars and a significant reduction in emissions from the Debrecen 1 power plant.

Total direct and indirect CO₂ emissions generated during ALTEO Group’s operation (tCO₂)



In contrast, the specific CO₂ emission of power plants owned by ALTEO Group slightly decreased last year. As an energy producing company, emission intensity is another key indicator in addition to total emissions, showing the volume of emissions per unit of energy produced.

Specific CO₂ emission of ALTEO (kgCO₂/GJ)



Air quality protection

[103-305] In total, there are 42 point sources in operation at sites operated by the⁵ ALTEO Group. Flue gas from gas engines contains nitrogen oxides (NO_x), carbon monoxide (CO) and non-methane hydrocarbon (NMHC), while flue gas from hot water boilers and steam boilers releases NO_x and CO into the air when natural gas is used as fuel.

All of our sites have baseline permits defining the use of the environment, which include the requirements applicable to point sources, measurements and compliance.

The HSE area is responsible for producing annual reports, conducting accredited measurements, and communicating with and reporting to the authorities. While power plant managers are responsible for the uninterrupted operation of emissions-metering equipment, and compliance with daily limit values, along with the reporting of any values exceeded. Appropriate operational practices are audited at HSE inspections and walkthroughs, internal and second-party audits, as well as whenever authority audits are conducted.

Firing occurs at a high temperature in the boilers, flue gas has a low carbon monoxide content, and soot generation is minimal. The combustion chambers in the gas turbines of

⁵ A point source means an air pollutant source that has a chimney or an outlet pipe, so that its emissions can be clearly determined by measurement/technical calculation.

industrial power plants are likewise low-emission. The application of the best available technology is a key aspect as early as at the power plant design stage.

Average daily emissions from point sources did not exceed process emission limits at any of our sites during the full period of operation. Emissions at the TVK Power Plant and the BC Power Plant are measured with a continuous emissions-metering system. At the rest of the sites, compliance is achieved on the basis of accredited annual emission measurements.

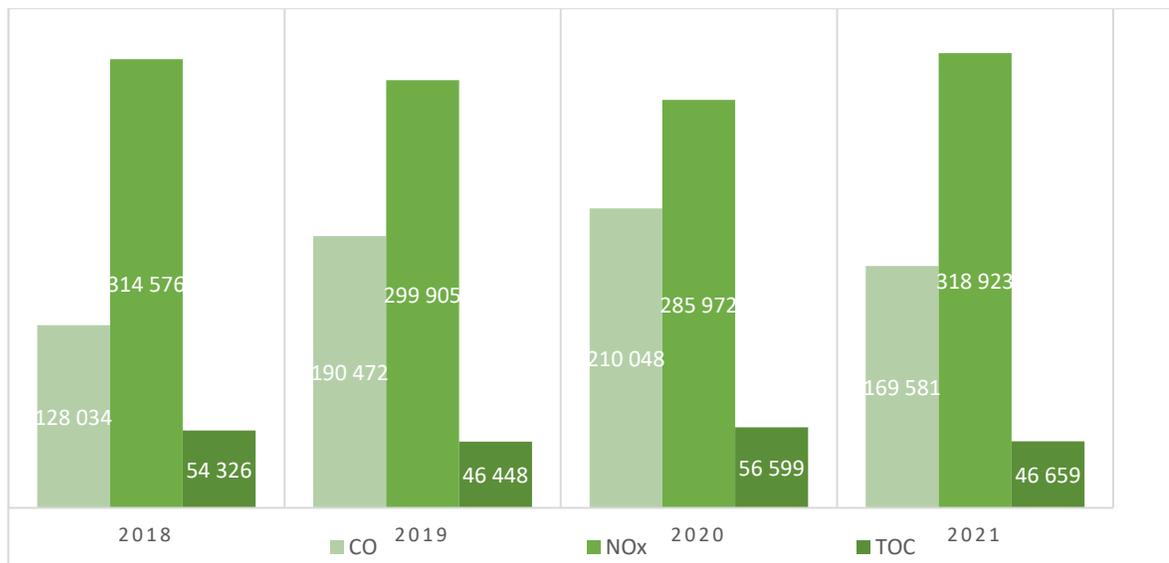
With authorization from the competent environmental authority, air pollutant emissions from only one of similar types of equipment (gas engines and boilers) are checked by accredited testing from among Zugló-Therm Kft., Győri Erőmű Kft., Kazinc-Therm Kft., Ózdi Fűtőerőmű Kft. and Tisza-Therm Kft. power plants, but a different unit is selected on a rotating basis for each testing period.

For power plants owned by ALTEO, nitrogen oxides emissions increased in 2021, while carbon monoxide and TOC emissions decreased. There were no emissions of sulphur dioxide and particulate matter.

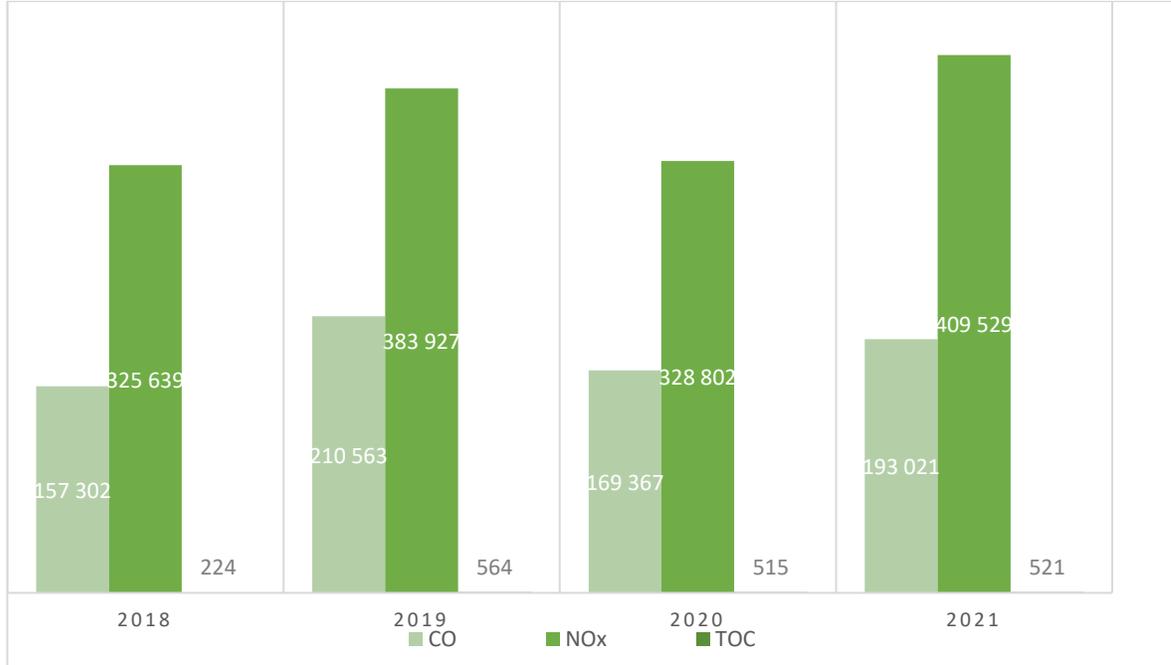
Emissions of carbon monoxide, nitrogen oxides and TOCs, as well as sulphur dioxide, have also increased for power plants operated by ALTEO. In 2021, there were no emissions of particulate matter.

[305-7]

Air pollutant emissions of power plants owned by ALTEO (CO, NO_x, TOC)

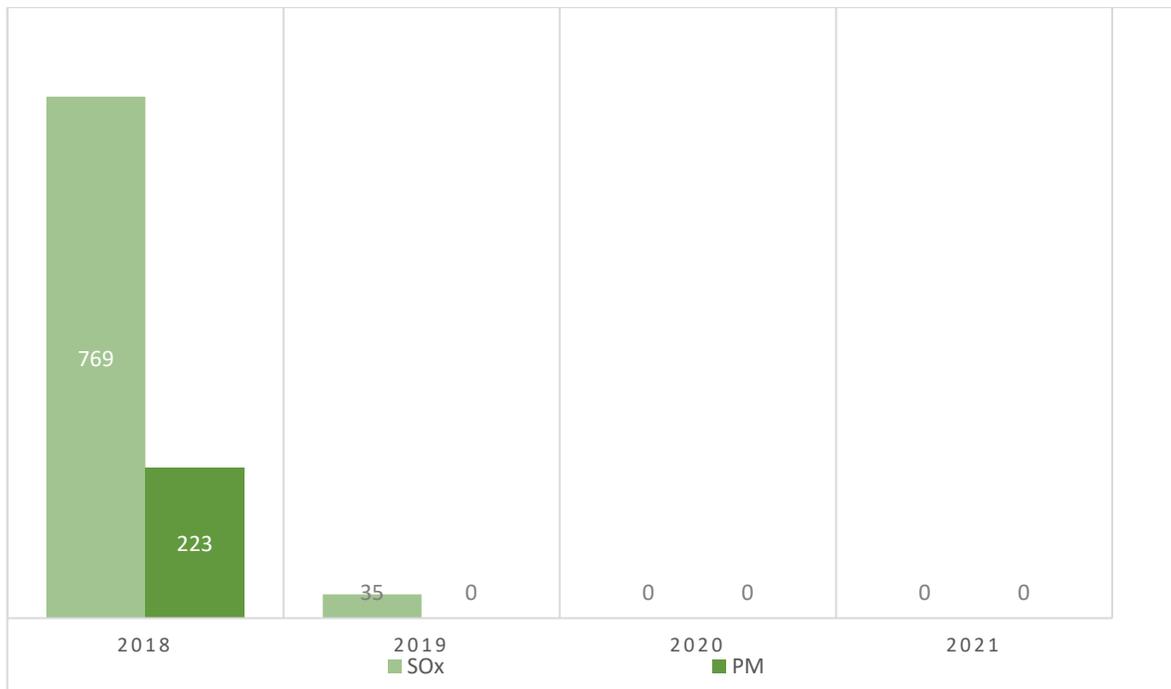


Air pollutant emissions of power plants operated by ALTEO (KG)



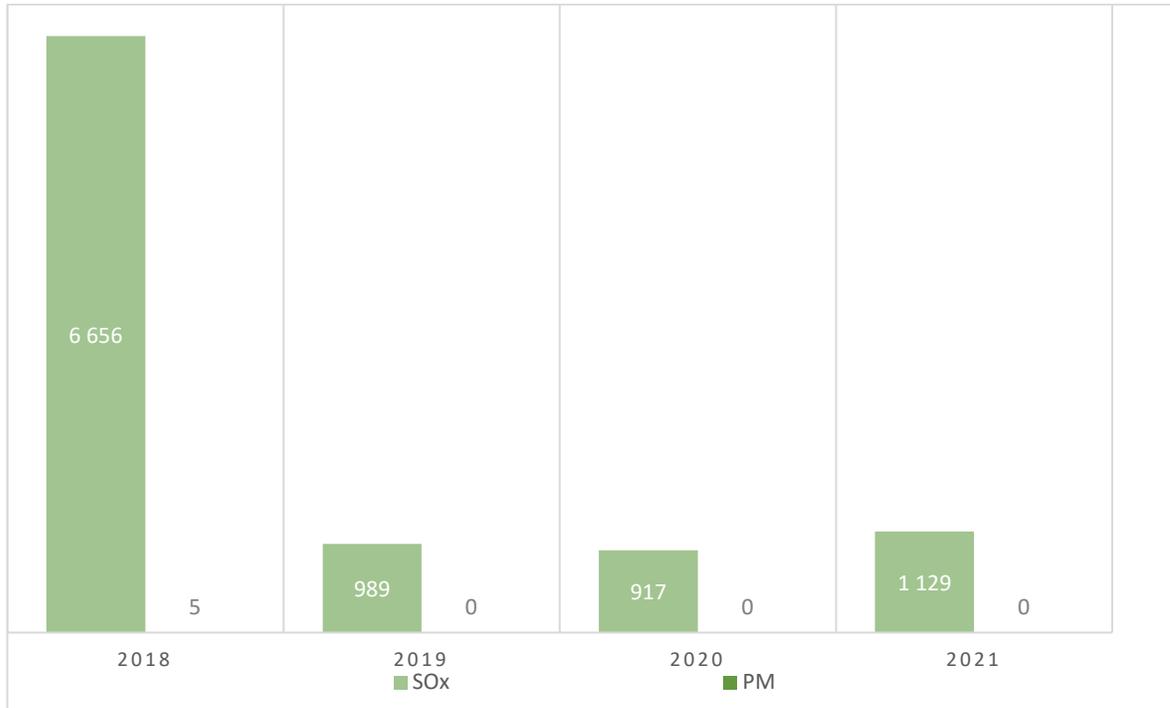
The sulfur dioxide and particulate matter (PM) emissions of power plants owned by ALTEO have been decreasing year after year, and since 2019 there have been no such emissions at all. That is attributable in part to the fact that no oil firing was used in our power plants, since fuel oil is essentially only ever used as a backup energy source.

