

ALTEO Group
Integrated Report 2022

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Letter from the CEO

2-22

Dear Reader,

A year ago, I called 2021 the year of peace, and much of what happened in 2022 was still ahead of us, and it is one we will remember as a year of the war and the energy crisis. However, ALTEO Group's preparedness and operation were impeccable again last year, and this – in addition to the fact that we once again achieved outstanding results – allowed us to update the Company's strategy and set even more ambitious objectives than before.

As in 2021, the further integration of ESG considerations into the Company's operations and further strengthening sustainable corporate governance were assigned priority focus again last year. We are very proud to be one of the few companies to have obtained ESG certification. But we are not stopping here, and we are striving to step up our sustainability efforts and are confident that these efforts will be reflected in further certifications.

This is why we have prepared and published a detailed sustainability strategy, with objectives closely linked to the UN Sustainable Development Goals (SDGs), and have defined Group-wide decarbonization commitments. In order to strategically coordinate sustainability-related tasks, we have set up the ALTEO Green Committee, and have started to apply the Task-Force on Climate-Related Financial Disclosures (TCFD) guidelines in our reporting structure.

Priority focus on employees remains at the heart of our ESG approach, and has been a key part of our everyday life since our foundation. We also prioritize employee safety, in which respect 2022 also marked an important milestone: the number of accident-free days exceeded 1,000. As part of the CSR strategy launched last year, we support and encourage our colleagues' volunteering activities, which last year amounted to 512 hours. Last year, we continued the independent ALTEO Fitt initiative, which encourages and creates opportunities for physical activity and sports, and the employee wellbeing aspect has become an inevitable factor in our new employer branding strategy and its implementation.

Last year, for the first time, we prepared a report on ALTEO's preceding year (2021) as per EU Taxonomy, and that year proved to be a record year in terms of profitability. However, we managed to surpass that in 2022, as this was the most successful year in ALTEO's history as a result of the outstanding performance of the Virtual Power Plant, the record performance of the retail segment and the stable, solid performance of the renewable power plants: our momentum has not been lost despite the shocks on the energy market, which were exacerbated by the war and reflected in high prices and unprecedented market volatility as our consolidated net profit reached nearly HUF 13 billion.

This was, of course, appreciated by the market as well: ALTEO share prices soared, and we were awarded the title of "Issuer of the Year with the highest share price increase in the premium category" at the Best of BSE Awards. We also kept our first place in the "Responsibility, Sustainability, Corporate Governance" category at one of the most important events of the Budapest Stock Exchange. We are extremely proud that last year, our 2021 Sustainability Barometer campaign won one of the international advertising industry's most prestigious awards, the Stevie Award in the Sustainability Initiatives category.

Last summer, we closed the deal to acquire EDELYN SOLAR Kft., a company which owns a solar power plant project with a nominal capacity of 20 MW, currently under licensing. Some time after that, we acquired a qualified majority stake in FE-GROUP INVEST Zrt., a company active in the treatment and

recycling of inorganic waste. Both acquisitions were made in the context of the active investment activity outlined in the strategy until 2026, and the strategic objectives outlined therein remain unchanged by the fact that MOL RES Investments Zrt. as designated offeror has made a statutory public takeover bid for ALTEO’s ordinary shares.

As we have always done, we will continue to integrate environmental requirements into our technological and business processes, and we will continue to keep in mind that every decision we make today will affect our, our children’s and our grandchildren’s future. This is why we are doing all we can today to make the Earth a liveable planet for future generations.

1 ALTEO

1.1 Highlights 2022

We closed our most successful year (EBITDA exceeding HUF 20 billion)	We obtained our first international ESG certification	Our detailed Sustainability Strategy was prepared and published	ALTEO’s Green Committee has been established
We prepared and launched our CSR strategy	We acquired a majority interest in Fe-Group Zrt., thereby furthering our strategic plans for waste management	Acquisition of 100% of EDELYN SOLAR Kft., owner of the solar power plant project	We were again awarded Best of BSE Awards in two categories
We reviewed our company-wide risk assessment system	We have expanded the compensation plan and benefit elements for our employees	The Employer Branding Strategy was adopted and the implementation of its objectives has begun	Our first electric boiler was completed in Sopron as part of the KF13 R&D grant

1.2 Sustainability milestones

At ALTEO (when referred to on its own, hereinafter “ALTEO Nyrt.” or “ALTEO”) and its consolidated subsidiaries (referred to collectively hereinafter as “ALTEO Group” or “Group”), we believe in sustainable development, and have started laying down the foundations for our sustainability and ESG (Environmental Social and Governance) vision and strategy several years ago. This year marks the seventh edition of our Sustainability Report. During those seven years we have come a long way and achieved a number of key ESG results.

However, we cannot stop there, our commitment to dynamic development and sustainability is creating new challenges from a corporate governance, social and environmental perspective, and we aim to meet them to the highest possible standards. In this Integrated Report, we aim to present the results, challenges and plans for 2022. While we are continuously enhancing our business performance, we also make sure that we constantly learn and improve to become an even more environmentally and socially responsible company.

Sustainability milestones:

- 2016: ALTEO's first sustainability report is published
- 2017: Our first solar power plant is commissioned
- 2018: First own solar power plant is constructed
- 2019: Waste Management Division launch
- 2021: Sustainability is taken to the top management level
- 2022: The first ESG certification is obtained
- 2022: ALTEO's Green Committee is established
- 2022: ALTEO's Sustainability Strategy is developed in detail

Business milestones:

- 2016: Initial public offering (Budapest Stock Exchange)
- 2018: ALTEO shares promoted from the Standard category to the Equities Prime Market
- 2019: Waste Management Division launch
- 2020: Successful bond issue at a value of HUF 3.8 billions within the scope of BGS
- 2020: Our scheduling service was launched under the name Sinergy
- 2020: Our E-mobility Division was launched
- 2021: Record EBITDA result
- 2022: ALTEO acquires a stake of more than 75% in FE-GROUP Zrt.



1.3 Introduction to ALTEO

ALTEO was founded 15 years ago, in 2008, to exploit the new opportunities in the energy industry and to be part of the redefinition of this market, of which the adoption of a sustainability approach is an essential part. As an energy provider and trading company, the three pillars of our business activity are energy production based on renewable and natural gas as energy carriers, energy trading, and customized energy services and developments offered to companies.

In Hungary, ALTEO's name has become synonymous with sustainable and responsible corporate governance and responsibility for the future, as not only have we been a member of the Business Council for Sustainable Development in Hungary (BCSDH), which is chaired by ALTEO CEO Attila Chikán Jr, for 10 years but as a result of our performance in 2022, we have once again received the BSE's Responsibility, Sustainability, Corporate Governance Award.

It remains of paramount importance for us to provide our Customers with a reliable, environmentally-friendly energy supply that is based on renewable energy sources. At the heart of all you will find our Virtual Power Plant and our own portfolio containing the best possible tools, which enable us to serve efficiently the needs of our small, medium and large corporate partners alike.

Organizational data

2-1, 2-6, 2-7

The details of the ALTEO Group on December 31, 2022:

- Name: ALTEO Nyrt. (and its consolidated subsidiaries, hereinafter jointly referred to as: ALTEO Group)
- Address: H-1033 Budapest, Kórház utca 6-12.
- Owners:
 - 51.57% WALLIS ASSET MANAGEMENT Zrt.
 - 9.99% MOL RES Investments Zártkörűen Működő Részvénytársaság, Riverland Private Equity Fund (Riverland Magántőkealap) and Főnix Private Equity Fund (Főnix Magántőkealap), collectively as persons acting in concert under the Capital Market Act
 - 5.81% ALTEO ESOP¹ Organization
 - 32.63% Free float
- Issued capital: HUF 249,143,425
- Revenue: HUF 103,027 million
- Number of employees: 307
- Location of business activity: Hungary

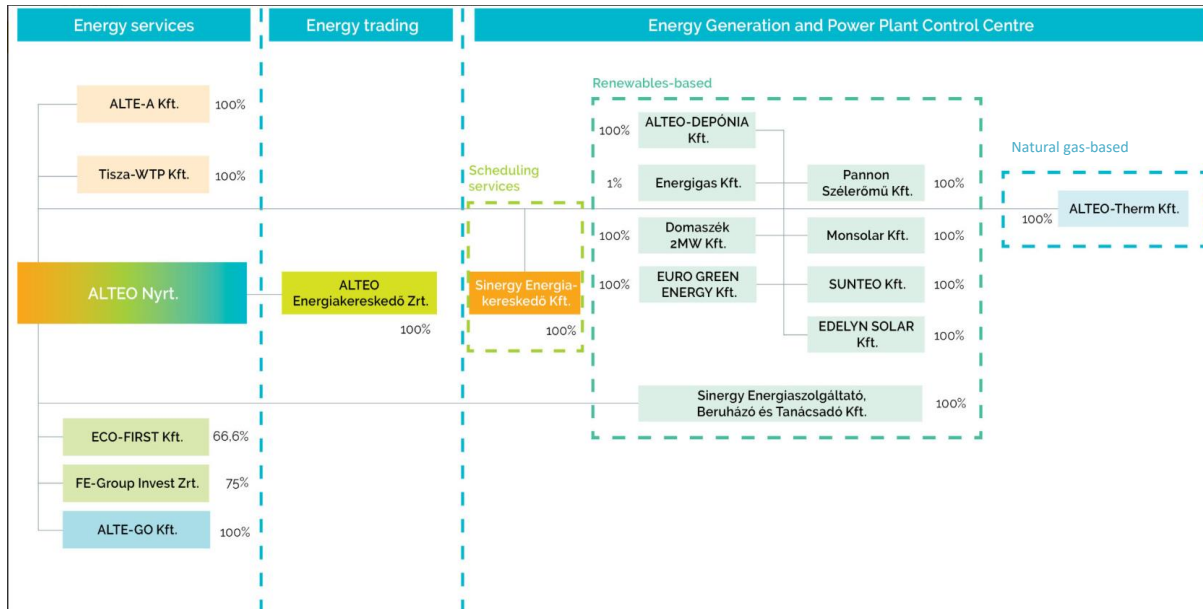
ALTEO shares are traded in the Equities Prime Market of the Budapest Stock Exchange.

¹ Employee Share Ownership Program

- Group structure

2-2 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, 2022



Both the financial and GRI Sustainability Report sections of the Integrated Report apply to the performance of all companies in the figure, in other words the entirety of the ALTEO Group.

Major changes affecting the organization in 2022

2-6

Several events occurred during 2022 that resulted in changes to the structure of ALTEO Group.

Merger of EURO GREEN ENERGY and other subsidiaries

As an additional step in the process of streamlining the corporate structure of the ALTEO Group, on March 7, 2022, ALTEO decided to merge by absorption with its following subsidiaries. As a result of the restructuring, as of July 1, 2022 (day of legal succession) the following companies under ALTEO's direct and exclusive control merged into EURO GREEN ENERGY, operating with the Company as its sole member:

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

FE-GROUP acquisition

ALTEO as buyer concluded a share purchase contract with the natural person owner of FE-GROUP as seller in the subject matter of transferring to ALTEO the ownership right of its shares representing 75.1% of the HUF 1,000,000,000 share capital of FE-GROUP. The conditions for closure detailed in the share purchase contract have been fulfilled, and the closure process has been successfully completed and, as such, the ownership of the shares representing 75.1% of the issued capital of FE-GROUP has been transferred to ALTEO as of September 9, 2022. A 24.9% minority share of FE-GROUP acquired by the Blue Planet Climate Protection Venture Capital Fund, which exercises joint ownership with ALTEO over FE-GROUP, as per the relevant percentages. In addition to paper, metal and electronic waste acceptance and recycling, FE-GROUP also performs complex waste management activities, with a revenue of over HUF 3 billion in 2021. FE-GROUP has been active in waste processing since 1994, and has ample comprehensive and integrated experience in the corporate and industrial submarkets, as well as in the residential and municipal submarkets to a lesser extent. The acquisition is fully in line with the Company's strategy, updated at the beginning of 2022, which sets the objective of further strengthening the Company's role in the circular economy and sustainable management. For more information on the Company, see page 20 of the report.

EDELYN SOLAR acquisition

ALTEO Nyrt. as buyer concluded a business quota purchase contract with private individuals as sellers in the subject matter of transferring to ALTEO the ownership right of their respective business quota representing 100% of the issued capital of EDELYN SOLAR amounting to HUF 3,000,000. The closing conditions specified in detail in the business quota purchase contract have been fulfilled. Accordingly, ownership of the EDELYN SOLAR's business quota was transferred to ALTEO as of July 21, 2022. In H1 2023, EDELYN SOLAR is expected to start the development of a solar power plant with a capacity of nearly 20MW near Tereske, after obtaining the necessary permits and approvals. The implementation of the development is expected to roughly double the solar power plant portfolio of the ALTEO Group. The acquisition is fully in line with the Company's strategy, updated at the beginning of 2022, which sets the objective of further increasing renewable capacities. For more information on the acquisition, see page 15 of the report.

Our mission and vision

2-23

Not only does our company contribute directly to sustainability through its activities, but we are also committed to shaping both directly and indirectly the attitudes of our employees, the stakeholders in our operating environment, as well our partners, suppliers² and investors.³

² The special requirements applicable to and information pertaining to our suppliers are available on our website: <https://alteo.hu/bezallitoknak/>

³ For our publicly available policies, codes and declarations, please visit our website: <https://alteo.hu/fenntarthatosag/felelos-vallalatiranyitas/etika-compliance-es-kontroll/>;

Our long-term goal is to become a leading energy service provider that can truly combine sustainable energy production and business operations with the delivery of appropriate shareholder returns.

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



Our vision:

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

Our mission:

In a fast-changing world, our flexibility is built on a strong foundation of deep-rooted knowledge. As specialists in evolution, we challenge today’s solutions to create tomorrow in the framework of innovate thinking.