Air pollutant emissions of power plants owned by ALTEO (SOx, PM)



In the case of power plants operated by ALTEO, sulfur dioxide emissions slightly increased last year and no particulate matter was generated in 2021.

Air pollutant emissions of power plants operated by ALTEO (SOx, PM)



The annual amount of emitted air pollutants is determined through calculation based on concentrations measured in flue gas during sampling, and the volume flow rate of the flue gas and the annual service hours of equipment.

5.4. Climate change



SDG: 13

[201-2]

The risks associated with climate change and how to manage them are a global challenge affecting countries, companies and individuals. The energy industry plays an important role in managing global climate change, which can be supported by, among other things, reducing fossil fuels, increasing the share of renewable energy and promoting decarbonization.

The ALTEO Group is committed to contributing to the overcoming the climate change challenge by increasing the share of renewables and promoting decarbonization. We aim to integrate climate change objectives into our decision-making mechanisms and set a decarbonization target in 2022.

In order to properly communicate our climate change ambitions in our Integrated Report, it is necessary to assess and classify climate change risks. These impacts, and the physical and financial risks they pose, are assessed by our Company, and risk management options also need to be explored.

5.5. Water consumption



SDG: 6

[103-303]

[303-1]

Our facilities use mains drinking water, industrial water and groundwater. In addition to legislative compliance, ALTEO Group aims at compliance with the requirements of our environmental management system. In our activities, we pay particular attention to the protection of water sources and the prevention of pollution or accidental incidents.

Water and wastewater

ALTEO-owned power plants primarily use industrial water. Surface water is used only by our hydropower plants. The largest water user in the ALTEO Group was Tisza-WTP Water Treatment Plant, which produces desalinated water necessary for MOL Petrolkémia. The water treatment plant used nearly 3.5 million cubic meters of industrial water in 2021, which is more than 95% of the total water consumption. Desalinated water is produced from sedimented water from the River Tisza and recirculating water condensate from various areas of use at MOL Petrochemicals as the starting point, by using a process equipment involving an ultrafiltration apparatus, reverse osmosis and a mixed bed ion exchange method.

We continuously monitor the quantity and quality (pH, conductivity, temperature) of the discharged wastewater ourselves, in accordance with our self-monitoring space. We have the most important water chemistry properties (chemical and biological oxygen demand, pH, conductivity, total phosphorus, nitrogen and total dissolved solids) measured quarterly by an accredited laboratory.

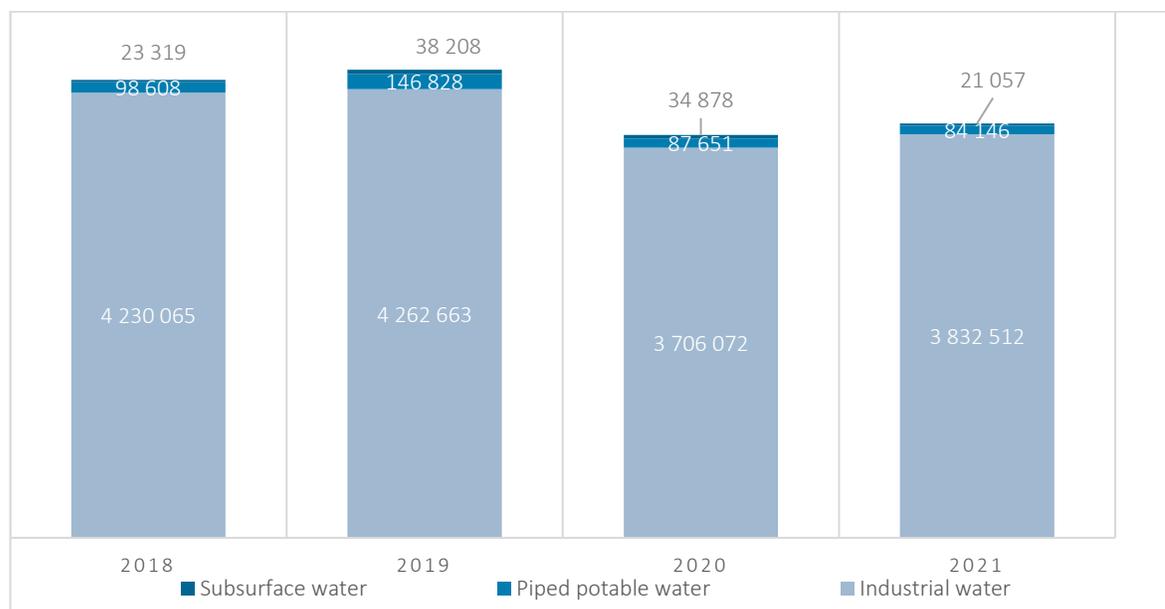
Water is recirculated as part of the operation of our facilities in the Tisza-WTP Water Treatment Plant and in Sopron. In this process, water condensate returning from other industrial companies is treated and desalinated to make it reusable, instead of discharging it into the sewage. The purpose of this process is to reduce water withdrawal needs. Based on the amount of returned condensation water, the amount of recirculated water exceeded 800,000 cubic meters in 2021, corresponding to nearly 20% of our combined water withdrawal. The amount of recirculated water shows an increasing trend year on year.

Our heating power plants typically use mains water for replenishing water circulated in district heating systems, except in Győr and Sopron, where underground water is used. The amount of supplementary water greatly depends on the state of repair the relevant urban district heating system is in. ALTEO has no direct insight nor any opportunity for intervention in that regard. In order to comply with contractual terms, i.e. to deliver district heating services, we always have to adapt to actual demand.

Our power plants and sites also use drinking water to meet sanitary needs. There was no considerable change in that regard over recent years. Wastewater generated in our sanitary premises is always discharged into the municipal sewer network.

[303-3]

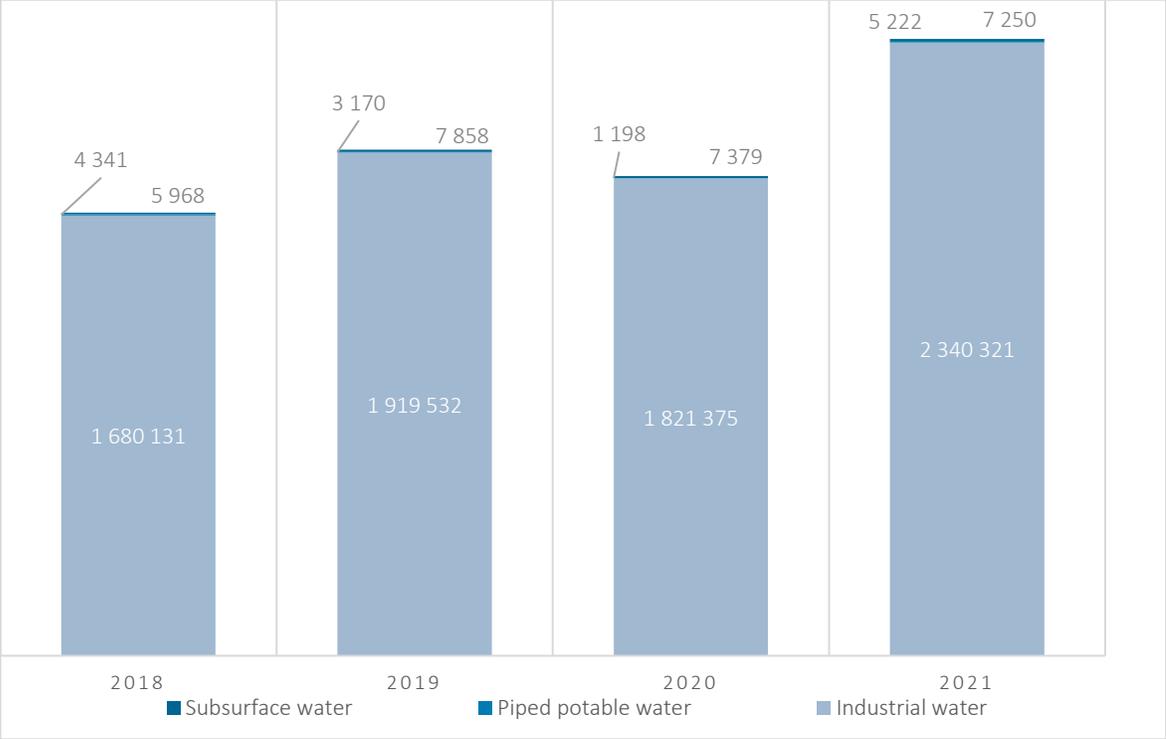
WATER CONSUMPTION OF ALTEO-OWNED POWER PLANTS AND WATER TREATMENT PLANT (M³)



Water consumption of power plants owned by ALTEO has not changed significantly in 2021. There is a slight increase in industrial water consumption due to higher water use by the Tisza-WTP Water Treatment Plant. The use of mains potable water decreased due to lower water consumption by the Budapest sites without energy production. Groundwater

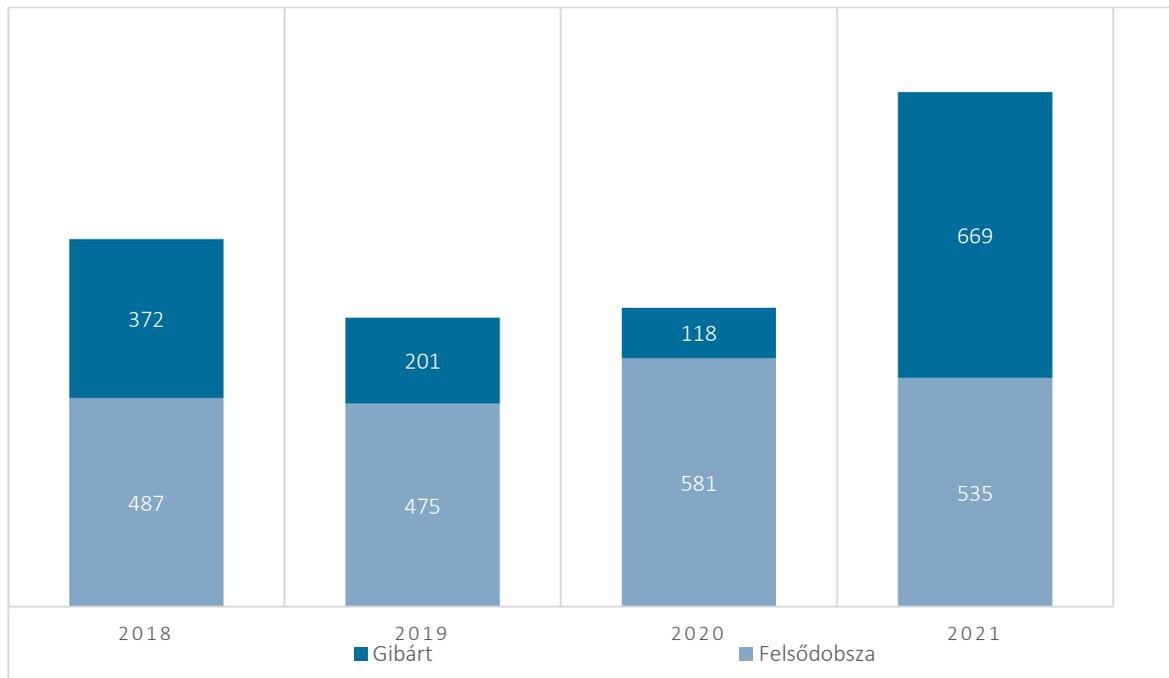
consumption decreased significantly compared to 2020 due to lower water use by the Sopron Heating Power Plant.

WATER CONSUMPTION OF POWER PLANTS OPERATED BY ALTEO (MILLION M³)



After the completion of the reconstruction of the Gibart Hydropower Plant in 2020, the increase in installed capacity resulted in a five-fold increase in the volume of water flowing through the plant in 2021. This also explains the significant increase in overall water consumption. Of the power plants in the ALTEO Group portfolio, surface water is used only by our hydropower plants.