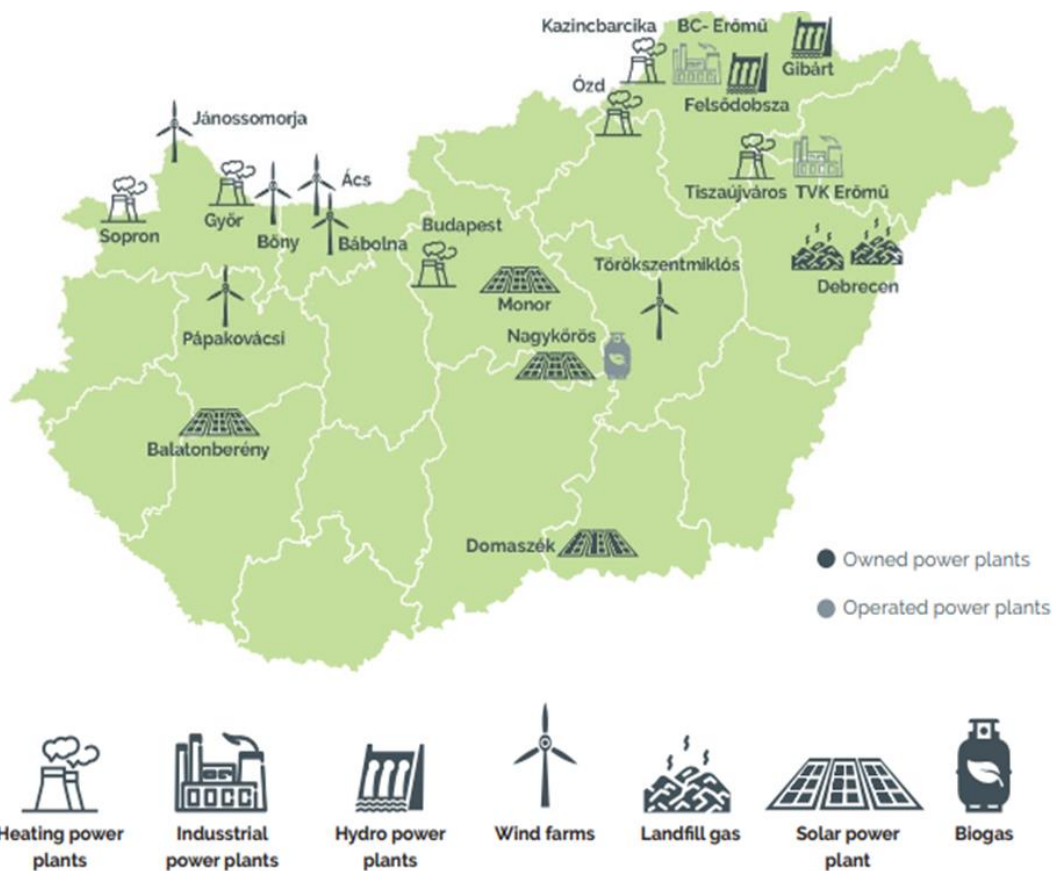
Our values:

At ALTEO, we consider it of the utmost importance to work together with our external and internal stakeholders based on shared values, and to raise their awareness of the foundations on which our corporate culture is built, as this is what enables us to make the right decisions for our common success, based on the same priorities. Our values at ALTEO:



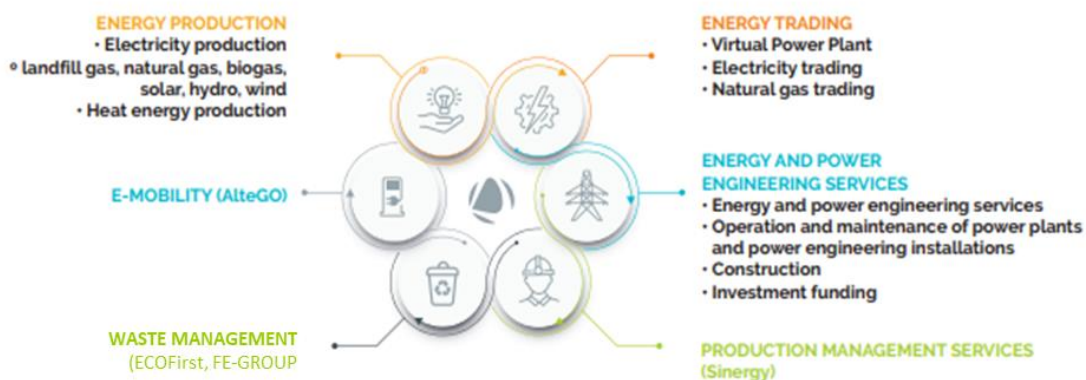
The values we stand for and the essential prerequisites for our operation are defined in our Code of Ethics (page 40, Code of Ethics).

ALTEO operational map 2-6



Products and services⁴ [2-1] [2-6]

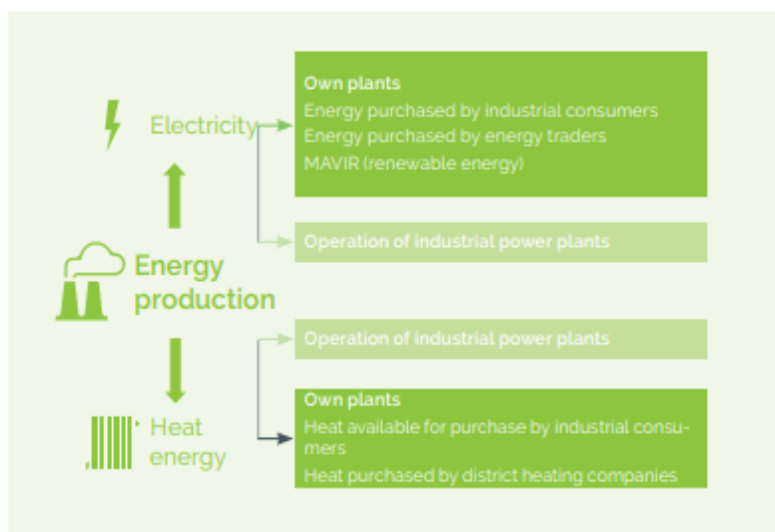
We offer a wide range of services, and our portfolio and the activities included in it can be grouped as follows:



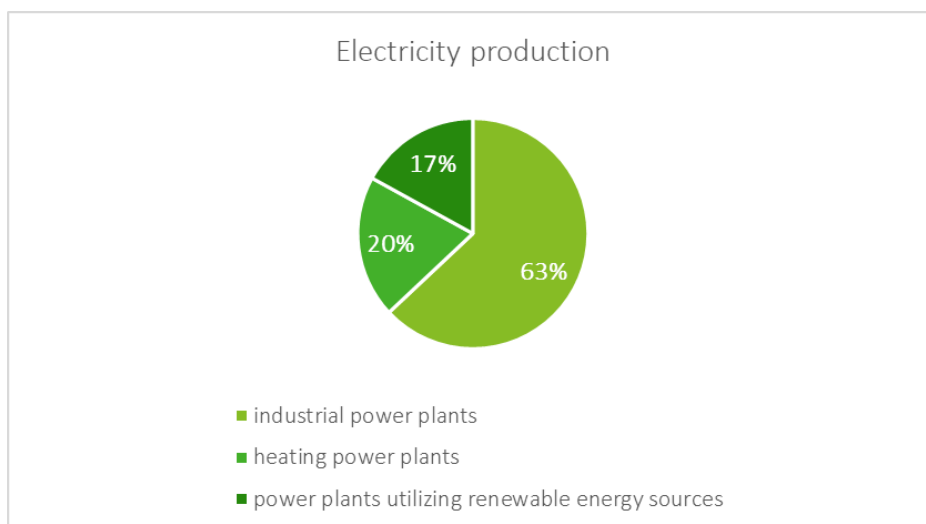
⁴ In presenting our products and services, we strive to create an appropriate context, and to present current issues. For a detailed description of the various activities see pages 24-28 of the Integrated Report for 2021: <https://alteo.hu/wp-content/uploads/2017/06/alteo-integralt-jelentes-2021.pdf>.

Energy production

Our Energy Production segment generates electricity and heat energy in our own power plants and plants operated by us. Our portfolio is constantly changing in line with our goal to increase the proportion of renewable energy. In 2022, ALTEO produced energy with a total of 22 power plant units at 23 sites, 15 of which use renewable energy sources, and there is also a water treatment plant for industrial production at MOL Petrolkémia. Our portfolio includes weather-dependent wind farms, solar and hydropower plants and non-weather-dependent small-scale power plants that utilize renewable gas as well as natural gas-fired heating power plants. Two power plants operated by ALTEO produce electricity and heat energy exclusively for industrial plants, while our six heating power plants mainly serve urban district heating systems in addition to industrial consumers.



The numbers of this segment are as follows: our power plants produced a total of 803 GWh of electricity, which supplies around 336,000 households with electricity, and 9.2 million GJ of heat energy, which is enough to heat 224,000 households. Of these figures, 63% came from industrial power plants, 20% from heating power plants and 17% from facilities utilizing renewable energy.



Site	Natural gas/renewable	Type	Installed electrical capacity (MW)	Electricity sales: Within the subsidized system, on the open market or by trading on the open market through the Virtual Power Plant (VPP)
ALTEO-owned				
Győr	natural gas	heating power plant	17.9	VPP
Sopron	natural gas	heating power plant	6.1	VPP
Kazincbarcika	natural gas	heating power plant	9.6	VPP
Ózd	natural gas	heating power plant	4.9	VPP
Tiszaújváros	natural gas	heating power plant	9.4	VPP
Zugló	natural gas	heating power plant	18.2	VPP
Felsődobosza	renewable	hydropower plant	0.9	on the open market
Gibárt	renewable	hydropower plant	1.0	Subsidized
Ács	renewable	wind turbine	2.0	VPP
Jánossomorja	renewable	wind turbine	1.8	VPP
Pápakovácsi	renewable	wind turbine	1.8	VPP
Törökszentmiklós	renewable	wind turbine	1.5	on the open market
Bőny	renewable	wind turbine	25.0	on the open market
Bábolna	renewable	wind turbine	15.0	Subsidized
Domaszék	renewable	solar power plant	2.0	Subsidized
Monor	renewable	solar power plant	4.0	Subsidized
Balatonberény	renewable	solar power plant	6.2	Subsidized
Nagykőrös (solar power plant)	renewable	solar power plant	6.9	Subsidized
Debrecen	renewable	landfill gas	1.1	on the open market
Operated by ALTEO				
BC power plant	natural gas	industrial services	46.9	
MPK Power Plant	natural gas	industrial services	36.0	
Nagykőrös	renewable	biogas	2.0	

Weather-dependent renewable energy power plants

ALTEO is committed to advancing renewable energy production, important elements of which are weather-dependent renewable energy power plants, the changes to which in 2022 are described below:

Wind turbines

In 2022, we held on to our second place in terms of market share in the domestic wind turbine market. At present, electricity is generated by 24 wind farms owned by the Company. In 2022, the Bábolna wind farm turbine control system was replaced, and main components were also replaced in Bőny and Bábolna (drive, blade repair due to lightning damage). The expired maintenance contracts for Bőny and Bábolna have been extended. In Törökszentmiklós, there was a malfunction that led to a longer outage, which was repaired by March 2022.

Hydropower plants

We operate two hydropower plants, the Gibárt hydropower plant which has been in operation for more than 100 years, and is listed as a historical monument, and the Felsődobsza plant, both of which operate on the Hernád River. The repair of damage caused by the 2021 flood and the construction of a sound and heat insulation 'box' were the key events at the Gibárt hydropower plant in 2022. For 2023, our plans include upgrading the remote control of the dam in Felsődobsza with optical cables, and installing a technological property protection camera system.

Solar power plants

Our first solar power plant was the Domaszék Solar Power Plant, acquired in December 2017, followed by the Monor Solar Power Plant built as our own project in 2018. Thanks to the projects in Balatonberény and Nagykőrös, ALTEO has now acquired several solar power plants with a total installed capacity of more than 19 MW of electricity.

In 2022, we developed new maintenance processes and an uninterruptible communication system in our solar power plants, which allows us to see the current status of the plants even when the communication system is down.

In order to increase the solar power portfolio, we launched the process in 2022 to acquire EDELYN SOLAR as mentioned earlier, a company that is expected to start the development of a solar power plant with a capacity of nearly 20MW near Tereske in the first half of 2023, after obtaining the necessary permits and approvals. The implementation of the development is expected to roughly double our solar power plant portfolio. The acquisition is fully in line with our strategy that we updated at the beginning of 2022 (see Chapter 3.1 for more details on the strategy), which sets the objective of further increasing renewable capacities.

Non-weather-dependent renewable energy power plants

The output and, therefore, production of weather-dependent renewable energy plants varies, as in the absence of suitable conditions for power generation they are unable to produce energy. Renewable gas or biogas technologies are the tools for more balanced renewable energy production.

Renewable gas

We have been operating the Nagykőrös Biogas Plant since January 1, 2016.

The plant opted out of the KÁT electricity offtake system in 2022, and continues to sell on HUPX (the organized Hungarian electricity market operated by HUPX Zrt.). The operation of the plant is highly reliable which is supported by a standby system with remote motor control installed in 2022, allowing us to produce the volume contracted with our waste division.

In addition to the Nagykőrös plant, the small-scale landfill gas power plants in Debrecen are also biogas plants. The small power plant uses and disposes of methane-rich landfill gas released during the decomposition of organic waste stored at the Debrecen Regional Landfill Site. The small power plant has 2 gas engines, ensuring a total installed electrical capacity of 1.1 MW. The upgrading of the small power plant to large-scale power plant level was launched in 2022, both in terms of procedures and maintenance.

Electricity storage

One of the sustainable energy production challenges of our time is keeping systems sustainable in the face of increasing shares of weather-dependent renewables and rising electricity consumption. Conventional systems cannot store electricity, and solar, wind and hydropower plants do not always have the necessary flexibility to meet momentary consumer demand-driven production needs. Electricity storage facilities contribute to enhancing this flexibility.

Cogeneration gas engine heating power plants

Our cogeneration heating power plants produce electricity and heat using primary energy carriers, typically natural gas. In addition to today's technological capabilities, the spread of weather-dependent renewables requires the flexible and reliable operation of natural gas power plants. The power plants are operated by ALTEO's specialist staff.

Energy and power engineering services

Using our expertise, we also offer our partners energy services, services related to the maintenance and development of energy systems and the implementation of new investment projects. As part of our services, we assume the risks associated with these tasks, and ensure the technical and financial background needed to provide such services. Our tasks may include investment project preparation, comprehensive project management and the turnkey implementation of facilities, as well as the operation and maintenance of facilities.

General contracting, implementation, design

In September 2022, our first electrical boiler was completed in Sopron, as part of the grant awarded under the tender notice No. 2020-1.1.2-PIACI KFI, with the title “Support for Market-driven Research & Development and Innovation Projects” announced by the National Research, Development and Innovation Office. The electrical boiler investment project was worth HUF 600 million, which will further increase the flexibility of the Company’s Virtual Power Plant, and also create the possibility of converting electricity generated from renewable sources into heat.

At the Kazincbarcika Heating Power Plant, we replaced two of our gas engines with more modern engines and increased the capacity of our water treatment plant in accordance with our commitments undertaken when the district heating contract was extended.

In addition, we also provided design services (preparation of construction plans and feasibility studies) and construction services to several of our partners.

Operation and maintenance

At ALTEO, we are currently responsible for the operation and maintenance of the following power plants:

- BorsodChem Power Plant and steam boiler and, after commissioning, the new BC-Power,
- TVK power plant
- Tisza WTP
- Nagykőrös Biogas Power Plant
- Our own heating power plants (Sopron, Győr, Budapest, Kazincbarcika, Tiszaújváros, Ózd),
- Renewables: hydropower plants, solar power plants and wind turbines, landfill gas power plants

In 2022, the engine at the Kazincbarcika plant was replaced by our maintenance team, which means that the existing engine was replaced with a unit of similar output, but from a different manufacturer, in this case the whole process included the purchase, refurbishment and commissioning of a used engine. The project included the complete overhaul of 2 JMS620 3MW gas engines and auxiliary systems, while in Tiszaújváros and Ózd, our team carried out the highest manufacturer-level engine maintenance.

Facilities covered by O&M (Operations and Maintenance) tasks in 2022:

We were invited to our first project abroad in 2022, where we were subcontracted by Siemens Energy to carry out maintenance on the generator auxiliary system of the sister plant of the Gönyű Power Plant, the Malzenice Power Plant in Slovakia.

In 2022, one of the most significant works undertaken was the major overhaul of the steam turbine of the Kispest Power Plant owned by BERT Zrt. (which involved the opening of the turbine cover) and the major overhaul of the 2 SGT600 gas turbines at the BorsodChem Power Plant.

Energy trading, balancing group services, scheduling

The energy trading activities of ALTEO Group are the result of the operation of two areas: the electricity and natural gas trading by ALTEO Energiakereskedő Zrt. and the operation of Sinergy Energiakereskedő Kft. as Virtual Power Plant. Each activity is described in detail on the following pages.