ANNUAL WATER CONSUMPTION OF HYDROPOWER PLANTS (MILLION M³)



Data shown are measured quantities.

[303-2]

Groundwater

Soil, groundwater or surface water pollution can potentially occur as a result of malfunctions. There were no pollution affecting the soil or groundwater resources in 2021. Operational water quality damage elimination plans are in place at our facilities exceeding a thermal input of 50MW, and at sites where this is a statutory requirement. In accordance with official requirements, these are subject to continuous review.

At the MOL Petrochemicals and BorsodChem power plants, fuel oil is stored in 300m³ capacity double-shell tanks. There are three monitoring wells in the vicinity of the tanks at the TVK Power Plant, one at the BC Power Plant, and three monitoring wells are operated at the Nagykőrös Biogas Plant to check groundwater quality parameters.

The purpose of the monitoring well system is to monitor any pollution resulting from the flow of groundwater. We have the quality parameters of groundwater examined by an accredited laboratory with the frequency prescribed by regulations.

Wastewater treatment and rainwater drainage

In urban heating power plants, wastewater is generated in connection with heat production during the de-sludging of hot water boilers, from the condensation of gas engine exhaust gases, the operation of desalinating equipment, during sampling, and when different

equipment are discharged. Wastewater is collected in cooling pits. Pumps are used to deliver the water that is collected in the cooling pits to the municipal rainwater gutter system, and then to the final collectors.

Spent water and wastewater discharged from heating power plants must comply with the parameters specified in the water rights operating licenses. At ALTEO Group, no limit values have been exceeded in this regard for several years.

Within the grounds of the BC Power Plant and TVK Power Plant, sanitary sewage and non-oily wastewater is drained through BorsodChem Zrt. and MOL Petrochemicals' ducts, thus the power plants are only indirect emitters. Rainwater and spent water exposed to the risk of oil contamination, and wastewater exiting other equipment are pre-treated, and likewise discharged into the respective companies' sewage ducts. There are two wastewater treatment installations each at the power plants to ensure pre-treatment. The authorities did not set specific limit values for discharged wastewater in respect of the power plants, the respective limits were specified in the two chemical companies' licenses.

5.6. Waste treatment



SDG: 12

[103-306] [306-2] [306-1]

Hazardous waste, industrial non-hazardous and municipal solid waste is generated in the course of ALTEO Group's operations, along with construction and demolition waste during maintenance work.

Waste is stored in workplace and site collection bays at our compounds, sorted by type and properties. Records on collected waste quantities are kept in our waste register, which is also suitable for tracking bulk and transported quantities. Regarding transported quantities, in case of hazardous waste delivery sheets are sources of detailed information, while for non-hazardous waste invoices provide accurate information. The figures appearing in the report also come from our sites' waste registers. Any variations among the various years' data may, in part, result from differences in the dates of generation and transportation and, in part, from increased waste quantities generated during maintenance work.

The management of municipal solid waste generated at the sites (collection, removal and disposal) is provided by an external subcontractor. The disposal method of the waste removed is in each case set out by the remover of said waste, pursuant to legal regulations and the principles set out in its permits. Due to the negligible amount of municipal solid

waste and the lack of information on measured quantities, the report does not contain information on this type of waste.

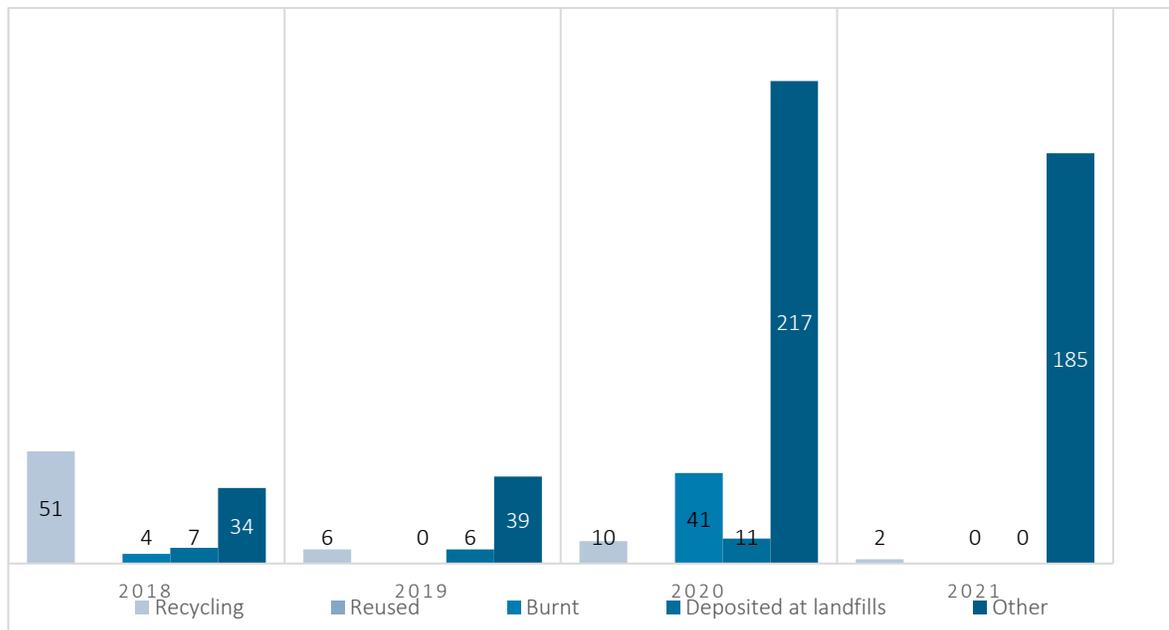
Of the waste generated in the course of our activities, oil waste and waste from liquid fuels make up for the largest quantity (oil sludge, spent oil, oily water, emulsion). More significant quantities of waste are also generated by the use of blotting materials and filters.

Of the priority waste streams, insignificant amounts of rechargeable and regular batteries additionally occur. Waste containing PCBs is not generated, nor are such materials used.

For the purposes of official waste declarations, hazardous and non-hazardous waste quantities are reported on the basis of shipping receipts, in line with statutory requirements. The following table presents data by summary groups applicable to the various management and disposal operations. Classification to the summary groups is done by ALTEO Group’s specialists.

[306-3]

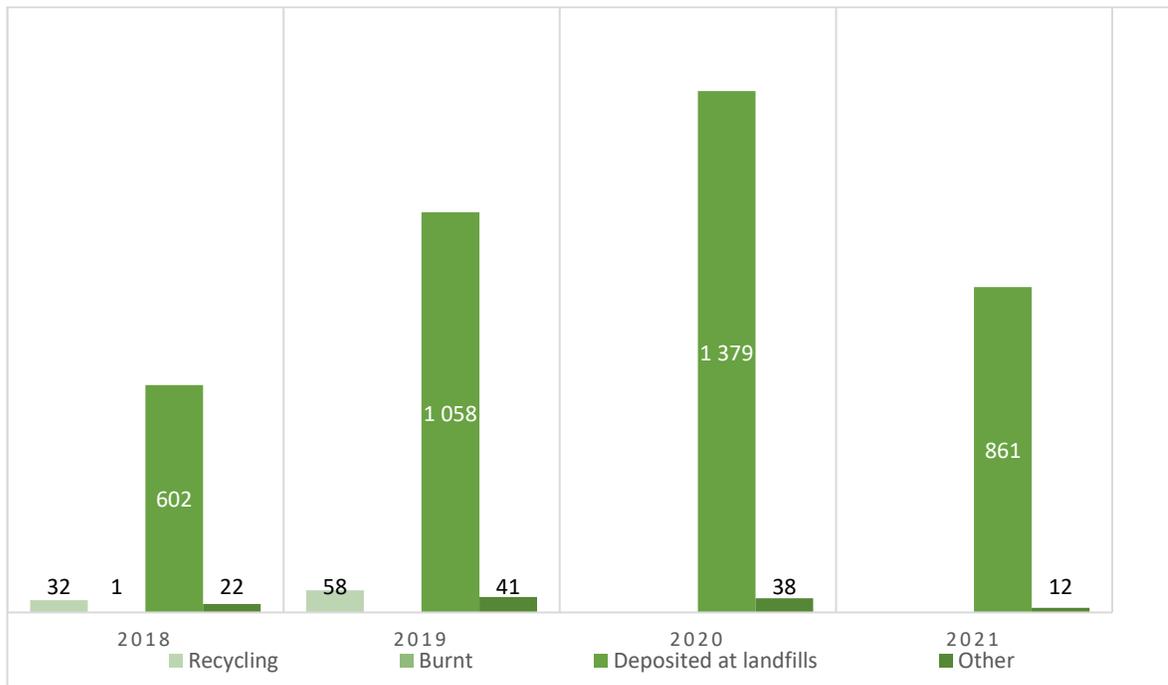
HAZARDOUS WASTE EMITTED DURING ALTEO’S OPERATION (t)



The ALTEO Group keeps in mind facilitating the transition to a circular economy in its operational activities. To this end, in 2021 the disposal by landfilling of hazardous waste generated by its operations was close to zero. Hazardous waste is mostly disposed of through trade, collection and pre-treatment.

[306-3]

NON-HAZARDOUS WASTE EMITTED DURING ALTEO'S OPERATION (t)



In 2021, landfilling continued to be the primary form of disposal for non-hazardous waste generated by the ALTEO Group. Nevertheless, the overall amount of waste generated by the company has decreased significantly compared to 2020.

6. Social Value Creation

Key messages of this chapter:

- We moved to a new office building with the aim of a more sustainable office and the well-being of our employees.
- In 2021, we put a strong focus on supplier selection and improving the selection process.
- Our overall headcount increased by 5% in 2021 and the proportion of female employees was also higher than the previous year.
- Minimizing Health, Safety and Environmental Protection (HSE) risks continues to be a priority for ALTEO, with the most important result being that we ended 2021 with no work accidents.
- In 2021, we continued to host students from several vocational schools for apprenticeships.
- ALTEO supported various organizations in a total amount of close to HUF 106 million in 2021.

6.1. Our employees

[103-401] ALTEO's organizational structure is developing continuously; staff level has increased by almost 100 employees over the last 5 years. Such growth continues to pose ongoing challenges for the human resources area. We adapt flexibly to internal changes and external impacts affecting our operation, including our customers' needs.

The goal is for the management of ALTEO to build the future of the Group hand in hand with our dedicated and motivated employees. Stable employment, challenging tasks and competitive compensation provide the basis for the loyalty and motivation of our employees.

The central HR Department, based at ALTEO Nyrtr., is responsible for the human resources management of ALTEO as a whole and matters related to staff employment. The company's HR Policy covers accounting of compensation, training and selection, while the Performance Assessment Bonus Scheme (PBS) Policy regulates performance assessment. Payroll accounting is performed by a third-party provider. Using job descriptions, our management has specified the roles and responsibilities within the organization, along with the expectations concerning education, qualifications and work experience.

Due to the COVID19 epidemic, 2021 presented further challenges for ALTEO Group and its employees. Protecting our employees' health and creating the conditions for the safest possible work environment became our primary goal (Chapter 6.2. Health and Safety).

[401-2] Remuneration

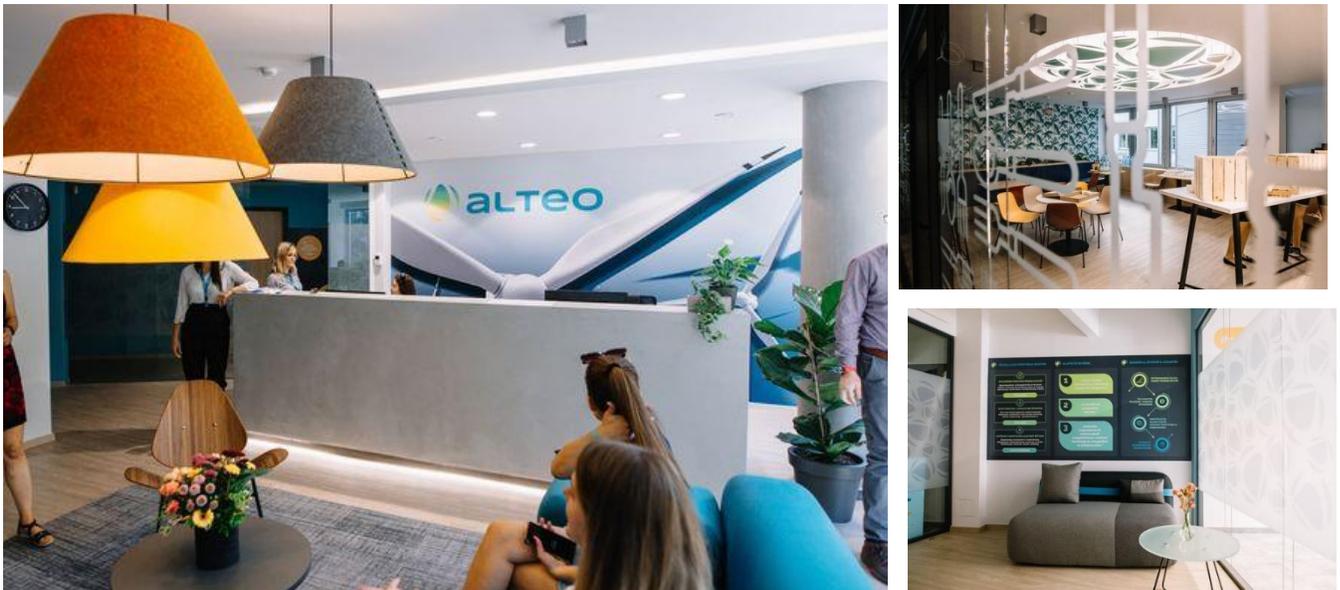
A flexible benefit budget is provided above salaries in the interest of competitiveness, which we extended in 2021, and commuting to work is subsidized. As a responsible employer, we help our employees if they fall on hard times. We provide better wages than required by law for the period of their sick leave (85% instead of 70%), take out group personal insurance for them, and provide funeral aid to the family of the deceased person, if needed. Additionally, employer voluntary pension fund contributions help our employees in generating secure and effective advance savings for their retirement years.

The Performance Assessment Bonus Scheme (PBS) is the tool used for recognizing individual performance, in the framework of which personalized tasks and personal development targets are set for each respective current year, and how those are met is evaluated in the following year.

ALTEGlobe – A new and greener office building for the environment and the well-being of our employees

Equipped with modern and efficient green energy solutions, our recently opened offices reflect the spirit of ALTEO. From the materials used to furnishings, adapting to the changes brought about by working from home, we set up our offices with consideration to ergonomics and well-being. We sought to create an inspiring environment for our employees.

During the move, we donated the furniture no longer needed to the Hungarian Reformed Church Aid who delivered them to schools, elderly care facilities and families in need.



Internal communication

[103-402] ALTEO seeks to ensure the smoothest cooperation possible with its employees. In the interest of maintaining our employees' sense of safety and motivation, particular attention has been devoted to internal communication and providing timely information to our staff.

[402-1] Employees are notified of major changes to the organization at least two weeks in advance.

Regular communication among employees and management is ensured on a continuous basis:

- Through site visits
- With an "open door" policy
- Through face-to-face and online staff meetings and forums

- Through a corporate Newsletter and by using an internal mail system
- By using Teams groups, e.g. Crisis Communication
- By organizing the online ALTEO Academy and other online events.

Due to the increase instances of work from home, we launched different HR digitalization projects throughout 2021 to ensure smooth communication with our employees even without them being physically present. As the first step in this process, we set up the HR customer service, online consulting hours and organized awareness-raising events. Furthermore, in November 2021, we launched our internal intranet platform called Power2u.

The Works Council provided a further opportunity for reinforcing cooperation between employees and the management. The Works Council has five members, with the chairman elected by members from among themselves. Employees can send requests and queries to the Works Council via email, anonymously through internal communication channels, or at face-to-face meetings. The Works Council only acts towards management in matters relating to the employment of staff members.

In 2021, several matters were submitted to corporate management and were discussed with Council. Including for example:

- Efficiency improvement project,
- AlteoFitt well-being and health program,
- The move to the new headquarters, and the implementation of hybrid work methods in the central offices,
- The election of a health and safety officer,
- Security measures and MDM deployment (IT security).

In addition, benefit elements have been reviewed, including:

- Health insurance,
- Changes to Cafeteria benefits,
- Corporate discounts,
- Voluntary pension fund payment,
- Commuting/travel allowance,
- Sports allowance (use of cash for well-being purposes).

Surveys and improvements

Multiple surveys were conducted in 2021 with a view to assess our employees' engagement, improve the internal flow of information and achieve higher work efficiency. We followed

up on our previous needs assessment on home office with a home office efficiency survey and also conducted a survey on company culture in spring 2021 as part of our efficiency improvement project. The survey participation rate was high due to the results being processed together with our employees and communicated at the corporate level.

2021 was still characterized by remote and hybrid work methods. Based on previous experience and the home office efficiency survey, our home office policy was revised and we also switched to flexitime working for administrative jobs. In order to help our employees, we prepared a home office code of practice and an online meeting code of practice.

In 2021, the ALTEO Group attached great importance to selecting suppliers and improving the selection process so that in 2022 headhunters with comprehensive knowledge of the company and the relevant fields would be able to help us find the very best professionals in this small market.

Once the strategic direction for employer branding was set, 2022 will be dedicated to the implementation of the relevant actions and to the development of a program to recruit a new generation of professionals in our specific fields. In 2022, we intend to implement a candidate management system to improve the efficiency of recruitment/selection and to provide a simplified, more transparent application platform for candidates.

[401-2] Recognition scheme

We consider it important to recognize employees who contribute to ALTEO's accomplishments. In February 2021, 1,267 shares were distributed within the framework of our recognition scheme to employees who contributed to ALTEO's achievements in 2021 through their loyalty, knowledge, leading role or outstanding performance and became eligible under the recognition scheme.

We also recognized our role models with awards for expertise, customer orientation, sustainability, positive attitude and task orientation, handed out loyalty awards to employees who have been with us for over 10 years, we elected the manager of the year and also presented awards for the team of the year, innovation (process and technical innovation) and occupational safety.

During the year, our employees who made a major contribution to the ALTEGlobe project for the new office building and had an instrumental role in moving the entire head office, received a special recognition.

Events

The ALTEO Group's traditional Family Day event was held in the fall at the Lázár Equestrian Park. At the Family Day, there were over 100 employees in attendance, bringing along their families and children, bringing up the total headcount of the event to 370. We prepared for the event in the spirit of our ALTEO Fitt well-being program, with a focus on health awareness, while also being more conscious of sustainability. To counterbalance the carbon footprint of the event, the GreenDependent Institute planted native fruit trees. And since these are native species, we have also contributed to preserving biological diversity and regional variety.

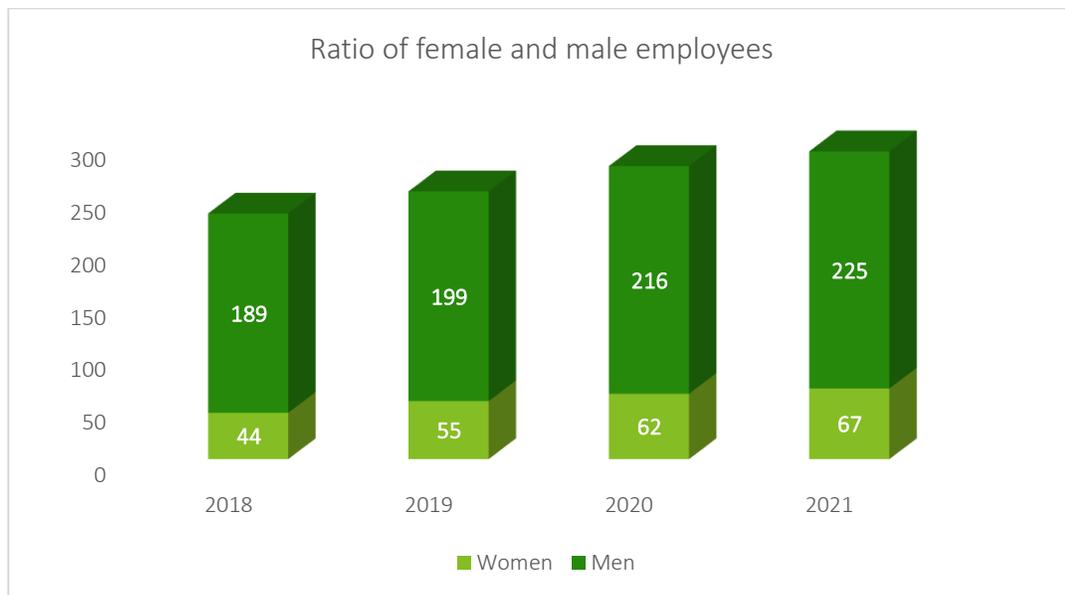
As in the previous year, our year-end Christmas event was held online, broadcasted from a studio. The event kicked off with a roundtable involving members of the Executive Board and was topped off with an exciting Christmas quiz.

Other initiatives throughout the year included:

- Online back training exercises and yoga practices (as part of the ALTEO Fitt corporate well-being program)
- Highway Code quiz, Highway Code training and driving training (as part of our "Drive smart and safe" program)
- In order to get into the Christmas spirit, a possibility for coworkers to send thank-you cards to each other online (as part of our "Make Someone Happy" campaign).

Employee headcount and gender ratio

[102-8] As in recent years, the number of our employees increased in 2021 as well; at the same time, the rate of staff turnover was somewhat reduced. By year's end, the total headcount grew to 292 people (+5%). Given the unique features of the industry, the number of male employees employed by ALTEO Nyrt. is considerably higher, the number of female employees, however, continues to grow. Compared to 19% in 2018, the share of female employees reached 23% across the company in 2021.



No temporary staff is employed. For large-scale projects (e.g. implementation projects or major overhauls) where our own staff is insufficient given the nature or scale of work, subcontractors are engaged to perform subtasks on an incidental basis.

An overwhelming majority of our colleagues (98%) work full-time, and there are only seven female employees working part-time. **[102-8]** In 2021, all our employees worked with us under indefinite-term contracts.

Employment contract	2018	2019	2020	2020
Total	233	254	278	292
Full-time	224	244	269	285
Men	188	198	215	225
Women	36	46	54	60
Part-time	9	10	9	7
Men	1	1	1	-
Women	8	9	8	7

When monitoring headcount trends, our reports reflect the year-end closing headcount and, for the sake of comparability, we always report employees in employment as at December 31 of the given year.

Staff turnover

[401-1] Our long-term goal is to keep the ratio of unwanted staff departures permanently low. ALTEO Group is considered an attractive workplace, as evidenced not only by the number of new entrants, but also by the fact that the rate of staff turnover is decreasing, down from 14% in 2018 to 11%.

ALTEO Group's staff recruitment and hiring/discharging process was redesigned, and also confirmed in a governance procedure.

ALTEO supports employee career advancement and intra-company job transfers, which is why it pays particular attention to internal applicants, whenever new job opportunities open up. In 2021, there were two jobs where internal employees were found for the positions.

Number of new hires	2018	2019	2020	2021
Men	25	34	39	32
<30	7	7	8	7
30 to 50	11	21	24	19
50<	7	6	7	6
Women	20	18	15	13
<30	6	6	3	4
30 to 50	14	11	11	8
50<	0	1	1	1
Total	45	52	54	45

Nearly 60% of new male colleagues are between the ages of 30 and 50 (in other words, are employees with work experience) and over 60% of our new female staff members fall into the same age group. At the same time, we also place great emphasis on 'training' new colleagues starting or early in their careers, as reflected in the 24% share of new hires under the age of 30.

Number of staff members leaving	2018	2019	2020	2021
Men	21	24	27	21
<30	2	4	1	2
30 to 50	12	14	17	10
50<	7	6	9	9
Women	11	7	7	10
<30	3	3	1	3
30 to 50	8	4	6	6
50<	0	-	-	1
Total	32	31	34	31

The number of employees leaving ALTEO declined compared to 2020.

Training and education

[103-404] One of the key values and characteristics of ALTEO Group is all encompassing know-how and experience covering all walks of the energy sector. Employee training and development is based on an Annual Training Plan. The plan is developed based on the training needs identified in the context of the annual and long-term strategy, those defined in target discussions related to the Performance Assessment Bonus Scheme, as well as training required to ensure statutory compliance at any given area.

The training sessions include job-related compulsory courses prescribed by law or internal regulations (e.g. fire protection examination, furnace handling training, MOL-HSE training), as well as internal knowledge sharing (such as SAP training).

The transformation of Hungary's adult training system had an indirect effect on our employees, who were offered the opportunity to join the training courses under the scheme being phased out (OKJ, last offered in 2021) with a view to gain new qualifications. In addition, we supported our employees' attendance of online training courses and conferences. Training courses were regularly held throughout the year under very careful organization, mostly in-house and in small groups.