In 2022, in the course of our electricity trading activity, we sold more than 800 GWh of electricity in total, matching the level of the previous year. Of this, the share of wholesale trade significantly exceeds the results of previous years, and this year it has already accounted for the majority of sales with its 482 GWh.



The electricity generated in our portfolio is sold either on a market basis (i.e. outside the subsidized system) or, for certain renewable power plants, within the subsidized system:

1. Energy sales on market basis (outside the subsidized system)

As part of the market-based energy sales process, we use primary energy sources to produce electricity and heat, and 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.

For more information on the process, visit page 27 of our Integrated Report for 2021.

2. Renewable energy sales within the subsidized system

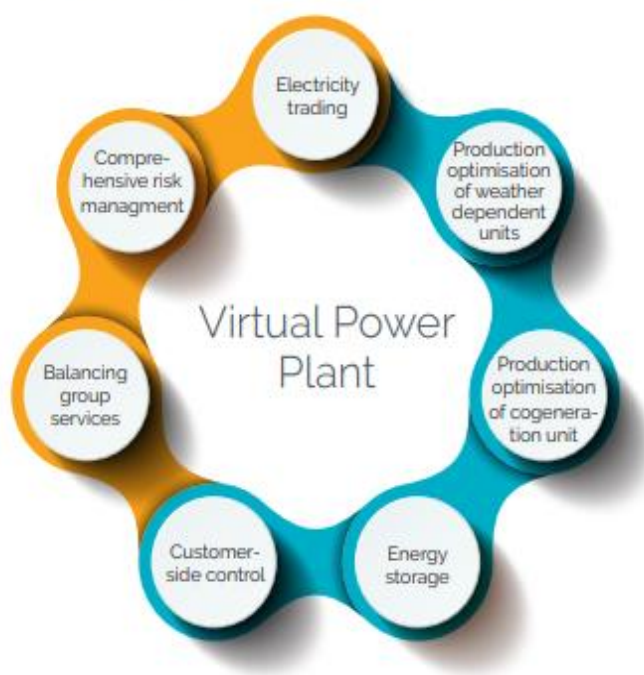
We feed the electricity generated in our renewable energy power plants into the national grid which we sell, within the subsidized system, to the mandatory offtake (KÁT) balancing group operated by MAVIR, subject to a subsidized feed-in tariff. In addition, the electricity generated by our hydropower plant in Gibárt is sold under the METÁR system.

Virtual Power Plant (Wholesale Market)

As part of its commercial operations, the Virtual Power Plant plays an active role on the wholesale electricity market, moreover, it concludes hedging transactions that comply with the Company's risk management expectations. The Virtual Power Plant is a solution that allows the merging of several smaller independent production units to enter the electricity and ancillary services market as one large power plant. This merging allows for more efficient, flexible power generation technology that meets today's challenges and expectations. In part, the Virtual Power Plant operates as a commercial, and in part as a generation regulator, controlling electricity generation at the power plants, disposing of the power plants' electricity generation capacities and orchestrating the sale of electricity generated by the power plants, as well as that of any available power generation capacities the power plants may have, on the electricity market and the ancillary services market.

For the list of our own power plants included in the Virtual Power Plant see the table on page 13. For more information on the functioning and establishment of the Virtual Power Plant visit the ALTEO website ([link](#)).

ALTEO services related to the Virtual Power Plant include:



Retail energy trade

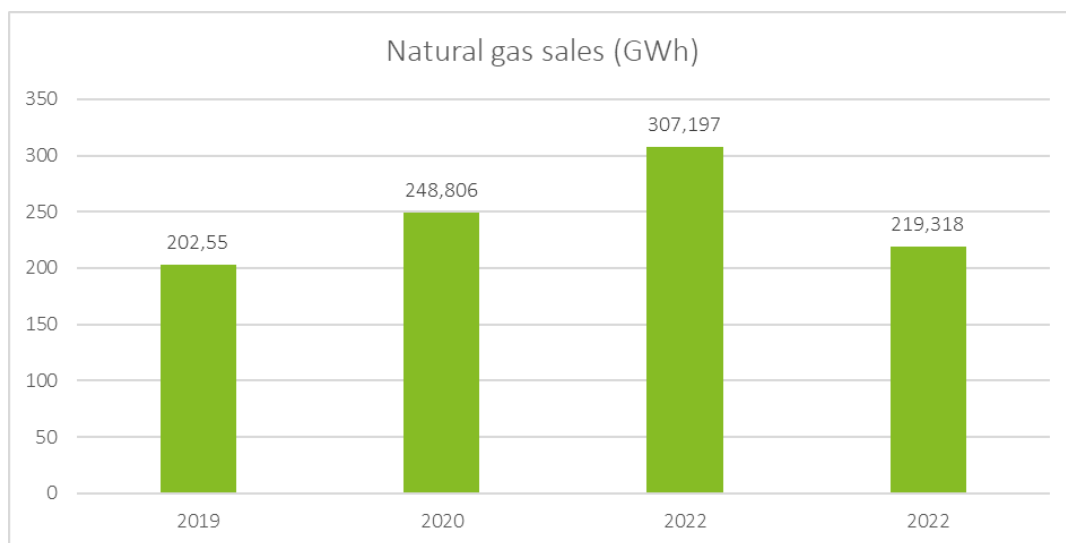
Within the ALTEO Group, ALTEO Energiakereskedő Zrt. carries out electricity retail trading activities, concluding trading contracts based on standardized (typically EFET6) models and also purchases electricity on energy exchanges. ALTEO's electricity retail activities are limited to the sale of electricity on the free market. The Company mainly supplies electricity and natural gas to larger industry players, office buildings, shopping centers, industrial parks,



and small and medium-sized enterprises and, as a free-market electricity trader, it provides no universal service, i.e. it does not serve retail consumers. It has achieved outstanding results in recent years, even in a changing market environment (COVID, strong increase in wholesale prices), thanks to its excellent risk management processes and timely decisions. Thus, despite the decreasing volume effect, both sales revenue and profitability increased.

Natural gas retail

ALTEO Energiakereskedő Zrt. started its retail activities of delivering natural gas to users, in the gas year beginning on October 1, 2016, and has been dynamically developing year by year since. The volume of natural gas sold decreased in 2022 due to increased risk management and increased energy efficiency awareness, but the profitability of the activity did not drop.



Production management services

In addition to comprehensive scheduling, our scheduling services also include to near real-time production monitoring, data reporting and administrative tasks.

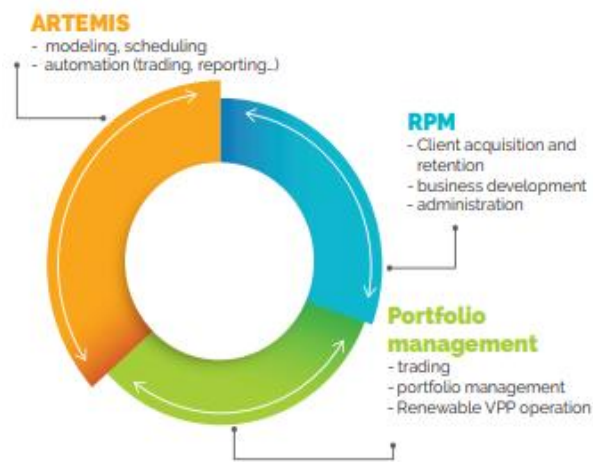


Our Renewable Production Management (RPM) business was established three years ago and has been growing dynamically ever since. Our service helps forecast the production of weather-dependent generating units, thereby reducing the significant additional burden resulting from changes in the accounting of the schedule deviation of the members of the subsidized KÁT balancing group.

Two years ago, we set up a business intelligence development group to work on the ARTEMIS project (Autonomous Real-Time Energy Management Information System). As a result of ARTEMIS, we developed an integrated, highly automated, autonomous, real-time production management

system⁵, which has automated 100% of the operational management of the ALTEO scheduling group.

ARTEMIS works in close cooperation with RPM and the portfolio management team.



⁵ ALTEO Nyrt., in a consortium with the Alfréd Rényi Institute of Mathematics, won a non-reimbursable grant of HUF 401 million for the project “Development of a Real-time Autonomous Power Engineering Information and Generation Management System” with a total cost of nearly HUF 1 billion. The tender notice No. 2020-1.1.2-PIACI KFI, with the title “Support for Market-driven Research & Development and Innovation Projects” was announced by the National Research, Development and Innovation Office.

Waste management

The development of waste management is a priority area for the future development of the ALTEO Group and a key focus of its strategy. We are also trying to apply our sustainability approach to making waste management circular, by allowing waste to be used as a raw material. The first step in the development of our waste management segment was the acquisition of ECO-FIRST Kft. in 2019, the primary objective of which was to provide the Nagykőrös biogas plant with sufficient amount of waste (for other market players) and by-product materials to enable the most cost-effective and sustainable operation. In addition to the Nagykőrös plant, in 2022 we also supplied feedstock to six other biogas plants as part of our waste management activities.

In line with our strategic directions, the ALTEO Group acquired FE-GROUP Zrt. in 2022 as part of the development of our waste management activities. On September 9, 2022, we started the integration of FE-GROUP into the ALTEO Group. FE-GROUP has been active since 1994, and in addition to the collection and recycling of paper, metal and electronic waste, it also provides complex waste management services in the corporate and industrial submarkets, as well as in the residential and municipal submarkets to a lesser extent.

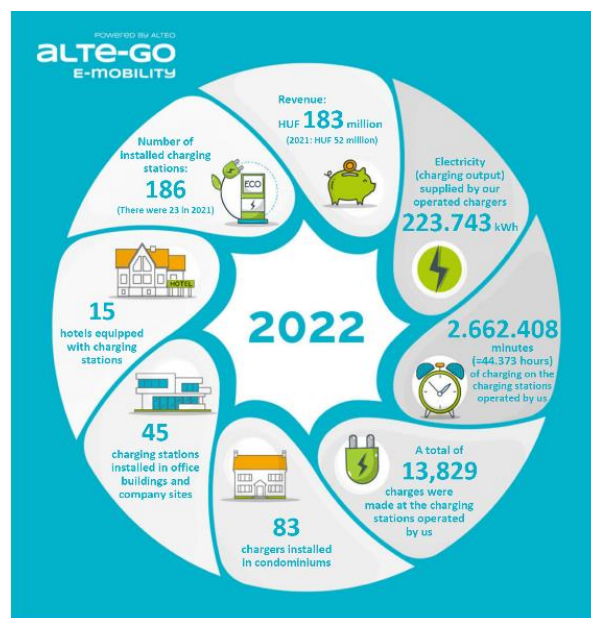


E-mobility

In 2020, we launched ALTEO's E-mobility division named ALTE-GO. The purpose of founding the new division is to further strengthen ALTEO's presence in the energy market, and to take up a position, in line with the Company's strategy, in e-mobility segment.

ALTE-GO as a licensed electric charging equipment operator and electromobility provider, ensures the sale, installation and comprehensive operation of charging stations throughout the country. We primarily install and operate charging stations in office buildings, parking garages, at company sites, in residential homes and condominiums, and also install public charging stations within the framework of strategic partnerships.

In 2022, the number of charging equipment installed by ALTE-GO grew dynamically, tripling revenues.



ALTE-GO's electric car charging stations installed in 2022:

- GOBUDA MALL 18 22kW charging points
- SIXT Vecsés: installation of 13 electric charging points, and preparation of the system for a future energy storage facility.⁶
- Kassák Passage: 64 charging points
- JYSK Logistics Centre in Ecser: 8 dual (2x22kW AC) public chargers

1.4 Awards and memberships

2-28

We are proud that our efforts to make our Company sustainable have been recognized again in 2023:

- *Best of BSE Awards 2022*: As a result of our performance in 2022, the ALTEO Group was awarded in two categories, and in addition to the "The Issuer of the Year with the Highest Share Price Increase in the Premium Category" award, we also won the "Responsibility, Sustainability, Corporate Governance" award for the second year in a row.

⁶ In addition to the installation of the charging points, ALTEO also installed a 50 kW solar panel system at the site.

Collaborations:

Sharing and managing knowledge is a core value, and we believe that we can contribute to solving economic, social and environmental problems not only through our activities, but also through our professional and social partnerships. We are active members of the following:

- Business Council for Sustainable Development in Hungary (BCSDH) Attila Chikán, CEO of ALTEO Group has been President of the BCSDH since the beginning of 2016 and was elected for another 3-year term in February 2022
- Hungarian Business Leaders Forum (HBLF): we participate in the Business Ethics and Transparency Working Group
- Membership in the Presidential Committee on Sustainable Development of the Hungarian Academy of Sciences
- Membership in the Board of the Sustainability Section of the Hungarian Economic Association
- Membership in the Supervisory Board of the Hungarian Committee of UNICEF
- National Association of Facility Management and Building Management Service Providers (LEO): Dénes Novotny, Managing Director of ALTE-GO Kft., is the Head of the Energy Working Group.

We are members of numerous professional organizations, reflecting our diverse portfolio and operation. Through these memberships, we not only share our knowledge and experience, but by broadening our network of contacts, we can contribute to initiatives that help build the future envisioned by the ALTEO Group. Our strategically important memberships:

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

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

1.5 Our ESG approach and Sustainability Strategy

Environmental, social and governance (ESG) considerations have been part of our operations since the very beginning, and in 2022 we obtained **our first independent international ESG certification**. The evaluation is the result of our performance assessment for 2021 and the report thereon is found on page 33 of the 2021 Integrated Report.



2022 was the first year when the guidelines of the **Task Force on Climate-related Financial Disclosures** (TCFD) were taken into account in preparing our report. As a first step, we completed the Company's first Climate Scenario Analysis. For more details please see page 48 of the report. At the end of 2022, we published our first **EU Taxonomy** Alignment Report for 2021⁷, which is available on our website ([link](#)), and as part of this Integrated Report, we are publishing our EU Taxonomy Alignment Report for 2022, on pages 98-104 of this report. In addition, **ALTEO's Green Committee**⁸ was also established in 2022 to consolidate responsible, ESG-focused corporate governance. The role and responsibilities of the Green Committee are described on page 36 of the report.

Our Sustainability Strategy⁹

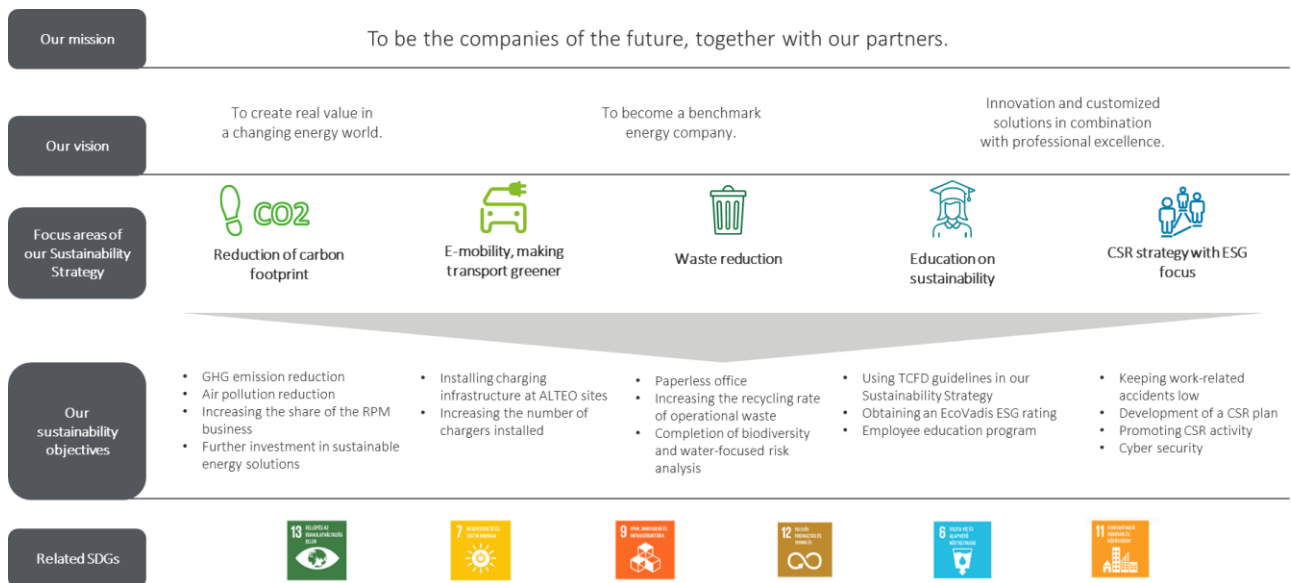
In addition to updating our business strategy, in 2022 we added strategic objectives and specific actions to our comprehensive sustainability strategy, as well as the metrics required to track those objectives and actions.