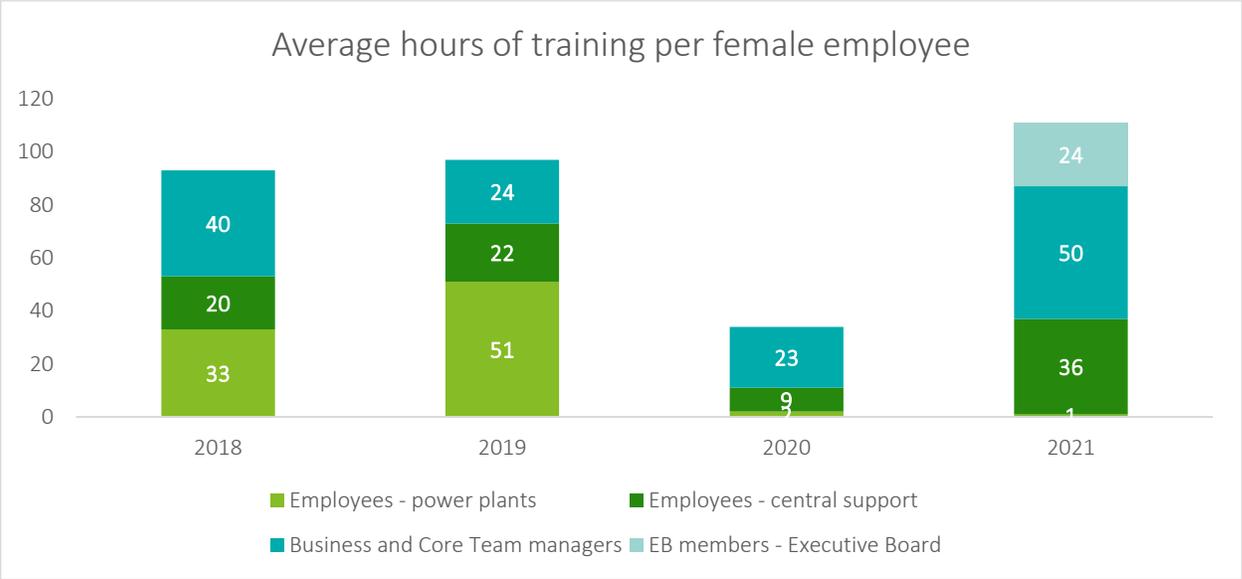
This year, two employees received grants in support of their specialized training under new study contracts.

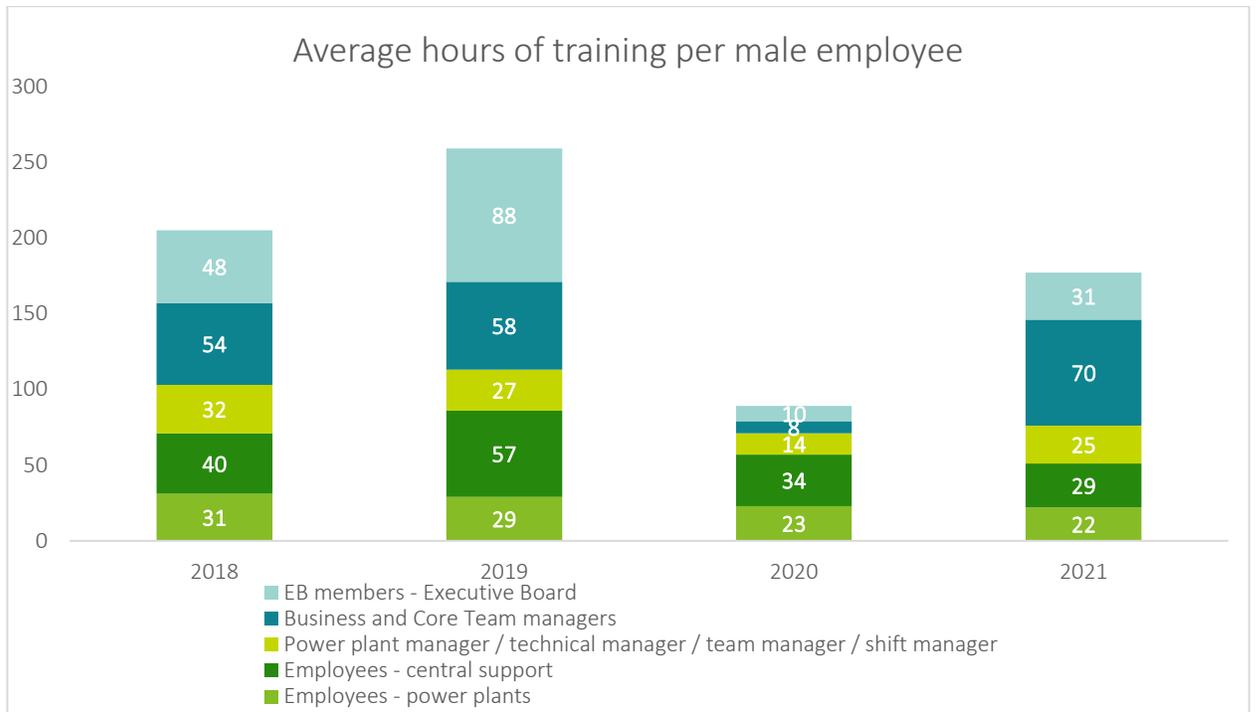
In 2021, organized by HR, our centralized competence development training programs were held on Excel, Microsoft Office, assertiveness, stress management and mentor training. We offered 24 training sessions on 9 topics. Our internal knowledge-sharing platform, ALTEO Academy, continues to enjoy considerable popularity, with 11 events announced; this series of events was complemented by a Management Academy aimed specifically at training managers on management related topics. Managers were offered 6 different events.

All compulsory internal training courses and other development sessions which were previously part of our e-learning system 'ALTEO Tudor', have been moved to the intranet e-learning platform power2u, that was available to our employees not only on the web but also through an app by the end of the year. The new platform enables us to create interactive, colorful learning resources for our colleagues and also design onboarding programs.

Over 50% of the training courses planned for 2021 were actually held and completed. As a result of the centrally organized training courses, the number of training hours per person is 29, coming close to the pre-pandemic level (19 hours in 2020, while 35 hours in 2019).

[404-1]





6.2. Health and safety

0 accidents
524 HSE walkthroughs*
664,815 hours worked**

*(expert+site+supervisor) **(ALTEO employees+subcontractors)

[103-403] ALTEO considers safe work and health protection a key priority, as our manual workers engage in work involving a high risk of work accidents.

It is a fundamental goal in our Integrated Management Policy to minimize HSE (Health, Safety and Environmental Protection) risks, and to prevent work accidents, fire and environment pollution. Health and safety is treated as part of the Integrated Management System, under the management of the IMS Lead. Each site manager is responsible for ensuring the conditions of safe work that does not pose a health risk at every site.

Our fundamental safety goal is to prevent work accidents and provide preventive occupational health services, and annual goals and programs are set to that end. Annual goals are determined on the basis of risk assessments, walkthrough observations and the analyses (see below) of near miss accidents. The setting and monitoring of annual goals is implemented in the Integrated Management System. Goals are subject to approval by the CEO.

Results are monitored during HSE walkthroughs and inspections. Four walkthroughs a year are organized at each site—one senior management and one site “own” walkthrough, one walkthrough conducted with the involvement of the HSE area, and an internal audit performed by internal auditors. In addition to the walkthroughs, compliance with procedures and policies in place is also verified through third-party and authority audits. The ALTEO Group’s occupational safety and security performance is assessed at management due diligence exercises conducted every year. In 2021, 40 HSE walkthrough visits were conducted.

Back in 2020, we implemented the HSE supervisor card scheme. When a person passes the examination at the end of a training course, he or she is issued an ALTEO HSE supervisor card entitling the holder to perform supervisory duties across ALTEO sites. Card holders are eligible for the work permit required to carry out work. 850 cards were issued during subcontractor HSE training courses throughout 2021.

In addition to our ISO 45001 certification, we are also certified against the Safety Certificate for Contractors (SCC) standard for maintenance activity. The SCC standard is a set of rules applicable to HSE management systems. SCC ensures effective work safety in the area of engineering, installation and maintenance.

Measures taken in relation to the COVID-19 pandemic

In the current situation, it is our top priority to protect the health of our employees and maintain the operational safety of our activities. We sought to minimize the risk of further spreading the coronavirus epidemic both within and outside the company.

One of the first steps was to establish the ALTEO Group Pandemic Executive Board, led by the CEO of ALTEO and consisting of the Wholesale Director, the EPD Director, the HR manager, and the IMS manager.

In 2020, the ALTEO Group Pandemic Executive Board managed the introduction of several protection measures, including, in particular, making it possible for employees to work from home (where allowed by their jobs), which is still in effect to this day.

COVID-19 in numbers:

- 1,807 COVID tests done among employees, with a total worth of HUF 21 million
- Rapid tests purchased in the amount of HUF 5.8 million for instant testing of employees
- Over 5,000 masks distributed to employees
- Disinfectant liquids and gels purchased to protect the health and safety of employees.

Occupational health and safety

[403-1], [403-8] [403-5] [403-7] The Occupational Health and Safety Management System (OHSMS) covers every activity and all (292) employees, including both own employees and employees working at sites. (The “Criteria for Work by Contractors” document is also available on our website.) The implementation of OHSMS is not an obligation required by law; however, it was one of ALTEO’s own internal objectives.

Through the most detailed and accurate possible survey and management of risks, our goal is to prevent or minimize the likelihood of potential accidents occurring, and to mitigate the severity of expected consequences.

The importance of workplace risk assessment

Our health and safety activities are based on a comprehensive workplace risk assessment for each site, an annually reviewed OHSMS risk assessment (on which our integrated risk assessment is based) and the LMRA of maintenance activities in accordance with the SCC standard. LMRA (Last Minute Risk Assessment, i.e. immediately before work) is performed by the workers themselves in order to ascertain that the planned work can be carried out safely in view of the characteristics of the site, the preparations, the work tools, and the protective equipment. LMRA is performed at the work site, with the involvement of the employees who carry out the work (in possession of a valid work permit), before starting the daily work. The LMRA process is governed by the on-site work supervisor.

All ALTEO employees are within the scope of the risk estimation. Workplace risk assessment is performed by qualified health and safety officers; all maintenance staff are trained in LMRA.

The outcome of the risk estimation is used to improve our processes. Measures are taken where the risk is high.

Employees may suspend work if they consider a situation dangerous. They are informed of and trained in this regard.

Hazardous work situations and work-related risks are reported by employees as near-miss accidents. If necessary, they also notify their direct superiors. A 'near-miss accident' is an event that causes no injury, albeit by sheer luck only (See the "Number of work accidents" table). A competition is announced every year in order to encourage the reporting of near-miss accidents. The "best" contestant, reporting the most near-miss accidents, is rewarded. The objectives set by the management include zero work accidents and the reporting of all near-miss accidents. Management aims to maintain zero work accidents and, in that context, ensure that near-miss accidents are always reported.

Employees may suspend work if they consider a situation dangerous. They are informed of and trained in this regard.

[403-4] ALTEO has an Occupational Health and Safety Committee that meets twice a year. The Committee participates in ALTEO's health and safety activities, as well as in the formulation of decisions that may affect employees' health and safety, including capital expenditures, automation, upgrades, and the creation of new workplaces.

The Committee's tasks, rights and obligations are defined in the agreement concluded with it, as well as in the governance system procedures. The health and safety officer may participate in the investigation of work accidents and occupational diseases. He/she may also participate in equipment commissioning procedures and HSE inspections.

The workplace health and safety regulations and information are available to all employees electronically. Information and training are provided when the rules and procedures change. The IMS manager keeps employees updated on changing health and safety regulations.

A Parity Board is in place at the company, in which the IMS manager and employees are represented.

Health and safety training

[403-5]

All new hires receive IMS and HSE training. As part of the training, they learn about the governance system, risk and environmental factors, rules of behavior, reporting of HSE events, as well as the rules and tasks applicable in case of fire and other emergencies.

This knowledge is updated during annual refresher courses that all employees are required to take (main topics include: use of personal protective equipment, statutory provisions on health and safety, Occupational Health and Safety Policy, fire protection rules, actions to be taken in case of an emergency). Current internal and legal issues and changes are also covered. In addition, staff take part in site knowledge exams and emergency drills. The participants complete a test at the end of each HSE training session.

HSE training is provided to supervisors of contracted non-ALTEO staff.

Better first aid is a cornerstone of workplace health and safety. To this end, we organize first-aid trainings for employees each year, which is always greeted with great enthusiasm and interest.

For the health and safety of employees, our company has procured 12 CardiAid AED defibrillators, which have been distributed to sites that have permanent operator staff.

Promotion of employee health as a priority

[403-3] [403-10] [403-6]

Risks of occupational diseases are assessed through the above-mentioned HSE survey, and risk-mitigating measures are assigned to the risks identified. The company's health and safety service provider participates in assessing risks and identifying exposure to hazardous materials, and as a consequence participates in the formulation of risk-mitigating measures.

Every employee is required to take occupational health tests on a yearly basis.

For the welfare and health of our staff, a **Company Care health insurance** is provided. All employees are entitled to this benefit. PCR testing (or the financing thereof) was added to the ever-widening range of basic tests available to employees in 2020. The quality of the medical services is monitored, and employees are requested to provide feedback. In 2021, we planned to select a new, comprehensive occupational health service provider, this, however, is now expected by the end of Q1 2022.

None of our employees reported occupational illness in the past four years.

Work accidents

[403-9] 2021 was another year free of accidents. Unfortunately, we had a work accident in 2020 as one of our employees was involved in a car crash. We investigated the accident and, worked with HR to provide our employees with driving training courses and Highway Code training in 2021 to reduce the risk of similar accidents occurring again.

In 2021, non-ALTEO employees were not involved in any accidents either.

Occupational health and safety					
ALTEO employees					
Health and safety indicator	Definition	2018	2019	2020	2021
Number of fatal work accidents	A fatal accident suffered by an employee in the context of organized work, regardless of the location or the (deceased) employee's contribution	-	-	-	-
Number of serious work accidents	A work accident causing a non-fatal injury that heals in more than 6 months.	-	-	-	-
Number of notifiable work accidents	Number of notifiable work accidents according to Hungarian law, regardless of any related absence or serious injury, also including serious and fatal work accidents.	1	-	1	-

Number of near-miss accidents	An event that causes no injury, albeit by sheer luck only.	18	140	119	184
Year-end closing statistical headcount		233	254	278	292
Number of hours worked	Based on the work schedule calendar used by HR, taking into account employment start/end dates, shifts, time-off, leaves, etc., please provide the total number of hours worked for the year, using an estimate or exact calculation.	157,962	408,307	468,052	480,423

Work performed by non-ALTEO employees at ALTEO sites					
Health and safety indicator	Definition	2018	2019	2020	2021
Number of fatal work accidents	Work accident suffered by an employee in the context of organized work at an ALTEO site.	-	-	-	-
Number of serious work accidents	A work accident suffered by an employee at an ALTEO site, and causing a non-fatal injury that heals in more than 6 months.	-	-	-	-
Number of notifiable work accidents	Number of work accidents at ALTEO sites, regardless of any related absence or serious injury, including serious and fatal work accidents.	-	-	2	-
Number of subcontractors (companies)		354	312	385	368
Number of non-ALTEO employees (headcount of subcontractors)		4,349	3,547	4,288	3,546
Number of hours worked	Hours worked by all subcontractors at ALTEO sites (Estimate based on the work permits issued and monitored in our internal register. The number excludes staff not working on the basis of work permits, e.g. cleaners or guards)	175,096	179,400	247,984	184,392

Number of accidents per 200,000 work hours				
ALTEO employees	2018	2019	2020	2021
Fatality rate	0	0	0	0
Serious work accident rate	0	0	0	0
Work accident rate	1.266	0	0.427	0
Non-ALTEO employees	2018	2019	2020	2021
Fatality rate	0	0	0	0
Serious work accident rate	0	0	0	0
Work accident rate	0	0	1.613	0

6.3. Local communities



SDG: 11

[103-413] [413-1]

Energy facilities are built to operate over a long period of time, and may affect the life of the local communities for decades. ALTEO has long-term plans concerning our relations with the local communities as well.

One of the main goals of our sustainability program (Chapter 3.3) is to organize our CSR programs on a regular basis, to support our employees and to encourage them to participate in more CSR programs. We intend to develop a more comprehensive CSR plan in 2022 and to achieve an annual minimum of 500 working hours spent participating in voluntary programs at Group level by 2025.

ALTEO Group's impact on local communities is primarily economic in nature: we provide jobs for the local population and entrepreneurs (for more information, see the chapter on indirect economic impacts), and we pay local taxes. We also stimulate regional infrastructural development and support the work of local organizations through sponsorship.

In addition, as a responsible company, we aim to minimize our impact that arises in the form of negative externalities (e.g. emissions, noise, wastewater). For that purpose, we always comply with the competent authorities' regulations, and regularly check compliance.

The responsibility for projects affecting local communities rests with the project manager (in the implementation phase) and the facility manager, e.g. the power plant manager (in the operation phase). Thereby, it is ensured that every site has a program for the development of the local community in place.

The Night of Power Plants 2021

To promote tourism, the series of events called ‘The Night of Power Plants’ was held once again in 2021 with the involvement of ALTEO’s Heating Power Plants in Győr, Kazincbarcika and Zugló.



We strive for good relationships with all municipalities where our sites operate.

In order to disseminate information about our activities and ensure their social acceptance, we regularly allow external parties, including schools and professional organizations alike, to visit our sites.

Another key factor in our operations is engagement with the residents in our direct neighborhood to ensure their satisfaction. The Integrated Management System includes provisions for liaising with local residents and handling their complaints. We investigate every complaint, take the required corrective measures, and provide feedback to the complainant.

Cooperation with educational institutions

We pay special attention to cooperating with local educational institutions, partly to train the next generation of our employees, and also to actively participate in shaping the attitude of future generations, for example, in respect of renewable energy and energy efficiency.

Building relations with educational institutions to ensure a steady supply of new employees and attract young talent is important for ALTEO; therefore, we continued our cooperation with a number of institutions in 2021. Our collaboration with the SZC Baross Gábor Technical

Secondary School of Siófok and Brassai Sámuel Technical Secondary School of Tiszaújváros has been ongoing for years; we welcomed their students as interns and student workers in 2021 as well.

We posted long-term internship positions in a number of fields and had students from the Budapest University of Technology and Economics, the Corvinus University of Budapest and the Óbuda University for their mandatory one-semester internships. In 2021, we employed 14 high-school and university students in total, including a number of returning students, and were able to hire two university students as full-time employees.

We supported an innovation competition on circular economy

We provided funds and three mentors to the Planet Bootcamp innovation competition, conceived as a collaboration between the Blue Planet Foundation and Design Terminal. In 2021, the focus was on the challenges of circular economy in Hungary as we were looking for the best solutions, joining the three-day innovation event. Our mentors identified startups that have the design of green products at heart, or have a solution for efficient and sustainable waste reduction.

Corporate tax and other support

In 2021, the ALTEO Group supported various organizations in a total amount of nearly HUF 106 million. When choosing beneficiaries, considerations included their location (they operate in the vicinity of our sites) and their involvement in ALTEO's life as a result of their activities in some shape or form.

Supported organization/purpose/program	Amount (HUF thousand)	Form of support
Soproni Tigrisek, Sopron Club Sopron, Tiszaújvárosi Football Club, Body-Building Club of the Municipality of Sajószöged, Lóci DSE Ózd, KSK Delfin Kazincbarcika	69,000	Support deductible from corporate tax
VIT for Sports Foundation	280	cash support
Hungarian Energy Association conference	1,270	
Hungarian Cogenerated Energy Association	500	
Soproni Elektromos Sports Club, nine-pin bowling section	700	
Municipality of Bábolna	4,374	
Municipality of Ózd	30,000	

7. Business Performance

7.1. Economic/financial performance

The economic pillar of ALTEO's integrated corporate governance approach is described in the Annual Report for the Fiscal Year 2021, prepared in accordance with the International Financial Reporting Standards as adopted by the EU. Our IFRS statement is detailed below.

Our statement includes general financial information, our results, a description of the key elements of our accounting policy, while also covering the ALTEO Group's risks, including industry related, environmental regulation, technology and weather dependence risks.

Our operation involves us in a number of value-adding processes relevant for the economy, with projects related to operations that contribute to mitigating climate change, and investments in the development of renewable energy production being of primary concern for our stakeholders.

[ALTEO-3] The issue of investment projects contributing to the mitigation of climate is a new and important topic identified during materiality assessment. After identifying this issue in 2021, we started to develop the relevant indicator. As part of an internal expert workshop, we identified ALTEO's own indicator as the percentage of investment projects in resources or processes related to actions contributing to the mitigation (or adaptation to) climate change. For the time being, ALTEO does not have the contextual data and set of criteria required to present results for this indicator. However, in line with the decision made at the expert workshop, this year's report includes a commitment to define the details of how to

apply and monitor the criteria specified in the EU Taxonomy⁶, and to make arrangements for the relevant data collection.

In addition to creating environmental and social value, ALTEO also considers it a priority to provide its shareholders with added value in the long term by protecting the assets of owners and providing security for creditors. Maintaining our credibility and reputation is one of our key objectives, supported by transparent communication and this Integrated Report. We aim to ensure stable revenue and profit growth through innovation and acquisitions.

[ALTEO-1]

The level of innovation for product and service improvement is shown under RDI expenses. Both we and our stakeholders consider it important to prepare for the future; we have been committed to this topic for years, although we have not reported on it as such yet. In this year's report, we use the following new indicator for the first time to provide detailed insight into RDI expenses over the past few years.

Breakdown of the costs of RDI projects (HUF thousand)			
2018	2019	2020	2021
949 087	365 267	16 165	1 042 435

In the future, we aim to use the indicator for the level of innovation for product and service improvement to present a transparent breakdown of the costs of all our research, development & innovation projects by year, as seen above. For more information on our research, development & innovation activities and projects, see subsection IV.25 of our financial statements. Our key research, development & innovation project implemented in 2021 is described in detail on page 40.

The company's CFO is responsible for the financial results of the ALTEO Group, and works in close cooperation with the heads of the individual businesses. To achieve stable growth in a sustainable and responsible manner, the ALTEO Group must fully comply with its internal regulations (Financial Policy, Controlling Policy, Procurement Policy, Compliance Policy and Code of Ethics).

⁶ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

7.2. Indirect economic impacts

As one of the key actors in the Hungarian energy market, we actively contribute to the success of the Hungarian economy through our investment projects and operations. As a responsible energy company, ALTEO seeks to reduce energy costs, and to ensure the sustainability of the energy consumed. (In our report we do not aggregate the cost and emission reduction resulting from energy efficiency as that is a business secret of our partners.)

The taxes paid by ALTEO Group contributed over HUF 1 billion to the advancement of the country in 2021. The primary location for the ALTEO Group's activity is Hungary where we operate in a number of regions, both with our sites and through other investment projects. We also focus on the development of economically disadvantaged areas by providing modern, safe and competitive jobs. We believe that our sites enable us not only to offer jobs to members of local communities, but also to become a part of those communities. We feel responsible for preserving our common habitat by ensuring that the equipment and materials used in the operation and maintenance of our sites are of sufficient quality, and that most of the services are purchased from local small and medium-sized enterprises, providing stability for ourselves and our suppliers through long-term contracts.