The Sustainability Strategy, similarly to our business strategy, is built around the Company's mission and vision, and has been developed in view of the feedback from our employees and best practices from various industries. We have used the UN Sustainable Development Goals (SDGs) as a compass for our strategic thinking. Our materiality assessment shows that the ALTEO Group has a material impact on six SDGs, which are presented in the following figure.

⁷ Report as per EU Taxonomy for 2021: <https://alteo.hu/fenntarthatosag/jelentesek-tenyek-adatok/fenntarthatosagi-jelentesek/>

⁸ More on the Green Committee: <https://alteo.hu/az-alteo/szervezet/zold-bizottsag/>

⁹ Our Sustainability Strategy is also available on our website: <https://alteo.hu/fenntarthatosag/>



Detailed presentation of ALTEO’s Sustainability Strategy with performance indicators included:

Target	KPI	Status	Note
CO2 Reduction of carbon footprint			
1 GHG emission reduction*	<ul style="list-style-type: none"> Reducing Scope 1 by 20% by 2030, 50% by 2050 Reducing Scope 2 by 30% by 2030, 75% by 2050 Reducing Scope 3 by 55% by 2030, 100% by 2050 Corporate carbon footprint verification by 2025 	●	The ALTEO Group has already calculated and published the total corporate carbon footprint for its 2021 report, along which it has set emission reduction targets.
2 Air pollution reduction	<ul style="list-style-type: none"> Reducing NO_x by 25% by 2030 	●	
3 Increasing the share of the RPM business	<ul style="list-style-type: none"> Increasing the share of the business from 15% to 25% by 2025 	●	The share of the business was 35.9% on December 31, 2022.
4 Further investment in sustainable energy solutions	<ul style="list-style-type: none"> We will invest HUF 35 billion in sustainable energy solutions by 2026 Annual disclosure of the total amount invested in renewables and the volume of energy produced from renewables** 	●	
E-mobility, making transport greener			
5 Establishment of charging infrastructure	<ul style="list-style-type: none"> Installing charging infrastructure at ALTEO sites by 2030 	●	In 2022, the infrastructure at the head office (Globe) has been set up, and the Győr and Sopron sites are in the process of being set up.
6 Increasing the number of chargers installed	<ul style="list-style-type: none"> Installing 200 ALTE-Go electric car charging stations by the end of 2022 Installing 500 charging stations by the end of 2023 	●	Exceeding the 2022 plan, 264 points were installed, more than the 200 planned. Our target remains to reach 500 by the end of 2023.
Waste reduction			
7 Paperless office	<ul style="list-style-type: none"> Achieving a paperless office by 2030 up to the legal thresholds 	●	
8 Increasing the recycling rate of operational waste	<ul style="list-style-type: none"> Increasing the recycling rate of operational waste to 50% by 2030 	●	
9 Completion of biodiversity and water-focused risk analysis	<ul style="list-style-type: none"> Completion of biodiversity survey by the end of 2023 Completion of water-focused risk analysis by the end of 2023 Completion of CDP “Water Security” questionnaire in 2024 Development of a Biodiversity Action Plan by 2025 	●	

Education on sustainability		
10	Using TCFD guidelines in our Sustainability Strategy	<ul style="list-style-type: none"> Implementation of TCFD reporting guidelines in our reporting structure from 2023 <p>Our 2022 report for this year already includes the TCFD guidelines.</p>
11	Implementation of an employee education program	<ul style="list-style-type: none"> Development of an employee education program on sustainability issues by 2025
12	Obtaining an EcoVadis ESG rating	<ul style="list-style-type: none"> EcoVadis assessment from 2024
CSR strategy with ESG focus		
13	Keeping work-related accidents low	<ul style="list-style-type: none"> Improving Health, Safety and Environmental Protection (HSE) Culture: Retaining 0 LTIF (number of lost time work injuries per 1 million hours worked) for own employees Extending the 0 LTIF target to non-ALTEO employees by 2025 <p>The target was met, and in November 2022 we reached another milestone, crossing 1,000 days without any work-related accidents resulting in working days lost. We will continue to set this target year after year.</p>
14	Development of a CSR plan	<ul style="list-style-type: none"> Development of a detailed CSR plan by 2023
15	Promoting CSR activity among employees	<ul style="list-style-type: none"> At least 500 working hours/year of CSR activity at ALTEO Group level to be achieved by 2025 <p>In 2022, our colleagues did 512 hours of volunteer work during the Group's first volunteer days.</p>
16	Further enhancing cybersecurity	<ul style="list-style-type: none"> Introducing ISO 27001 by the end of 2023

*Defined in line with EU decarbonization targets
 **In line with EU Taxonomy

Legend: ● Completed ● Ongoing, on schedule ● Delay in meeting the due date

The Sustainability Strategy was discussed and approved by ALTEO's Green Committee on October 26, 2022, and the status of the targets set along the strategy are presented and reviewed on an ongoing basis at the Committee's quarterly meetings.

Our integrated report is a key element of our ESG approach, providing transparency and comparability of our Company's activities year on year. We aim to further strengthen this transparency by incorporating TCFD reporting requirements, publishing the EU Taxonomy Report and our detailed Sustainability Strategy.

2 About the Integrated Report

2-3, 2-5, 2-4

This document is the 2022 Annual Integrated Report of ALTEO and the ALTEO Group. Its aim is to present our sustainability and transparency efforts and consolidated financial data to all our stakeholders. We want to present the activities of the whole Group in a balanced and transparent fashion and, to this end, sustainability data collection is implemented at our acquired companies as part of their integration. As far as this year's Integrated Report is concerned, we need to point out that since FE-GROUP was acquired in September 2022, the integration of sustainability data reporting at that company will be completed with the preparation of next year's Integrated Report, and as such FE-GROUP data will be presented for the first time in the 2023 report.

The report presents key events and results for the period between January 1 and December 31, 2022, along with the economic, environmental and social impacts thereof, compared with data from previous years (2019-2021) for traceability.

The Sustainability Report of the ALTEO Group is presented in accordance with the Global Reporting Initiative (GRI) Standards framework, in line with the 2021 requirements of the framework. Following the principles of the standard, we also present at least one disclosure on important issues in addition to the mandatory core indicators based on the results of the materiality analysis indicated in Chapter 2.2 of our report, and this will make the Company's report more straightforward and transparent. In the wording of the report, we aim to be clear, to explain technical terms, if there are any, and to provide context. As this is our fifth integrated report, preceded by four previous integrated reports and two sustainability reports, we rely on these previous materials for definitions of certain terms and previously published content, as well as references to information on our website for readability, which we refer to in live links.

Starting from this year, the TCFD (Task Force on Climate-related Financial Disclosures) guidelines have been taken into account in addition to the GRI International Framework, when we prepared the report, a summary of the guidelines is inserted on page 97 of the report.

This Integrated Report has been drawn up with the assistance of Deloitte Zrt. as a consultant, while BDO was engaged to provide limited assurance.

If you have any comments, recommendations and other remarks in connection with our Integrated Report or the operations of ALTEO Group, please send them to fenntarthatosag@alteo.hu. We will take them into account for the next report.

2.1 Introduction of key stakeholder groups

Our stakeholders are given priority and are always treated as partners, as they provide important information on our performance and the environmental, economic and social factors that shape ALTEO's value-creation processes. Our stakeholders also play a key role in determining the content and focus of our annual integrated report.

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Feedback from our stakeholders come to us through a variety of channels. Customer satisfaction surveys are conducted with annual frequency, and the results are analyzed and assessed as part of the management reviews. Maintaining the high quality of our evaluations is our primary objective, so as a result of the evaluation, corrective actions are formulated, the results of which are monitored and subsequently assessed, and presented and adopted at the next management review.

We have identified the key stakeholder groups that have the appropriate information to evaluate our activities, either locally or by industry. Our list of stakeholders was identified through interviews with the Executive Board.

Stakeholder group	Short description of relationship	Capital created through the stakeholder relationship	Special request aimed at reporting
Authorities, supervisory bodies	Our primary goal is to discharge our obligations related to authorities, and to ensure full compliance with legal requirements. To ensure transparency and shared value-creation, we seek to engage representatives of concerned authorities in our activities beyond official events and mandatory consultations, multiple times per year.	Natural	Yes
Shareholders and investors	Our owners represent one of the most important stakeholder groups. As a publicly traded company, we maintain a continuous and active relationship with all our shareholders, through written communications and regular general meetings.	Financial	Yes
Our clients	Client-oriented operation, quality service and safe work are fundamental values for us. We are in constant contact with our customers, proactively seeking feedback and conducting satisfaction surveys.	Financial, Production, Intellectual	yes
Our employees	We are also in close contact with our expanding team through performance reviews, career planning and periodic assessments.	Production, Human, Intellectual	Yes
Suppliers and subcontractors	Proactive, cooperative communication is key to our partnerships based on mutual trust and respect. Ensuring compliance with legal and business ethics is top priority in our relationships with suppliers and subcontractors.	Production	Yes
Local communities, NGOs	We become active members of our communities, both at the operation sites and in our broader environment. Given the business in which we work, our aim is to build and maintain a long-term, open relationship.	Social, Community	Yes

Media	It is important for us to present our successes, achievements and development plans in a transparent way, to which end we also regularly communicate various members of the press and media.	Social, Community	Yes
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2.2 Materiality assessment

3-1, 3-2

The Integrated Report aims to present our environmental, business and social impacts to our stakeholders.

The practice of selecting material topics did not change between 2018 and 2020, but in 2021, a new materiality assessment was carried out with the involvement of selected stakeholders, during which the material topics identified were reviewed by the ALTEO Green Committee in relation to the 2022 report. Based on the above, all topics are still considered material for the company's stakeholders, but certain topics (Occupational health, Occupational health and safety, Waste generation, Report on energy efficiency targets) are rated higher than last year in terms of impact on ALTEO's business success, while some topics are rated lower (Client data protection; Innovation aimed at improving products and services; Anti-corruption). One topic has been added to the list of material topics (Protection of biodiversity). The positive and negative impacts on the environment, society and economy have also been taken into account and incorporated in the review of the topics. The finalized list of material topics has also been approved by ALTEO's top management.

The limits of the material topics have been defined in accordance with the control exercised by the ALTEO Group, meaning that all achievements and results to which ALTEO Group contributed in a decision-maker and implementer role are part of the report.

STEPS OF THE MATERIALITY ASSESSMENT:

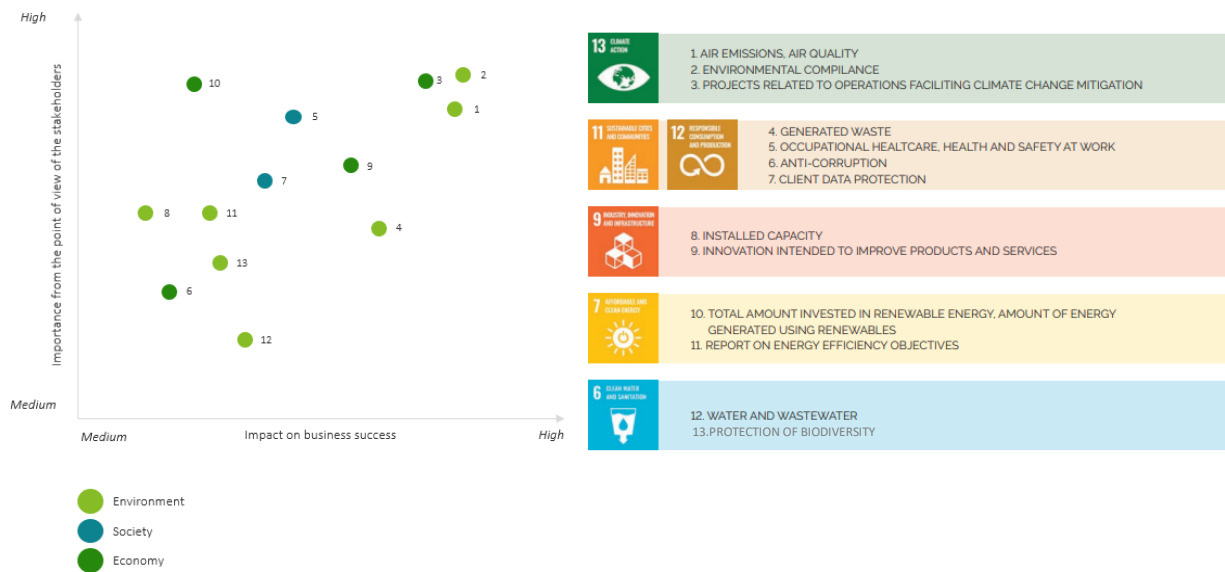
1. Assessment of our environmental, social and economic impacts: With the help of experts, we have identified and prioritized, through a self-assessment process, the areas and topics where the ALTEO Group and our value chain can have a direct or indirect impact. In addition to industry trends and general key economic factors, the impact assessment also took into account international regulatory and voluntary requirements, as well as the ALTEO Group's goals, values and management approach.

2. Stakeholder analysis: After mapping out our external and internal stakeholders, we conducted an anonymous online survey in 2021 to gauge the views of our stakeholders. As a result of the assessment, we identified the issues that stakeholders consider to be the most important, and also their expectations regarding the topics presented in the Integrated Report. In addition

to issues of general relevance, we also highlighted areas of particular importance for certain stakeholder groups, and these are also reflected in the Integrated Report.

3. Materiality matrix: The materiality matrix was compared with the results of the 2021 materiality assessment by ALTEO Group experts in respect of the new economic, environmental and social impacts identified, and these were then assessed according to their impact on stakeholder opinions and decisions, and the extent of the Company’s economic, environmental or social impacts. On the basis of this assessment, the topics were arranged into a matrix.

Similarly to last year, the results of our materiality assessment are presented in the external sustainability context set by the UN Sustainable Development Goals.



2.3 Assurance letter

2-5



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1476 Budapest, Pf. 138.

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 2022 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 2022 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.

- 302-1: Energy consumption within the organization
- 305-4: GHG emissions intensity
- 306-3: Waste generated
- 404-1: Average hours of training per year per employee
- 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 2022.

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 2022 has been prepared, in all material respects, in accordance with the GRI criteria.

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BDO Hungary Audit Ltd., a Hungarian limited liability company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent firms.

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

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



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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 2022:
 - Sustainability and HSE
 - 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, 30 March 2023

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.

BDO Magyarország Könyvvizsgáló Kft. egy magyar korlátolt felelősségű társaság, az egyesült királyságbeli BDO International Limited garancia alapú korlátolt felelősségű társaság tagja és a független cégekből álló nemzetközi BDO hálózat része.
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Csoportazonosító (Group-ID-Nr): 17780711-5-42
Group VAT Nr.: HU17780711

3 Responsible corporate governance

The key messages of the chapter:

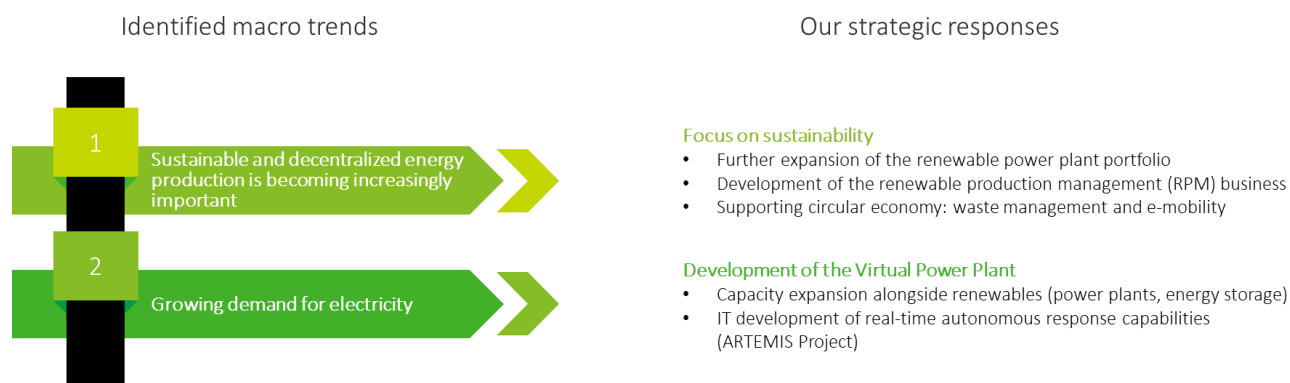
- We have reviewed and developed our new five-year business strategy (2022-2026)
- The ALTEO Green Committee was established, with the primary objective of preparing, monitoring and implementing ALTEO's sustainability strategy at company level
- Compliance continues to play a key role in the life and objectives of our Company, as evidenced by the fact that no ethics complaints were filed in 2022 either
- We have amended our Code of Ethics to place even greater emphasis on the role of a working environment developed based on employee feedback.
- In order to consider climate risks in the long term and integrate them into our corporate risk management strategy, we have prepared our first scenario analysis based on a TCFD approach.

3.1 Corporate strategy and business model

The electricity sector in Hungary and Europe is undergoing a major transformation. Energy prices have already been rising in different parts of the world since 2021, but Russia's invasion of Ukraine has exacerbated the situation. At the same time, companies must also meet the growing expectations of various stakeholders (customers, investors, legislators, consumers) in terms of environmental and social value creation. These trends serve as guidelines for our corporate strategy, which in all cases covers a five-year period and is reviewed annually.

Innovation continues to drive our operation, alongside sustainability, and it is important to keep an eye on the 2022 changes affecting the energy market. These have been taken into account in the review of our business strategy, resulting in the formulation of our vision, plans and objectives for the period 2022-2026. Our updated strategy includes sustainability among the strategic priorities set out in four key areas (energy production and production management; renewable energy developments; energy services; energy trading). In addition, we have identified the further development of the waste management and e-mobility segments, which represent circular economy trends, as an opportunity that goes beyond our current strategy.

The strategy includes the various macro-trends affecting the energy sector and the Group's specific strategic responses to them. The detailed strategy is available [on our website](#).



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. Our climate awareness is our responsibility we feel for future generations and goes beyond the mitigation of environmental nuisances.

Our acquisition plans to implement the strategy

ALTEO has made a binding takeover bid to the owners of Energikum Zrt. to acquire shares representing 100% of the share capital of Energikum Zrt. Energikum Zrt. holds the business quota representing 99% of the issued capital of Energigas Kft., which is the owner of the biogas plant in Nagykovács. ALTEO is currently the 1% minority shareholder of Energigas Kft. and, furthermore, ALTEO also operates the Nagykovács biogas plant, which produces electricity from biomethane generated from organic waste. The potential acquisition of the biogas plant with a nominal electricity generation capacity of 2 MW is fully in line with the Company's strategy and will also strengthen ALTEO's role in the circular economy. It is worth noting that the produced biomethane is suitable, under certain conditions, to be a substitute for natural gas and can even feed into the natural gas distribution system. This represents valuable potential for appreciation in the future.

In connection with the above, ALTEO also made a binding takeover bid for the acquisition of the business quota representing 33% of the issued capital of ECO-FIRST, in which ALTEO is already a 67% shareholder. ECO-FIRST is an active player in the trade of waste and, as such, plays an important role in the procurement of raw materials for the Nagykovács biogas plant.

Finally, on March 10, 2023, ALTEO as buyer concluded a share purchase contract with the owners of Energikum for the purchase of shares representing 100% of Energikum's share capital, and a business quota purchase contract for the purchase of the business quota representing 33% of ECO-FIRST's issued capital. The conclusion of the share purchase contracts represents only one step of the whole process. The ownership of the shares representing 100% of Energikum's share capital and the business quota representing 33% of ECO-FIRST's issued capital will be transferred to the Company once the conditions precedent stipulated in the

contracts are met. The acquisition of Energikum also requires obtaining the approval of the authorities and the bank involved in the financing of Energigas.

Innovation aimed at product and service improvement

An innovative approach is a key aspect of our projects. To date, we have won funding for two energy storage projects to investigate the feasibility of using weather-dependent energy sources, and we have built one energy storage facility at the Füredi utca Heating Power Plant and one at the Kazincbarcika Heating Power Plant. These key projects could be the answer to the big challenges of the future, as one of the biggest problems for renewables today is the storage of the energy produced. We have completed our first electrical boiler at the Sopron Power Plant as part of the KFI3 R&D grant. Our plans include installing additional electrical boilers at our power plants.

[ALTEO-2] For more information on our innovation-related research and development (RDI) grants and expenditure, see page 103 of our financial report (Section IV.25).

3.2 Corporate governance

2-9,

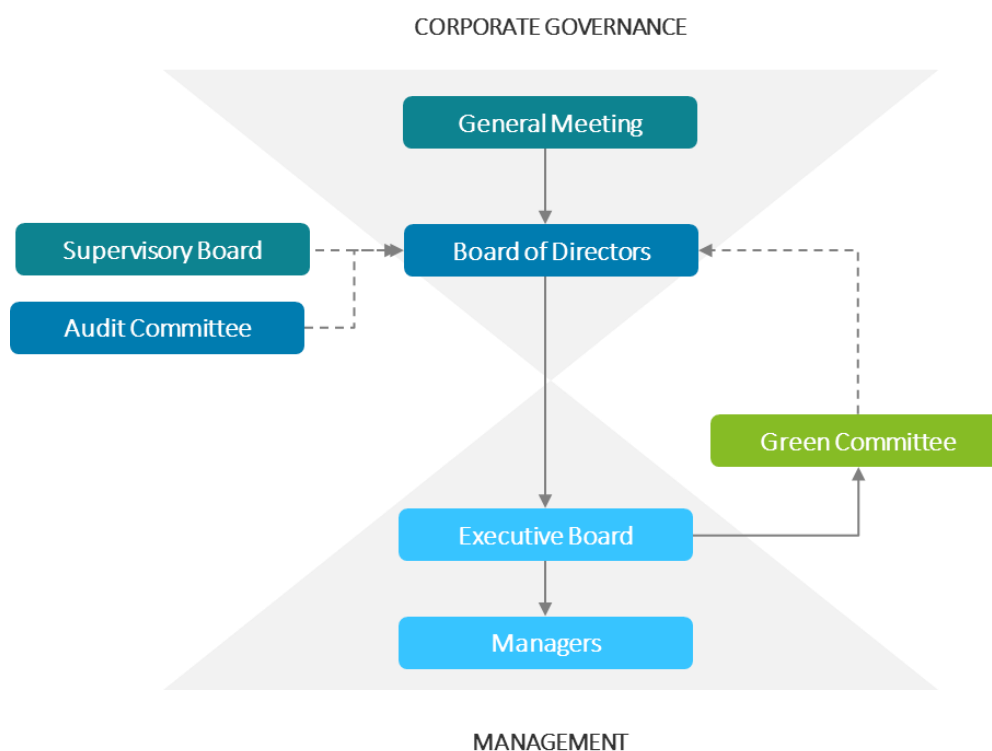
In line with our aim to create value for our stakeholders, one of our priorities is to translate sustainability values and principles into corporate governance practices. Raising the awareness of management and integrating sustainability goals into management incentive schemes are key aspects of our corporate governance. The Integrated Management System (IMS) is the fundamental document of our operation, in which the Company's management commits itself to providing quality services, ensuring safe work environment, energy efficiency, the protection of environment, and sustainability.

Structure and composition of corporate governance

2-9, 2-10, 2-11, 2-12

The information in this Chapter reflects the situation as at December 31, 2022 and, therefore, does not include the proposals of the Extraordinary General Meeting to be held on April 3, 2023 and any decisions that may be taken on the basis of such proposals, which may have an impact on the following.

The rules governing the appointment and removal of senior executives. and the amendment of the Articles of Association are laid down in ALTEO's Articles of Association and Act V of 2013 on the Civil Code (Civil Code). The Articles of Association of the Company are available on the Company's website and at other display points (www.investors.alteo.hu; www.bet.hu; www.kozzetetelek.hu).



General Meeting

The General Meeting¹⁰ is the chief 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. The resolutions of the General Meeting and their detailed description are included in Section 1.16.1 of the Annual Report.

Board of Directors

2-14

The Board of Directors is the managing body of ALTEO Nyrt. It exercises its rights and duties as a single body, its members are legal representatives (senior executives) 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 Chairman of the Board of Directors is an external (so-called non-executive) member and does not participate in the operational management of ALTEO. The majority of the members in the Board of Directors (3 out of 5) is a non-employee member, which ensures the independence of the body from the work organization. The members of the Board of Directors are elected by the General Meeting for a fixed term of up to five years. There are currently five members, whose term of office expires on April 30, 2025.

¹⁰ For more details on the General Meeting see page 38 of the 2021 Integrated Report.

The Board of Directors coordinates and manages ALTEO Group, provides guidance and defines ALTEO Nyrt.'s business and development concept. The Board of Directors also approves the annual integrated report and the list of materiality topics included therein. ALTEO's Board of Directors also supervises the Group's climate strategy, sustainability objectives and climate-related risks.

The Board of Directors has been authorized by the General Meeting to make decisions on the basis of its own powers, subject to the limits of the authorization. These authorizations are presented in detail in Section 1.13.4 of the Annual Report.

The key decisions made by the Board of Directors in 2022 are presented in Section 1.16.1 of the Annual Report. Key events under company law in relation to the Subsidiaries are described in Section 1.16.2 of the Annual Report.

In March 2023 Board members Zsolt Müllner, Gyula Mező, Ferenc Karvalits and Domonkos Kovács submitted their letters of resignation from their seats on the Board to the Chair of the Board of Directors. The resignations relate to the transaction described in the Company's announcement of December 17, 2022 and in the section on the statutory public takeover bid, whereby MOL RES Investments Zrt, Fónix Private Equity Fund managed by Diófa Alapkezelő Zrt., and Riverland Private Equity Fund managed by Indotek-Investments Zrt. signed share purchase contracts with WALLIS ASSET MANAGEMENT Zrt., ALTEO's majority shareholder, on December 16, 2022 for the purchase of ALTEO ordinary shares held by WALLIS representing a total stake of 61.557%. The resignation letters take effect upon their acceptance by the General Meeting of the Company and the election of new Board members; and accordingly, an Extraordinary General Meeting was convened for April 3, 2023.

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, in the selection of the statutory auditor and in cooperation with the statutory auditor. The Audit Committee has the right to request information from members of the Board of Directors or senior executive employees of the ALTEO Nyrt. The addressees are required to provide written answers. 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 members of the Audit Committee expires on April 30, 2025.

Executive Board

2-13, 2-17

The Executive Board is responsible for the Company's operational management, and currently it has five male and one female members. ALTEO Group's commitment to sustainability is also underlined by the fact that the Executive Board includes the Deputy CEO for Sustainability and Circular Economy as a representative of the ESG approach. The Executive Board is responsible for ALTEO Group's operational leadership in accordance with the Company's strategy, cost-effective operation, quality service delivery, provision of healthy and safe working conditions and environmental protection, complying with current legal requirements and the company's own Integrated Management System (IMS) requirements.

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. During the overview, the management monitors, among others, fulfillment of the tasks outlined in the Quality, Energy and HSE objectives and programs and sets new tasks where necessary.

Auditor

In accordance with current regulations, ALTEO Nyrt. is required to have a statutory auditor. In 2022 this role was delegated to BDO Magyarország Kft.

The establishment and role of the Green Committee

2-14

The Green Committee established in 2022 is an advisory body to the CEO, and plays a key role in integrating ESG considerations into corporate decision-making. Members of the Green Committee are appointed and recalled by the CEO. Membership lasts until recall, but no later than the termination of the Green Committee member's employment relationship. The main criteria for nomination for membership are that the areas of Sustainability and HSE, Controlling, HR, Energy Production and Services, Production Management and Business Development, M&A and Capital Markets, Legal, Ethics, Compliance and Control, and the Supervisory Board be represented. Members of the Green Committee may be recalled at any time.

The Green Committee meets quarterly, and its primary purpose is the preparation, monitoring and corporate implementation of the Company's sustainability strategy and efforts. A board of senior officers and experts monitors and approves corporate policies and long-term objectives for sustainable development and ensures that the ESG approach and climate risks are kept on the agenda. The Green Committee also ensures that sustainability is consistently represented in ALTEO Group's external relations. The committee reviews the integrated report and approves its content in terms of consistency with sustainability objectives.

The Green Committee informs the Board of Directors on sustainability and ESG trends, and prepares an annual report on the implementation of ESG activities and the progress of approved programs.

Major changes affecting the organization in 2022

2-6

- **Adoption of new remuneration policies under the ESOP**

Our fundamental objective is to promote the future improvement of innovation-based economic performance, and we have a related interest in strengthening the performance and loyalty of our employees. Several ESOP remuneration policies have been adopted in recent years, and based on the experience gained, we have concluded that remuneration under the ESOP is suitable to achieve the objectives outlined above, and we have concurrently adopted several remuneration policies in 2022 to ensure long-term and predictable remuneration. The purpose of the adopted ESOP remuneration policies is to implement a remuneration system that is in harmony with ALTEO's business strategy and is aimed at improving the performance of the ALTEO Group and hence, increasing shareholder value, in line with the related HR strategy, ALTEO's long-term interests and corporate values, while also providing employees and associates with an attractive long-term incentive program. The ESOP remuneration policies also improve employee engagement and involve employees in representing ALTEO's values by making their remuneration subject to an increase in corporate performance and, consequently, to an expected increase in shareholder value.