7.3. Quantitative reports/financial statements

Annex 1: ALTEO Plc.'s Annual consolidated Report for the Fiscal Year 2021

8. GRI Index

GRI indicator	Description	Chapter / Explanation	Page
102-1	Name of the organization	3.1 Our business activities	8
102-2	The activity of ALTEO Group	3.1 Our business activities	8
102-3	The registered office of the headquarters of ALTEO Group	3.1 Our business activities	9
102-4	Number of countries where ALTEO Group operates and names of countries where the Group has major plants or that are particularly relevant to sustainability issues presented in this report.	3.1 Our business activities	11
102-5	Ownership and legal form	3.1 Our business activities	9
102-6	Markets served	3.1 Our business activities	11
102-7	Scale of the organization	3.1 Our business activities	9
102-8	Year-end closing headcount	6.1 Employees	86
102-9	Supply chain	4.3 Compliance Management System	43
102-10	Significant change in the size, structure or ownership of the organization during the reporting period	4.1 Corporate governance structure	34, 43
102-11	Application of the precautionary principle within the organization	4.3 Compliance management system	48
102-12	Charters, principles or other initiatives containing economic, environmental or social standards developed by external organizations of which the organization is a member or supporter	3.2 Awards, recognition, cooperation	28
102-13	Most important membership in associations	3.2 Awards, recognition, cooperation	28
102-14	Statement from senior decision-maker	1.1 Message from the CEO	1
102-16	Values, principles, standards and norms of behavior	4.3 Compliance management system	39
102-18	The governance structure of the organization	4.1 Corporate governance structure	32
102-40	List of stakeholders engaged by the organization	2.1 Our stakeholders	5
102-41	Collective bargaining agreements	As in previous years, ALTEO did not apply a collective bargaining agreement in 2021.	-
102-42, 102-43, 102-44	Identifying and selecting stakeholders, engagement, key topics	2.1 Our stakeholders	5, 6
102-45	Entities included in the consolidated financial statements	4.1 Corporate governance structure	31

102-46	Process for defining the content and scope of the report	2.2 Materiality assessment	4, 6, 7
102-47	Material topics within and outside the organization	2.2 Materiality assessment	6, 7
102-48	Reason for and explanation of the impact of restatement of information included in previous reports	Restated information and the reasons for restatement are included in the relevant chapters.	55
102-49	Significant changes in the form and topics of the report compared to the previous reporting period	There have not been any significant changes to the content of the report compared to the previous period. In 2021, we carried out a new materiality assessment to identify the main topics of the report; for more information, see Chapter 2.2 “Materiality assessment”.	-
102-50	Reporting period	2. About the integrated report	4
102-51	Date of most recent report	Our 2020 Integrated Report was published on May 6, 2021.	-
102-52	Reporting cycle	ALTEO publishes its integrated report on an annual reporting cycle. For more information, see Chapter 2 “About the Integrated Report”.	-
102-53	Contact details	2. About the integrated report	5
102-54, 102-55	Reporting in accordance with the GRI Standards and GRI content index	2. About the integrated report 8. GRI Index	4 103
102-56	Assurance	2. About the integrated report – to be added later	5
201-1	Economy	For the avoidance of doubt, financial information under GRI are presented with reference to the IFRS Consolidated Annual Report of ALTEO Nyrt. for the Fiscal Year 2021 (‘Report’): <ul style="list-style-type: none"> • Economic value produced (‘Revenues’): Grand total of Table IV.1 “Revenue” + “other revenues” in Table IV.4 “Other revenues and expenses” in the Report; • Operating costs: Table IV.2 “Material expenses” in the Report; • Employee wages and benefits: Table IV.3 “Personnel expenses” in the Report; 	-

		<ul style="list-style-type: none"> • Payments to investors: “Financial expenses” line in Table IV.6 “Financial expenses, net” in the Report; • Payments to government: Table IV.7 “Taxes” in the Report; • Community investments: None in 2021. 	
201-2	Financial implications and other risks and opportunities concerning the organization’s activities due to climate change	5.4 Climate change. Furthermore, a detailed description of the identified risks is available in Chapter III.3 “Risk matrix” in the Consolidated Annual Report of ALTEO Nyrt. for the Fiscal Year 2021.	74
201-4	Significant financial assistance received from the government	For more information on state subsidies, see Section 8 of Chapter III.3 “Risk matrix” in the Consolidated Annual Report of ALTEO Nyrt. for the Fiscal Year 2021 (‘Report’). For other revenues and subsidies, see Table IV.4 “Other revenues and expenses, net” in the Report.	-
103-205	Anti-corruption	4.3 Compliance Management System	43
205-3	Confirmed incidents of corruption and actions taken	4.3 Compliance Management System	43
103-302	Energy	5.2 Environmental compliance	65
302-1	Energy consumption within the organization	5.1 The future of energy	58, 64
103-303	Hydro	5.5 Water consumption	75
303-1	Total water consumption by source	5.5 Water consumption	75
303-2	Managing issues related to water discharge	5.5 Water consumption	78
303-3	Rate of the total water recirculated and reused	5.5 Water consumption The values shown always mean fresh water.	76
103-305	Environment	5.3 Emissions	67.70
305-1	Direct (Scope 1) GHG emissions	5.3 Greenhouse gas (GHG) management	67
305-2	Indirect (Scope 2) GHG emissions	5.3 Greenhouse gas (GHG) management	67
305-3	Other indirect (Scope 3) GHG emissions	5.3 Greenhouse gas (GHG) management	74

305-4	GHG emissions intensity	5.3 Greenhouse gas (GHG) management	69
305-7	Emission of air pollutants by type and quantity	5.3 Greenhouse gas (GHG) management	71
103-306	Effluents and waste	5.6 Waste treatment	79
306-1	Waste generation and significant waste-related impacts	5.6 Waste treatment	79
306-2	Waste by amount, type, and form of generation	5.6 Waste treatment	79
306-3	Generated waste	5.6 Waste treatment	79
103-307	Environmental compliance	4.3 Compliance Management System	48
307-1	Amount of major environmental sanctions, number of cases of non-compliance with environmental laws and regulations and non-financial consequences	5.1 Environmental compliance	66
103-401	Employment	6.1 Employees Based on the 2021 materiality assessment, "Employment" is not a material topic; however, due to the importance of this topic, ALTEO presents the relevant management approach.	82
401-1	Global staff turnover	6.1 Employees	88
401-2	Benefits for full-time employees not provided to temporary or part-time employees	6.1 Employees	82, 85
103-402	Relationship between employees and management	6.1 Employees Based on the 2021 materiality assessment, "Relationship between employees and management" is not a material topic; however, due to the importance of this topic, ALTEO presents the relevant management approach.	84
402-1	Minimum notification period to report major changes in the organizational operation and whether it is specified in the collective bargaining agreement	6.1 Employees	84
103-403	Occupational health and safety	6.2 Health and safety	92
403-1	Number of cases where laws were violated and/or voluntarily imposed policies were not complied with regard to the health and safety impact of products and services	4.3 Compliance management system 6.2 Health and safety	48, 91

403-2	Identifying hazards, risk assessment and investigating accidents	5.2 Environmental compliance	67
403-3	Occupational safety services	6.2 Health and safety	96
403-4	Employee involvement, consultation and communication related to work safety	6.2 Health and safety	94
403-5	Work safety training for employees	6.2 Health and safety	95
403-6	Promotion of employee health	6.2 Health and safety	96
403-7	Prevention and mitigation of work safety impacts directly associated with business relations	6.2 Health and safety	95, 96
403-8	Employees covered by the work safety management system	6.2 Health and safety	94
403-9	Work-related accidents	6.2 Health and safety	94
403-10	Cases of occupational disease	6.2 Health and safety	96
103-404	Training and education	6.1 Employees	90
404-1	Average hours of training per year per employee	6.1 Employees	91
103-413	Local communities	6.3 Local communities Based on the 2021 materiality assessment, “Local communities” is not a material topic; however, due to the importance of this topic, ALTEO presents the relevant management approach.	98
413-1	Rate of operation sites where there are programs in place to assess, manage and improve impact on local community, including the nature, extent and efficiency of such programs	6.3 Local communities	98
416-2	Client health and safety	ALTEO had no cases associated with breaches of law or voluntary commitment whatsoever in the period between 2018–2021.	-
103-418	Client data protection	4.3 Compliance Management System	45
418-1	Protection of personal data, number of complaints	4.3 Compliance Management System	46
103-419	Legal compliance	4.3 Compliance Management System Based on the 2021 materiality assessment, “Legal compliance” is not a material topic; however, due to the importance of this topic, ALTEO presents the relevant management approach.	39

419-1	Compliance with laws and regulations in the social and economic area	No fines or non-financial sanctions were imposed on ALTEO in the social and economic area in 2021. For information on previous years, see page 26 of the 2020 Annual Report.	-
EU1	Installed capacity	5.1 The future of energy	52, 55
EU2	Energy output broken down by primary energy source	5.1 The future of energy	56
EU5	Allocated CO2e emission allowances broken down by carbon trading framework	5.3 Greenhouse gas (GHG) management	67
EU11	System efficiency – Efficiency	5.1 The future of energy	62
G4-DMA Cr. mgmt	Crisis management	4.3 Compliance management system 5.2 Environmental compliance	48, 66
G4-DMA Avail.	Availability and reliability	5.1 The future of energy	63
EU30	System efficiency – Average power plant availability	5.1 The future of energy	63
ALTEO 1	Projects related to operations facilitating climate change mitigation	7.1 Economic/business performance	101
ALTEO 2	Innovation intended to improve products and services	4.2 Business model and strategy 7.1 Economic/business performance	38, 102
ALTEO 3	Total amount invested in renewable energy, amount of energy generated using renewables	7.1 Economic/business performance Quantitative reporting of the indicator by ALTEO will start with the 2022 report.	101

Integrated Report Glossary:

Accounting Act	Act C of 2000 on Accounting;
Ács Wind Turbine	owned by WINDEO and located in Ács, the wind turbine with 2MW nominal capacity sells the electricity it generates, along with its electric power capacity, on the electricity market and MAVIR's ancillary services market with the help of the Virtual Power Plant. The wind turbine is maintained by ALTEO and the Hungarian subsidiary of the wind turbine manufacturer, VESTAS Hungary Kft.
ALTE-A	ALTE-A Korlátolt Felelősségű Társaság, fully owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12., Hungary; company registration number: Cg. 01-09-901186);
ALTE-GO	ALTE-GO Korlátolt Felelősségű Társaság, fully owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12., Hungary; company registration number: Cg. 01-09-998498);
ALTEO Deutschland	ALTEO Deutschland GmbH (registered office: Gustav-Heinemann-Ufer 72c 50968 Cologne, Germany; company registration number: Amtsgericht Köln, HRB 101247), with its registered seat in Germany and fully owned by the Company; the Company decided on its voluntary winding up on October 27, 2020;
ALTEO Energiakereskedő	ALTEO Energiakereskedő Zártkörűen Működő Részvénytársaság, fully owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12., Hungary; company registration number: Cg. 01-10-047253);
ALTEO Group	the Company and the Subsidiaries, collectively;
ALTEO or Company	ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság (registered office: H-1033 Budapest, Kórház utca 6-12., Hungary; company registration number: Cg. 01-10-045985);
ALTEO-Depónia	ALTEO-Depónia Korlátolt Felelősségű Társaság, fully owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12., Hungary; company registration number: Cg. 01-09-906261);
ALTEO-Therm	formerly Győri Erőmű Kft., ALTEO-Therm Korlátolt Felelősségű Társaság, fully owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12., Hungary; company registration number: Cg. 01-10-047253);
Articles of Association	the Articles of Association of the Company effective as of October 18, 2021, in a consolidated structure with amendments;
Audit Committee	the Company's Audit Committee;

Audit Committee Rules of Procedure	rules of procedure of the Company's Audit Committee effective from March 24, 2017;
Balatonberény Solar Power Plant	owned by SUNTEO, located in Balatonberény and constructed by the ALTEO Group on its own account, the solar power plant with an installed electricity generation capacity of 6.2MW sells the electricity it generates to MAVIR under KÁT until June 30, 2044 at the latest or until the total authorized generation volume is reached. The power plant is operated by ALTEO's own specialists.
BC-Therm	BC-Therm Energiatermelő és Szolgáltató Korlátolt Felelősségű Társaság (registered office: H-3700 Kazincbarcika, Bolyai tér 1.; company registration number: Cg. 05-09-034399), formerly fully owned by the Company, as of May 31, 2021 no longer a part of the ALTEO Group.
BGS	The Bond Funding for Growth Scheme launched by the Central Bank of Hungary, the details of which are available on the website of the Central Bank of Hungary;
Board of Directors	the Company's Board of Directors;
Board Rules of Procedure	rules of procedure of the Company's Board of Directors effective from June 25, 2020;
Bőny Wind Turbine	owned by EURO GREEN ENERGY and located in Bőny and Bábolna, the wind turbine with a 25MW nominal capacity sells the generated electricity to MAVIR under the KÁT regime, and will do so until January 31, 2023 at the latest or until the total authorized generation volume is reached.
BSE or Budapest Stock Exchange	Budapesti Értéktőzsde Zártkörűen Működő Részvénytársaság (registered office: H-1013 Budapest, Krisztina körút 55.; company registration number: Cg. 01-10-044764);
Capital Market Act	Act CXX of 2001 on the Capital Market;
Central Bank of Hungary	the Central Bank of Hungary (Magyar Nemzeti Bank);
Civil Code	Act V of 2013 on the Civil Code;
Debrecen I	owned by ALTEO-Depónia and located at the waste disposal compound in Debrecen, the small-scale power plant generates power from landfill gas produced at the compound. The small-scale power plant has an installed electricity generation capacity of 639kW. The small-scale power plant sells the electricity it generates, along with its electric power capacity, on the electricity market and MAVIR's ancillary services market with the help of the Virtual Power Plant.