- **Review of the credit rating**

In 2019 and 2020, we issued bonds twice under the Bond Funding for Growth Scheme (hereinafter: "Program") announced by the Central Bank of Hungary (Magyar Nemzeti Bank, hereinafter: "MNB"). In 2022, Scope Ratings GmbH carried out the annual review of the credit rating of ALTEO's bonds issued as part of the Program, as a result of which bond credit rating was confirmed at BBB-, four grades above the minimum required by the MNB. The credit rating agency also confirmed both the BB+/Stable issuer credit rating of ALTEO and its S-3 short-term debt rating. In addition, the credit rating agency assessed positively the Company's business model in terms of ESG in several aspects, noting among others that the Virtual Power Plant (providing systemic balancing energy) has a potential to contribute to the uptake in power plants which rely on weather-dependent renewable (primarily wind and solar) energy sources, as it provides spare capacity and balancing energy for the protection of the stability of the Hungarian electricity system. The report of the credit rating agency is available on the link below: <https://scoperatings.com/ratings-and-research/rating/EN/171589>

- ***Launch of a bond scheme***

In September 2022, we informed investors that we intend to launch a HUF 20 billion bond scheme starting from Fall 2022, which, based on the strategy updated and published in January 2022, is primarily aimed at providing the necessary funds for growth, as well as to partially finance increased working capital needs and increase the safety reserves in order to ensure

that we can respond with maximum flexibility to future opportunities and challenges afforded by exceptional market conditions. In this context, on October 10, 2022, we published the Basic Information Memorandum for the bond program and the Final Terms and Conditions relating to the ALTEO 2024/I Bond at the official disclosure points and also sent them directly to the qualified investors invited to participate.

Following the postponement, the Board of Directors of the Company decided not to exercise the option to issue bonds in connection with the ALTEO 2024/I Bond, taking into account the available sources of financing and the terms and conditions thereof at the time of the decision and possibly in the future.

- ***Green Financing Framework***

ALTEO started working on its Green Financing Framework in 2022, and the framework was published on March 1, 2023. With this, the Company created a possibility to issue green bonds or to take out green loans to finance the greens objectives set out in the framework. ALTEO also emphasizes its sustainability efforts through its qualified Green Financing Framework and other related commitments. Both the framework and the expert opinion are available on ALTEO's website: ([link](#)).

- ***Long-term trade, economic and financing agreements***

ALTEO and BC-ERŐMŰ Kft. agreed with regard to the operation and maintenance contract they concluded on September 29, 1999 as amended from time to time 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 that **contract was signed on January 4, 2022**. The new contract secures energy supply for one of the major industrial companies in Hungary, BorsodChem Zártkörűen Működő Részvénytársaság (registered office: H-3700 Kazincbarcika, Bolyai tér 1.; company registration number: Cg. 05-10-000054), reinforcing ALTEO's leadership in the B2B energy service sector. Pursuant to the 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.

ALTEO and BC Power Kft. have come to an agreement that the long-term (14 years) operation and maintenance tasks of the small-scale gas turbine cogenerated heat and electricity producing power plant – with an electrical capacity of 49.9 MWe – implemented as an investment project of BC Power Kft. will be carried out by ALTEO, with the related contract **signed on October 6, 2022**. The new contract secures partial energy supply for BorsodChem Zrt. a major industrial company in Hungary, 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 owned by BC Power Kft. until December 31, 2036.

- ***EU Taxonomy-compliant loan agreement***

Two members of ALTEO Group and K&H Bank Zrt. concluded the first loan transaction of ALTEO Group that is fully compliant with the so-called Taxonomy Regulation, which entered into force in 2022. Under the agreement, K&H Bank Zrt. provides a loan of HUF 4 billion (approximately EUR 10.3 million) for the purpose of partially refinancing the wind farm of ALTEO Group with a total integrated capacity of 47.5 MW. The loan was disbursed on January 31, 2023.

- ***Statutory public takeover bid***

On December 17, 2022, the Company received the statutory public takeover bid of MOL RES Investments Zrt. as designated offeror under Section 68 of the Capital Market Act, for all series 'A' ordinary shares – as specified in the Bid – of ALTEO Nyrt. issued by the Company with a face value of HUF 12.5 (that is twelve point five) each. The objective of MOL RES Investments Zrt., Főnix Private Equity Fund and Riverland Private Equity Fund (hereinafter jointly the “Acquirers”) is to gain a controlling interest and joint control over ALTEO and, in addition to the above, the Acquirers took the following steps on December 16, 2022 to acquire a controlling interest and joint control over ALTEO:

- Each of the Acquirers has separately signed a share purchase contract with WALLIS ASSET MANAGEMENT Zrt., the majority shareholder of ALTEO, to purchase ordinary shares representing 3.330% of ALTEO’s share capital and 9.990% in total. This transaction was closed in December 2022.
- To ensure that the Acquirers can acquire the entire 61.557% block of ALTEO shares currently held by WALLIS ASSET MANAGEMENT Zrt., the Acquirers subsequently signed an additional share purchase contract with WALLIS ASSET MANAGEMENT Zrt. to purchase ALTEO ordinary shares representing an additional 51.567% participation held by WALLIS ASSET MANAGEMENT Zrt., which will be divided equally among the Acquirers.

After the necessary permits were obtained, the bid acceptance period started on February 10, 2023 and was closed on March 13, 2023. As part of the closing process a valid declaration of acceptance was made in respect of a total of 2,438,442 ALTEO Nyrt. ordinary shares, representing 12.237% of the voting rights in ALTEO Nyrt.

As a result of the successful statutory public takeover bid procedure, with the execution of the transactions referred to in Section 2.5.2 of the statutory public takeover bid, MOL RES Investments Zrt. acquired 4,902,536 shares, Főnix Private Equity Fund acquired 4,902,535 shares and Riverland Private Equity Fund acquired 4,902,535 shares on March 21, 2023, thus the Acquirers’ joint share increased to 73.791, while their control over the own shares of ALTEO Nyrt. increased to 73.807%.

- ***Other events***

Other events not listed above, in particular own share transactions, the acquisition of shares by ALTEO's ESOP Organization, long-term or significant financing agreements, events after the reporting date are detailed Section 1.16 of the Annual Report.

3.3 Compliance

2-24

The Company's regulatory regime was designed to ensure transparent operation. In line with this, we have defined the framework for our business activities, documented our processes, and set the conditions for cooperation between business functions, clearly defining tasks and their respective responsibilities.

The Compliance Management System (CMS)¹¹ is designed to ensure compliance with laws, internal rules and the Group's Code of Ethics in respect of the entire Group.

205 (3-3)

The CMS fundamentally provides a supportive, preventive and control function to prevent damage and abuse and minimize risk across the entire operation of the Company. The CMS covers four main areas in the Company: business ethics, security (data protection, information security, property protection, human risk management), anti-corruption program (fraud and corruption-free operation, business partner control, conflict of interest), compliance risk management (legal and internal regulatory compliance, annual compliance risks)

¹¹ for more information, please visit the website: <https://alteo.hu/fenntarthatosag/felelos-vallalatiranyitas/etika-compliance-es-kontroll/>



Business ethics

2-23

In all our business activities and in our dealings with stakeholders, we act in accordance with the principles of 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.

High priority is given to the personal and professional development of our employees, to which end we organize individual trainings or group workshops. We are committed to the principle of fair and compliant employment and remuneration. Salaries and fringe benefits are reviewed on a yearly basis.

We base our relationship with and among our employees on the principles of human rights and tolerance. We are committed to prohibiting and preventing discrimination, and consider any form of discrimination or human rights violation to be a particularly serious ethical violation. In our work and in our business relationships, we treat everyone with respect, and in our communications with each other, we respect and value the opinions and views of others.

The pillars of the Company's business ethics:



Code of Ethics

2-23

When formulating ALTEO Group's Code of Ethics, we wanted to create a useful guide that would offer help and protection to our employees and provide information to our partners about the standards of behavior represented and required by our Group.

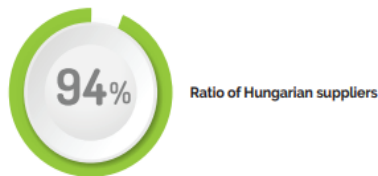
The standards established in the Code of Ethics impose higher requirements on Group employees compared to existing laws.

In 2022, we amended the Code of Ethics to mainstream ESG aspects, adding a chapter on employment and work environment to ensure compliance with HR aspects, emphasizing the ALTEO Group's commitment to a work environment based on employee feedback. We have emphasized that we take into account the provisions of certain international conventions and strive to apply them fully in our operations. The Company is committed to respecting human rights. Respect for human rights includes, among others: non-discrimination, freedom of thought, conscience and religion, freedom of expression, respect for private and family life. The Company's Code of Ethics is available on the Company's website.

Business partner checks

2-6, 2-23

When vetting business partners, the Company seeks to verify the reliability of the given business, that it actually pursues activities at its registered office or business sites, has a sufficient number of qualified employees and references, and is capable of performing the services and activities undertaken.



We continue to favor domestic suppliers, taking into account cost efficiency, so a significant share (94%) of these suppliers continued to be Hungarian in 2022. We paid HUF 115 billion for services from suppliers, 88% of which went to Hungarian companies.

205 (3-3)


The pre-qualification process was split into three pre-qualification types, thus creating a tiered system of pre-qualification for firms (simple, basic, complex). We favor companies that meet our ethical (fair and transparent business practices, reject all forms of corruption and bribery) and sustainability criteria.

We also pay particular attention to the pre-qualification of foreign countries both within and outside the EU. Accordingly, we have identified region-specific areas and issues (respect for human rights, rejection of child labor, acceptance of EU law) to be assessed during the pre-qualification process.

We perform audit of business partners in accordance with the Compliance Policy and the Pre-qualification of Suppliers procedure. In 2022, we performed the mandatory compliance audit of 19 (13 Hungarian, 6 foreign) companies, and we screened out 6 companies that were deemed to be risky.

Whistleblowing hotline 2-16, 2-26

Whistleblowing hotline

	Telephone: +36 1 236-8055
	Website: https://alteo.hu/fenntarthatosag/felelos-vallalatiranyitas/etika-compliance-es-kontroll/
	Email: etika@alteo.hu , compliance@alteo.hu
	Mailing address: H-1033 Budapest, Kórház utca 6-12.

The Company has had a whistleblowing hotline since 2016. Both employees and business partners can report suspected Code of Ethics violations in the Company's operations through an online reporting system, via email or by telephone. Reports are always investigated in accordance with our internal rules of procedure. We place great emphasis on ensuring that whistleblowers do not suffer any form of retaliation or discrimination, even if after a bona fide report no illegal or inappropriate practices are

identified. The online version of the whistleblowing hotline is available 24 hours a day, 7 days a week, for both employees and non-employees.

Our whistleblowing system is available on multiple platforms. Employees' awareness is regularly raised to the possibility of reporting. No ethics notifications were received in 2022.

Compliance with legal regulations and policies

2-27

ALTEO operates in full compliance with national and EU laws. 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, cooperation among business functions, document processes, and provide a clear definition of tasks and associated responsibilities.

In 2022, we conducted 9 audits (3 new audits and 6 reviews) in order to comply with laws and internal regulations, and to detect and eliminate risks arising from processes. The audits included a compliance assessment of the personal data processing by HR related to the pandemic, an audit of the IT organization's processes and an assessment of the compliance of the contracts concluded in 2021-22 with internal rules. No serious nonconformities were identified, but at the same time, we made recommendations to improve the efficiency of certain processes.

In the course of the follow-up of the 2022 compliance audits, we found that the business areas have completed a significant part of the tasks prescribed to them, and that the shortfalls were duly justified and are in the process of being remedied by the respective due date.

Conflict of interest

2-15

As part of the onboarding process, in accordance with our internal rules, all new employees are required to sign a conflict of interest declaration. The declarations are reviewed and, if necessary, the employee is consulted on the elimination of the conflict of interest or the conditions for authorization.

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 2022, we reviewed the conflict of interest declarations of 51 new employees, and identified a conflict of interest in 29% of them; such conflicts were authorized with conditions or we instructed colleagues to eliminate the circumstances that gave rise to the conflict of interest.

Security

Data protection

418 (3-3)

We provided ongoing support to business areas throughout the year on arising data protection issues, and we reviewed all contracts with data protection implications from a data protection perspective and submitted recommendations for any necessary changes, including the conclusion of data processor's contracts where necessary. In 2022, the Ethics, Compliance and Control Organization reviewed 54 contracts, of which 20 required a data processing contract due to the nature of the task covered by the contract.

The data asset inventory has been reviewed for the new organizational units and is in the process of being updated.

We have drawn up ALTEO Group's General Privacy Notice which sets out the key principles of data processing. The notice is available on the official ALTEO website. In addition, we provide ongoing support on data protection-related issues in relation to ALTEO events, surveys, training, management team building and questionnaires.

No reports of data breaches were submitted this year.

Client data protection

418 (3-3), 2-24

As data controller, ALTEO's primary task is to define the scope of personal data relating to natural and legal persons and other companies processed by it, the way in which it processes them, 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, which was issued in September 2016 and amended multiple times since. More information on measures to protect our customers' data is available on page 48 of ALTEO's 2021 Integrated Report ([link](#)).

418-1

In 2021, there were no incidents resulting in data loss or data theft, and the Compliance organization did not receive any related complaints.

Information and cyber security

The corporate governance tasks of information security, namely providing expert support for information security and related strategic planning, are the responsibility of the Ethics, Compliance and Control organization. In 2022, as in the previous year, we implemented numerous developments in collaboration with the IT area and the IT service provider to raise the level of both IT and information security maturity.

In the course of our work, we strive to prevent attacks that overload IT resources, we collect and analyze logs to detect targeted malicious anomalies, apply anti-virus solutions, encrypt

workstations and servers, use state-of-the-art boundary protection solutions, and protect mobile devices.

We have received 43 reports of information security incidents, phishing, ransomware, online and phone fraud attempts, which we have investigated and taken action to stop.

In order to prepare for the ISO 27001:2022 standard, we conducted a pre-audit with the aim of successfully completing the audit by correcting the discrepancies and eliminating deficiencies.

Pursuant to Section 43(4) of Act LXXXVI of 2007 on Electricity and Section 100(1b) of Act XL of 2008 on Natural Gas Supply, an external audit must be conducted to verify the integrity compliance of the billing system. The IT and information security requirements laid down in the relevant legal regulations apply to 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 under a statutory mandate. IT system integrity audits are carried out in 3-year cycles, i.e. a comprehensive audit is performed in year 1, followed by a review in the next 2 years in order to maintain the integrity certificate. The integrity audit conducted by HUNGUARD was successfully completed in 2022.

To measure information security awareness by employees, 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 policy).

Physical security

In 2022, a management decision was made to announce a new call for tenders for the provision of the remote monitoring service (the installation and operation of security systems) for both the central office and the business sites already included and planned to be included in the central remote monitoring service. The technical terms and conditions and the contractual scheme of the planned security system were developed in cooperation with the relevant managers, Central Purchasing and Legal.

We implemented a uniform reporting system. We deliver regular monthly senior management reports from the data culled from the system. We issued physical security instructions to the business sites concerned, updated camera policies and instructions, and are applying the 'one card for all' principle, for which we have developed and operate an authorization system.

Ensuring compliance

Compliance risk map

205-3

To prepare the Compliance Risk Map of ALTEO Group and to eliminate the possibility of corruption, fraud and abuse, we complete and analyze a Compliance RISK questionnaire in November of each year since 2015. The questionnaire shows the extent managers are aware of the risks in the areas under review compared with the identified and actual risks of the Company.

The questionnaire covers topics concerning the following five main business areas:

BUSINESS AREA	TOPIC
1 CORPORATE GOVERNANCE	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.
2 HR POLICY	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.
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.

The questionnaire was made available to 28 executives. The managers who completed the questionnaire assessed the Group's compliance at: 86.5%. 10.5% higher than the previous year, the best result in recent years.

Integrated Management System

Risk management is a cornerstone of the ESG-oriented corporate governance. The establishment of a solid foundation for IMS and HSE was essential to ensuring that the ALTEO Group integrates environmental and social considerations into its daily operations at system level. Years of work, continuous monitoring, feedback and incorporating lessons learned have made sustainability a priority at company level.

2-23

During our 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).

IMS is 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 international standards at all times. This also ensures compliance with current laws and stakeholder expectations.

Health, safety and environment (HSE)

2-23

We pay particular attention to the environmental and safety performance of our sites. Excellence in environmental performance does not stop at complying with applicable national and EU environmental regulations: it also means keeping the environmental impact of the energy we produce to a minimum.

In terms of workplace safety, we have again been an outstanding performer in the Hungarian energy production sector, with no serious work accidents at our sites. We are including more details on this in Chapter 5.2 of this report. We will continue to focus on our environmental and safety performance to maintain the basic conditions for sustainable operation.



Two of ALTEO's core values are security and safety. Health and safety activities are managed jointly with the Integrated Management System, together with sustainability. Each site manager is responsible for ensuring the conditions of safe work that does not pose a health risk. Our aim is to manage HSE tasks using a unified system approach, minimizing the risks arising from our technologies and operational activities, implementing the necessary measures in cost-efficient fashion, while complying with all legal requirements. The prevention of work accidents, increased exposures and occupational diseases and fires, and the effective

cooperation of all contributors involved in occupational health and safety are of crucial importance.

Our fundamental safety goal is to prevent work accidents and provide preventive occupational health services. We have an Occupational Health and Safety Committee in place, which participates in ALTEO's occupational health and safety activities and in the preparation of decisions that may affect the health and safety of employees. This allows employees to also become involved in the development of the company's HSE strategy. We also pay particular attention to the health and safety of people working at our sites, and expect them to comply with our core principles.

3.4 Risk management

The presentation of ALTEO Group's business environment and the detailed description of 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 statement.

Risks and opportunities associated with climate change

We recognize the risks accompanying climate change, which are a growing concern for our business, as they could affect the level of energy demand (consumer demand) and supply (energy production potential). We have, therefore, prepared our first scenario analysis based on a TCFD approach to identify climate change risks and opportunities. The assessment offers a new approach to a more comprehensive assessment of climate-related operational risks and opportunities.

Risks were identified in accordance with ALTEO's risk analysis methodology. The impact and likelihood of a given risk occurring was assessed on a three-point scale (1-low, 2-moderate, 3-high) by a team of ALTEO sustainability, risk management and business management staff, with the involvement of external experts. A similar approach was applied to the assessment of opportunities. The workshops looked at three time horizons: short-term (to 2025), medium-term (to 2030) and long-term (to 2050). The outcome of the scenario analysis was assessed and approved by the ALTEO Green Committee on October 26, 2022. The list of risks and opportunities identified is detailed in Chapter 4.4 of the report.

The two climate scenarios examined by ALTEO:

1.5 °C scenario ¹ <i>Transition risks and market opportunities dominate</i>	4 °C scenario ² <i>Physical impacts dominate</i>
Globally coordinated efforts to reduce emissions to net zero by 2050	Emission reduction policies are limited to current policies
Aggressive regulation restricting the extraction and use of fossil fuels	Continued use of fossil fuels and energy-intensive activities
Transition to a sustainable and less resource-intensive lifestyle	Unsustainable, energy-intensive consumption patterns
Rapid decline in the cost of key technologies such as hydrogen and photovoltaics.	More visible physical effects of climate change

¹ Based on Intergovernmental Panel on Climate Change (IPCC) scenarios: RCP 2.6 and SS1, and Nationally Determined Contributions (NDC) submitted by the European Union.

² Based on the IPCC scenarios: RCP 8.5 and SSP5.

These results are incorporated into the Company's risk management processes, and are continuously monitored and managed in accordance with the Group's risk management strategy and risk management process.

4 Sustainable energy

The key messages of the chapter:

- With the acquisition of EDELYN SOLAR, we further expanded our renewables portfolio, thereby contributing to increasing the share of renewables in our energy mix
- We are proud that our power plants continued to operate almost continuously in 2022 with 98% availability
- We have also reduced our direct (Scope1) and indirect (Scope2) carbon emissions, mainly due to reductions in heat energy generated by our own power plants
- In line with the EU Taxonomy expectation for 2022, we calculated the proportion of our Company's so-called Taxonomy-eligible activities in terms of the sales revenue of all its activities and its 'CAPEX' and 'OPEX' expenditures.
- For the first time, we present data on the protection of biodiversity as an identified material topic, with respect to which we intend to carry out further surveys and set further objectives in the coming years

4.1 The future of energy

The ALTEO Group aims to contribute to Hungary's renewable energy production and to accomplish climate neutrality by 2050. This commitment filters into all aspects of our corporate strategy and business model, and is an important factor in our decision-making as well.

Our portfolio consists of 22 power plant units (own and operated), which have a total generation capacity of 220.3 MW electricity and 777.9 MW heat. The power plants operated by the Company have high efficiency and availability, with CO₂ emissions of 0.0551 t/GJ per 1 GJ of energy produced, and renewable power plants account for more than 50% of the installed electrical capacity. Efficiency, controllability and central supervision is ensured by the Virtual Power Plant.¹²

As set out in our Integrated Management Policy, we pay particular attention to continuously improving energy efficiency, including investments in energy efficiency, training of the next generation of employees and raising the awareness of future generation.

Electricity production and system efficiency

[2-6] [302-1]

Energy production and security of supply was a key issue in 2022, with extreme volatility having a significant impact on the energy market. However, these challenges have only reinforced the importance of a more sustainable approach and the need for further uptake of renewable energy production. Our diversified portfolio and team of experts have enabled us to close this period, which was in many respects challenging, successfully and by exploiting opportunities. Like for example by acquiring EDELYN SOLAR. For more information on the acquisition go to page [9](#).

ALTEO Group continues to aim to be a stable partner in the secondary regulation system, through high-efficiency cogeneration and a steady increase in the share of renewable power plants. This effort is in line with the objectives of the European Union and its transparent monitoring is further strengthened through the reporting required by the EU Taxonomy.

One of the most important achievements in 2022 was that we again met our strategic goal of running our plants with 98% average availability, i.e. virtually continuously. Appropriate maintenance and operation is a key factor in reliability and availability, thus we believe it is important to ensure that such maintenance and operation extend the life of the power plants, be it either owned or operated by the Company. Our key achievement in this area is that we have operated our own facilities without any operator error. All of this has contributed to a high level of satisfaction among our industrial customers and the full achievement of our objectives.

¹² Sinergy Energiakereskedő is responsible for the Virtual Power Plant, and as such it organizes certain electricity production units of ALTEO Group into a system operation unit. For more information on the operation of the Virtual Power Plant and related services, please see page 27 of the 2021 Integrated Report and our website: <https://alteo.hu/ezt-tesszuk/ho-es-villamosenergia-termeles/szabalyozasi-kozpont/>.

The operation, management, continuous development and efficiency of our systems are the responsibility of not only the Executive Board, but also the site managers.¹³

Electricity production

Installed electrical capacity

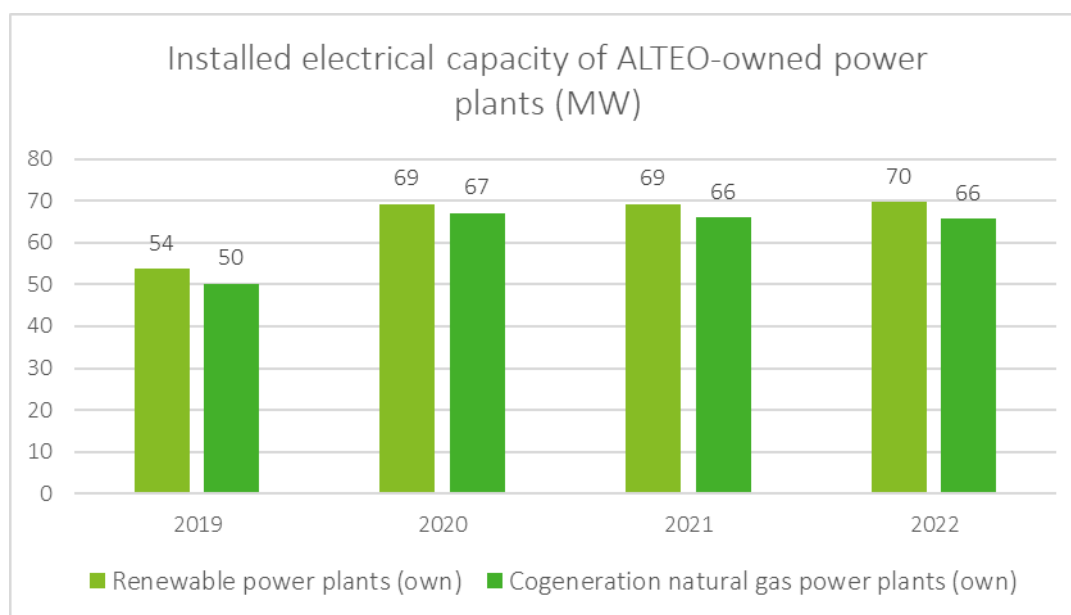
EU1

ALTEO Group aims to continuously increase the capacity of its renewable and cogeneration power plants, thus contributing to the European Union's and Hungary's move towards carbon neutrality. The electrical output of the Company-owned power plants is close to the 2022 results, with further growth expected along the targets set by our strategy for renewables, through the EDELYN SOLAR development, which was completed in the second half of 2022.

INSTALLED ELECTRICAL CAPACITY (MW)

	2019	2020	2021	2022
Power plants owned by ALTEO Group	104	136.3	135.3	135.4
Natural gas	50.2	67.1	66.1	65.8
Hydropower	1.4	1.9	1.9	1.9
Wind	32.1	47.1	47.1	47.5
Landfill gas	1.1	1.1	1.1	1.1
Solar	19.1	19.1	19.1	19.1
Power plants not owned by ALTEO Group	87.9	87.9	87.9	84.9
Natural gas	82.9	82.9	82.9	82.9
Biogas	2.0	2.0	2.0	2.0
Solar	2.97	2.97	2.97	0

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



¹³ Further information on system efficiency can be found on page 58 of the 2021 Integrated Report.

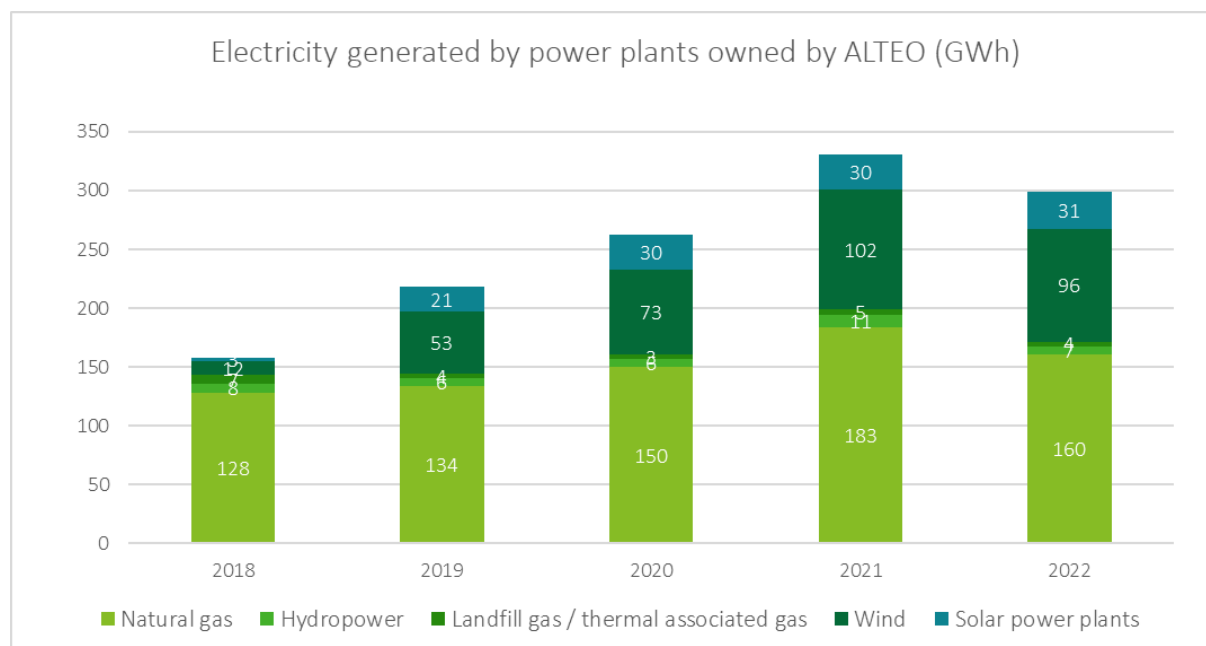
Amount of electricity produced [EU2]

The distribution of the energy produced by the power plants owned and operated by the ALTEO Group varies according to the energy carriers. For ALTEO-owned power plants, the portfolio of renewables-powered power plants saw a large scale expansion between 2018 and 2022, with our natural gas-fired power plants operating on a cogeneration basis.

The volume of electricity produced always varies according to system demand, as several of our power plants participate in domestic electricity generation as part of our Virtual Power Plant. The total volume of electricity produced in 2022, therefore, decreased by 12% for natural gas-fired heating power plants.

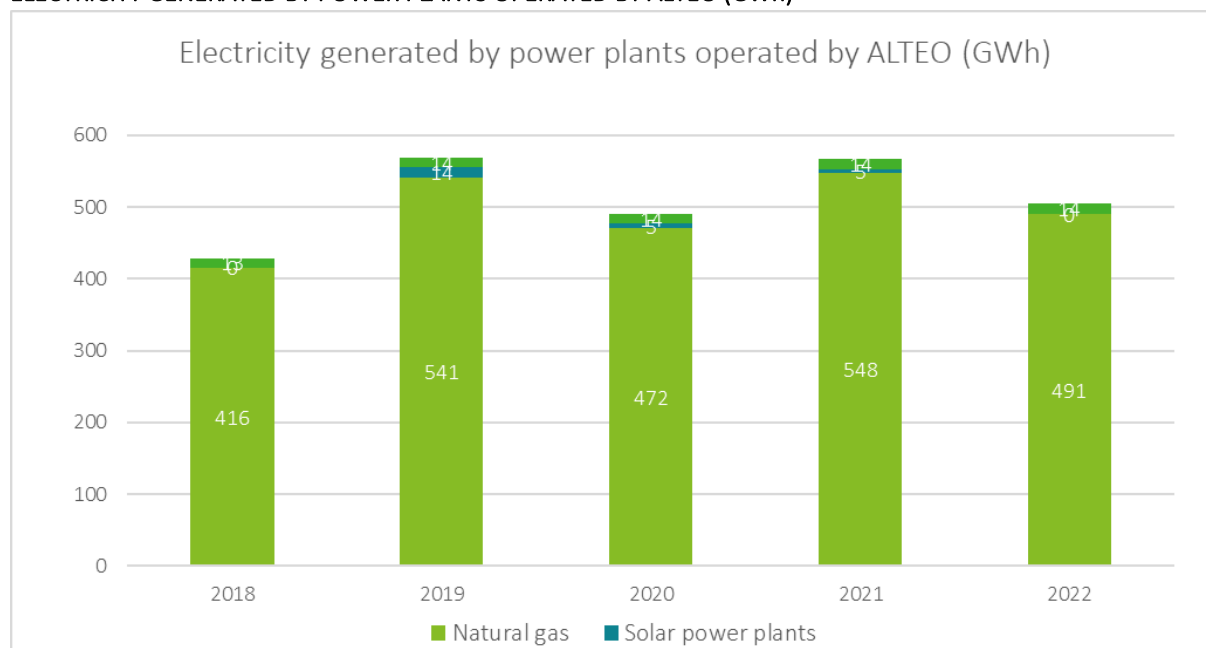
In the case of hydropower plants, a decrease of 33% was observed, due to the long summer drought, while a 7% drop was seen for wind turbines, due to the demand at the Virtual Power Plant.