Debrecen II	owned by ALTEO-Depónia and located at the waste disposal compound in Debrecen, the small-scale power plant generates power from landfill gas produced at the compound. The small-scale power plant has an installed electricity generation capacity of 499kW. The small-scale power plant sells the electricity it generates to MAVIR under KÁT until June 30, 2022 at the latest or until the total authorized generation volume is reached, after which it will continue to produce for the free market.
Domaszék	Domaszék 2MW Naperómű Korlátolt Felelősségű Társaság, fully owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12., Hungary; company registration number: Cg. 01-09-278226);
Domaszék Solar Power Plant	owned by the Municipality of Domaszék and located in Domaszék, the solar power plant with an installed electricity generation capacity of 2MW sells the electricity it generates to MAVIR under KÁT until September, 2042 at the latest or until the total authorized KÁT generation volume is reached. The power plant is operated by ALTEO's own specialists.
ECO-FIRST	ECO-FIRST Hulladék Kereskedelmi Korlátolt Felelősségű Társaság, 66% owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12., Hungary; company registration number: Cg. 01-09-344380)
EFET	European Federation of Energy Traders;
Electricity Act	Act LXXXVI of 2007 on Electricity;
EU ETS	European Union Emissions Trading Scheme;
EURO GREEN ENERGY	EURO GREEN ENERGY Fejlesztő és Szolgáltató Korlátolt Felelősségű Társaság, fully owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12., Hungary; company registration number: Cg. 01-09-921340);
e-Wind	e-Wind Szélergetikai Korlátolt Felelősségű Társaság, fully owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12., Hungary; company registration number: Cg. 01-09- 733622);
Felsődobsza Hydropower Plant	the relevant energy-generation assets and installations of this hydropower plant operating on the River Hernád (including, among others, turbines and transformers) are owned by Sinergy, while Sinergy leases the property and the power plant's sections classified as other water structures from ÉMÁSZ Nyrt. The installed electricity generation capacity of the Felsődobsza hydropower plant is 0.948MW. Sinergy sells the electricity generated through the operation of the hydropower plant to MAVIR under KÁT until 31 July 2022 at the latest or until the total generation volume authorized under KÁT is reached. The power plant is operated by ALTEO's own specialists.

Füredi út Heating Power Plant	owned by ALTEO-Therm and located in Budapest, the heating power plant cogenerates heat and electricity and sells heat to the local district heating supplier at the price set by the Price Decree until May 31, 2030. The power plant's installed electricity generation capacity is 18.1MW, its installed thermal capacity is 16.5MW. The power plant sells the electricity it generates, along with its electric power capacity, on the electricity market and MAVIR's ancillary services market with the help of the Virtual Power Plant. The power plant is operated by ALTEO's team of specialists.
Gibárt Hydropower Plant	the relevant energy-generation assets and installations of this hydropower plant operating on the River Hernád (including, among others, turbines and transformers) are owned by Sinergy, while Sinergy leases the property and the power plant's sections classified as other water structures from ÉMÁSZ Nyrt. The installed electricity generation capacity of the Gibárt hydropower plant is 0.98MW. The hydropower plant is eligible for Green Premium within METÁR. The power plant is operated by ALTEO's own specialists.
Government Decree implementing the Electricity Act	Government Decree no. 273/2007 (X. 19.) on the implementation of the Electricity Act;
Greenhouse Gas Act	Act XV of 2005 on the Trading in Emission Allowances of Greenhouse Gases;
Győr Power Plant	owned by ALTEO-Therm and located in Győr, the power plant cogenerates heat and electricity and supplies heat energy to companies operating in the industrial zone of the city and, to a lesser extent, residential consumers. The power plant's installed electricity generation capacity is 17.7MW, its installed thermal capacity is 23.9MW. The power plant sells the electricity it generates, along with its electric power capacity, on the electricity market and MAVIR's ancillary services market with the help of the Virtual Power Plant. The power plant is operated by ALTEO's team of specialists.
HEPURA	the Hungarian Energy and Public Utility Regulatory Authority (formerly known as: Hungarian Energy Office);
HIDROGÁZ	HIDROGÁZ Energiatermelő Korlátolt Felelősségű Társaság, fully owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12., Hungary; company registration number: Cg. 01-09-863661);
HUF or Hungarian forint	the Hungarian forint, the legal tender of Hungary;
HUPX	the organized Hungarian electricity market operated by HUPX Zrt.;
IFRS	International Financial Reporting Standards;

KÁT	electric power offtake system based on the provisions of the Electricity Act, the Government Decree implementing the Electricity Act and Government Decree no. 389/2007 (XII.23.) on the mandatory reception and reception price of electricity produced from renewable energy sources or waste and cogenerated electricity (repealed in the meantime);
Kazincbarcika Heating Power Plant	owned by ALTEO-Therm and located in Kazincbarcika, the heating power plant cogenerates heat and electricity and sells heat to the local district heating supplier at the price set by the Price Decree until September 30, 2032. The power plant's installed electricity generation capacity is 49.6MW, its installed thermal capacity is 58.2MW. The power plant sells the electricity it generates, along with its electric power capacity, on the electricity market and MAVIR's ancillary services market with the help of the Virtual Power Plant. The power plant is operated by ALTEO's team of specialists.
Kazinc-BioEnergy	Kazinc-BioEnergy Korlátolt Felelősségű Társaság, fully owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12., Hungary; company registration number: Cg. 01-09-996064);
Majority Shareholder	WALLIS ASSET MANAGEMENT Zártkörűen Működő Részvénytársaság (registered office: H-1055 Budapest, Honvéd u. 20.; company registration number: Cg. 01-10-046529);
MAVIR	MAVIR Magyar Villamosenergia-ipari Átviteli Rendszerirányító Zártkörűen Működő Részvénytársaság (registered office: H-1031 Budapest, Anikó utca 4.; company registration number: Cg. 01-10-044470);
METÁR	mandatory offtake system for heat and electricity produced from renewable and alternative energy sources
METÁR Decree	Government Decree no. 165/2016 (VI. 23.) on the subsidies for the obligatory dispatch and premium type purchase of electricity generated from renewable sources;
Monor Solar Power Plant	owned by Monsolar, located in Monor and constructed by the ALTEO Group on its own account, the solar power plant with an installed electricity generation capacity of 4MW sells the electricity it generates to MAVIR under KÁT until December, 2043 at the latest or until the total authorized generation volume is reached. The power plant is operated by ALTEO's own specialists.
Monsolar	Monsolar Korlátolt Felelősségű Társaság, fully owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12., Hungary; company registration number: Cg. 01-09-291864);

Nagykőrös Solar Power Plant	owned by SUNTEO, located in Nagykőrös and constructed by the ALTEO Group on its own account, the solar power plant with an installed electricity generation capacity of 6.9MW sells the electricity it generates to MAVIR under KÁT for 25 years or until the total authorized generation volume is reached. The power plant is operated by ALTEO's own specialists.
NAV	the National Tax and Customs Authority (abbreviation of the Hungarian name: NAV);
Ózd Power Plant	owned by ALTEO-Therm and located in Ózd, the heating power plant cogenerates heat and electricity and sells heat to the local district heating supplier at the price set by the Price Decree until December 31, 2030. The power plant's installed electricity generation capacity is 4.8MW, its installed thermal capacity is 4.8MW. The power plant sells the electricity it generates, along with its electric power capacity, on the electricity market and MAVIR's ancillary services market with the help of the Virtual Power Plant. The power plant is operated by ALTEO's team of specialists.
Pannon	Pannon Szélerőmű Villamosenergia Termelő és Értékesítő Korlátolt Felelősségű Társaság, fully owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12., Hungary; company registration number: Cg. 01-09-374969);
Pápakovácsi Wind Turbine	owned by WINDEO and located in Pápakovácsi, the wind turbine with 2MW nominal capacity sells the electricity it generates, along with its electric power capacity, on the electricity market and MAVIR's ancillary services market with the help of the Virtual Power Plant. The wind turbine is maintained by ALTEO and the Hungarian subsidiary of the wind turbine manufacturer, VESTAS Hungary Kft.
Price Decree	Decree No. 50/2011 (XI. 30.) of the Minister of National Development on determining the price of district heating sold to district heating suppliers, and the fee for district heating supply for household users and institutions handled separately;
Shares or Share	all or any of the series 'A' registered dematerialized ordinary shares issued by the Company at any time, each with a face value of HUF 12.5;
Sinergy	Sinergy Energiaszolgáltató, Beruházó és Tanácsadó Korlátolt Felelősségű Társaság, fully owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12., Hungary; company registration number: Cg. 01-09-680396);
Sinergy Energiakereskedő	Sinergy Energiakereskedő Korlátolt Felelősségű Társaság, fully owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12., Hungary; company registration number: Cg. 01-09-178667);

Small-scale landfill gas power plants in Debrecen	the small-scale power plants Debrecen I and Debrecen II, collectively, producing electricity from landfill gas generated at a landfill site in Debrecen.
Sopron Power Plant	owned by ALTEO-Therm and located in Sopron, the heating power plant cogenerates heat and electricity and sells heat to the local district heating supplier at the price set by the Price Decree until September 30, 2025. The power plant's installed electricity generation capacity is 6MW, its installed thermal capacity is 38MW. The power plant sells the electricity it generates, along with its electric power capacity, on the electricity market and MAVIR's ancillary services market with the help of the Virtual Power Plant. The power plant is operated by ALTEO's team of specialists.
Subsidiaries or Subsidiary	all or any of the following companies owned by the Company: <ul style="list-style-type: none"> (i) ALTE-A; (ii) ALTEO-Depónia; (iii) ALTEO Deutschland; (iv) ALTEO Energiakereskedő; (v) ALTEO-GO; (vi) ALTEO-Therm; (vii) Domaszék; (viii) ECO-FIRST; (ix) EURO GREEN ENERGY; (x) e-Wind; (xi) HIDROGÁZ; (xii) Kazinc-BioEnergy; (xiii) Monsolar; (xiv) Pannon; (xv) Sinergy; (xvi) Sinergy Energiakereskedő; (xvii) SUNTEO; (xviii) Tisza-BioEnergy; (xix) Tisza BioTerm; (xx) Tisza-WTP; and (xxi) WINDEO;

SUNTEO	SUNTEO Korlátolt Felelősségű Társaság, fully owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12., Hungary; company registration number: Cg. 01-09- 997687);
Supervisory Board	the Company's Supervisory Board
Supervisory Board Rules of Procedure	rules of procedure of the Company's Supervisory Board effective from September 26, 2010;
Tisza BioTerm	Tisza BioTerm Korlátolt Felelősségű Társaság, fully owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12., Hungary; company registration number: Cg. 01-09-965041);
Tisza-BioEnergy	Tisza-BioEnergy Korlátolt Felelősségű Társaság, fully owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12., Hungary; company registration number: Cg. 01-09-996062);
Tiszaújváros Heating Power Plant	owned by ALTEO-Therm and located in Tiszaújváros, the heating power plant cogenerates heat and electricity and sells heat to the local district heating supplier at the price set by the Price Decree until January 1, 2034. The power plant's installed electricity generation capacity is 9.448MW, its installed thermal capacity is 42.8MW. The power plant sells the electricity it generates, along with its electric power capacity, on the electricity market and MAVIR's ancillary services market with the help of the Virtual Power Plant. The power plant is operated by ALTEO's team of specialists.
Tisza-WTP	Tisza-WTP Vízelőkészítő és Szolgáltató Korlátolt Felelősségű Társaság, fully owned by the Company (registered office: H-3580 Tiszaújváros, Ipartelep 2069/3.; company registration number: Cg. 05-09-009864);
Törökszentmiklós Wind Turbine	owned by e-Wind and located in Törökszentmiklós, the wind farm with 1.5MW nominal capacity sells the electricity it generates to MAVIR under KÁT until 30 June 2022 at the latest or until the total authorized generation volume is reached.
Virtual Power Plant	Sinergy Energiakereskedő's activity, within the framework of which it organizes certain electricity generator units of the ALTEO Group in a system operation unit;
WINDEO	WINDEO Korlátolt Felelősségű Társaság, fully owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12., Hungary; company registration number: Cg. 01-09-899444);