ELECTRICITY GENERATED BY POWER PLANTS OWNED BY ALTEO (GWh)



For the power plants operated by ALTEO Group, there is an 11% decrease in natural gas-based production compared to 2021, due to changing demands from industrial partners, while the amount of energy generated by solar power plants has decreased to zero. The latter is due to the fact that the solar power plants in Sormás and Nagykőrös have been removed from our portfolio.

ELECTRICITY GENERATED BY POWER PLANTS OPERATED BY ALTEO (GWh)



Heat energy production

INSTALLED HEAT CAPACITY (MW)

[EU1]

	2019	2020	2021	2022
Power plants owned by ALTEO Group	285.0	283.2	184.8	184.4
Natural gas	283.0	282.1	183.7	183.3
Landfill gas / thermal associated gas	1.1	1.1	1.1	1.1
Biomass	0.56	-	-	-
Power plants operated, but not owned by ALTEO	503.5	503.5	593.6	593.6
Natural gas	503.0	503.5	593.6	593.6
Hydrogen	58.0	58.0	148.1	148.1
Methane	58.0	58.0	58.0	58.0

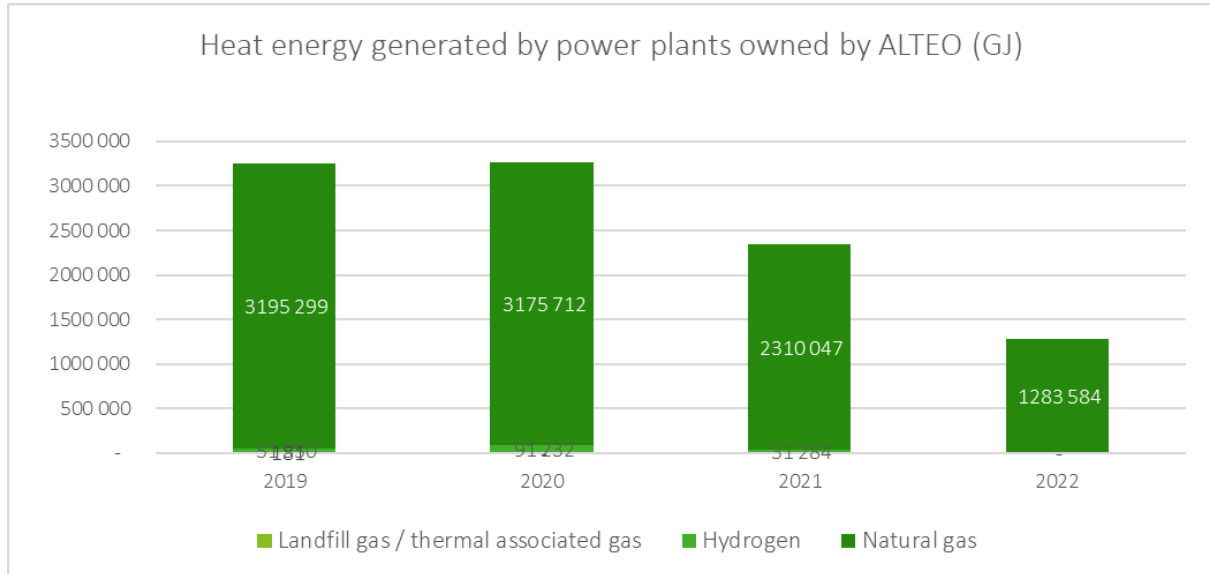
There were no significant changes in the installed heat capacity of the power plants owned and operated by ALTEO Group. The slight decrease can be explained by the engine replacements at the Kazincbarcika heating power plant.

Volume of heat energy produced (GJ)

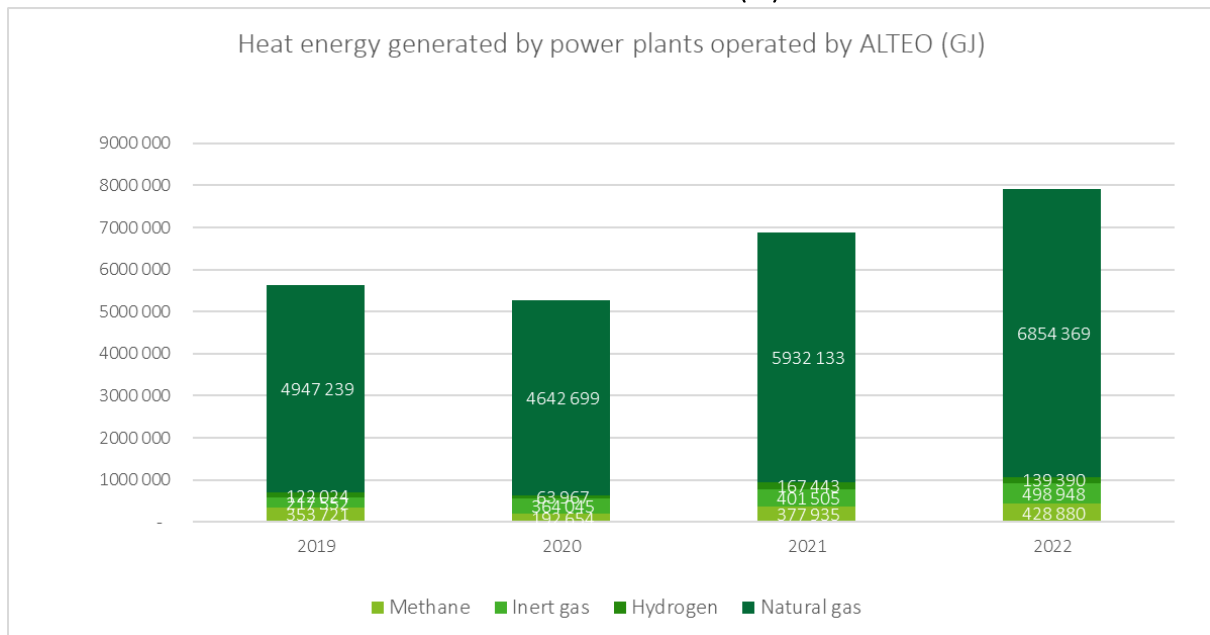
[EU2]

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. Natural gas-based heat production in own power plants fell by 42% due to the change of ownership of BC-Therm (steam boiler) during 2021 and thus its reclassification in our tables. Overall, hydrogen-based heat production in our operated power plants decreased, but the heat produced by the two relevant plants was the inverse of the output in 2021, i.e. an intensive decrease was seen in the case of the MPK Power Plant and an intensive increase for BC-Therm. Hydrogen-based heat energy production observed in the case of MPK has been replaced by the use of methane and inert gas from chemical processes, meaning that overall, the heat energy produced by ALTEO-operated power plants has increased.

HEAT ENERGY GENERATED BY POWER PLANTS OWNED BY ALTEO (GJ)



HEAT ENERGY GENERATED BY POWER PLANTS OPERATED BY ALTEO (GJ)



Primary energy consumption

302-1

Our products are market-driven and have to cope with a rapidly changing energy market. Exception to this is the electricity from renewable sources which is still produced in the subsidized system, and officially regulated district heating. Regardless of the competition, however, efficiency is key for all our products. This is why we favor cogeneration and why we have set the goal in our Integrated Management Policy 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 energy source for the operation of the power plants owned and operated by ALTEO Group is primarily natural gas, but we are also continuously seeking to increase the share of renewables in the energy mix, through the use of classical renewables and “waste gas” from customers. Instead of flaring methane, hydrogen or high inert content gases, these gases are used to produce heat energy, thus helping to protect our environment and reinforce a circular approach.

TOTAL PRIMARY ENERGY CONSUMPTION (GJ)¹⁴

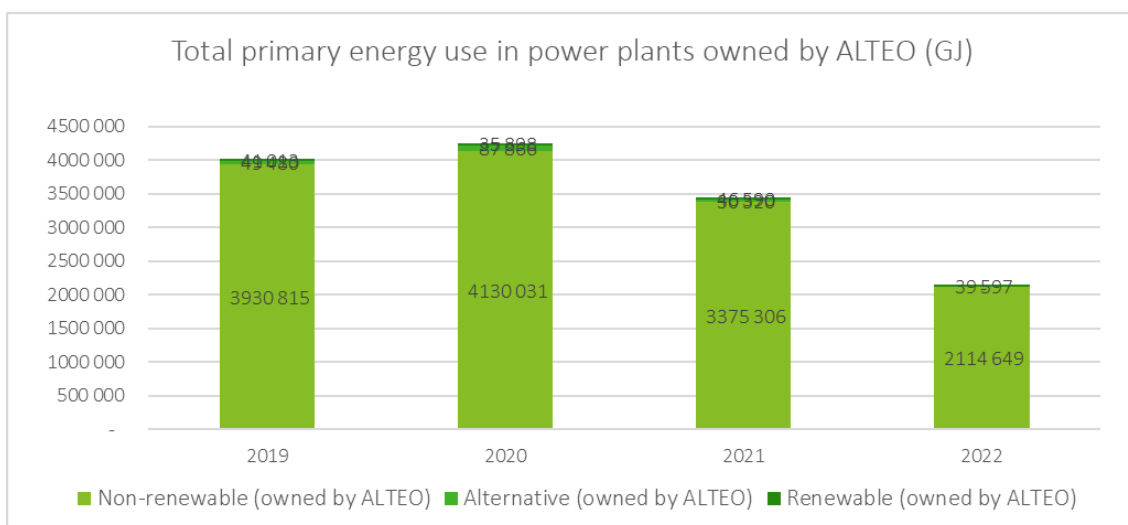
	2019	2020	2021	2022
TOTAL ENERGY DEMAND (GJ)				
A) TOTAL PRIMARY ENERGY CONSUMPTION	13,352,356	12,451,722	13,074,671	12,544,026
Renewable	155.001	140.402	148.756	150.064
Non-renewable	11,794,312	11,204,865	11,412,257	10,624,718
Alternative (methane/hydrogen/inert gas)	1,452,523	1,194,321	1,543,978	1,769,243
B) PURCHASED ENERGY	106.143	91.937	102.357	100.634
Electricity	84.997	69.500	71.346	75.198
Heating	1.039	1.189	1.113	823
Steam	20.107	21.248	29.899	24.613
C) ENERGY SOLD	11,530,063	11,155,956	12,403,297	11,682,990
Electricity	2,743,111	2,673,138	3,198,015	2,862,080
Heat energy	8,786,952	8,482,818	9,205,282	8,820,910
TOTAL ENERGY CONSUMPTION WITHIN THE ORGANIZATION	1,928,436	1,387,703	773.732	961.670

Overall, in 2022, our primary energy use decreased in proportion to the energy produced, but proportionally, this decrease affected non-renewable (natural gas) use, as both renewable and alternative energy use increased.

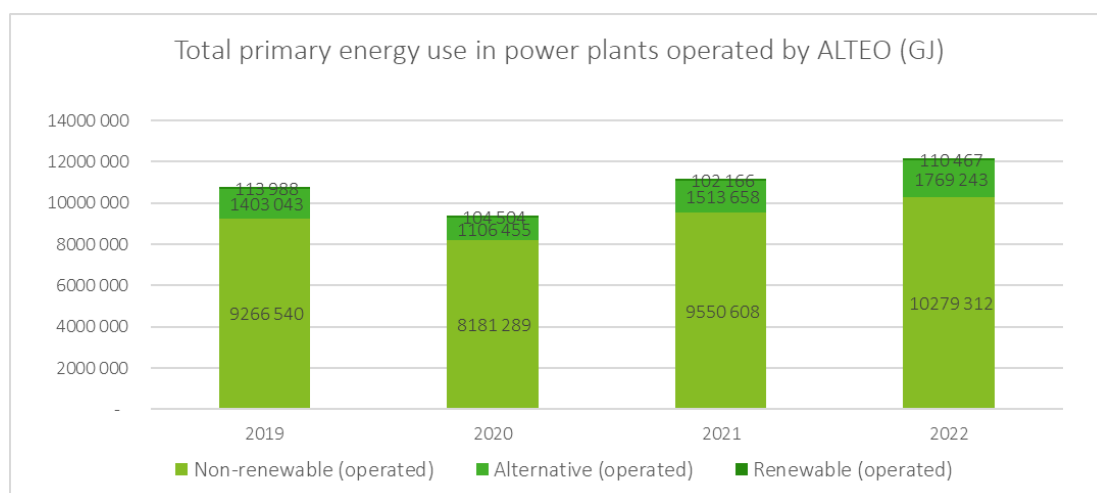
The decrease in ALTEO-owned power plants and the increase in ALTEO-operated power plants are due to the change of ownership of BC-Therm (steam boiler) during 2021 and thus its reclassification in our tables.

¹⁴ Energy consumption data is collected from meter readings, while natural gas consumption data is based on invoices received from the local natural gas distributor or natural gas vendor.

OUR TOTAL PRIMARY ENERGY CONSUMPTION IN OUR OWN POWER PLANTS (GJ)



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



Efficiency

[EU 11]

Efficiency is an indicator that the ALTEO Group considers to be key, as our priority objective is energy efficient operation, both for the efficient use of primary energy sources and for the competitiveness of our products. The efficiency indicator allows us to compare the efficiency of our various power plants in terms of the utilization of the energy carrier's energy.

However, the classical definition of efficiency cannot be uniformly applied to all our power plants, and thus in the case of our renewable energy plants (wind, hydro and solar energy), efficiency was calculated, in accordance with the requirements of the GRI, from electricity consumption and electricity produced, thus in such cases efficiency equals the efficiency of the electric transmission system.

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%
Hydropower	Felsődobosza	98.8%
	Gibárt	98.9%
Landfill gas	Debrecen	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 such.

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]

The significance of the reliability of energy supply has been made even clearer for all of us by the war situation in 2022. The ALTEO Group, in addition to being committed to providing energy from sustainable sources in an economical fashion, considers high reliability and stable high availability to be the key to quality.

In addition to efficiency, availability is also a key indicator for assessing the ambitions and performance of the ALTEO Group. Availability shows the ratio between the duration of planned and unplanned outages and the total number of possible hours of operation for the various plants or, in the case of electricity production, for the various equipment. For wind and solar power plants, availability is calculated per electricity generation unit, then we project it to

relevant sites as a whole. However, the data may contain a degree of uncertainty due to different monitoring methods and tools.

We are proud that we have been able to continue to ensure high availability at the power plants owned and operated by the ALTEO Group in 2022.

AVERAGE AVAILABILITY RATE

Electricity	2019	2020	2021	2022
AVERAGE AVAILABILITY RATE OF ALL POWER PLANTS	93%	91%	97%	96%
POWER PLANTS OWNED BY ALTEO GROUP				
Natural gas	96%	87%	96%	94%
Heating power plants	96%	87%	96%	94%
Industrial and commercial services	100%	100%	-	-
Wind	82%	88%	100%	98%
Landfill gas	72%	89%	51%	49%
Hydropower	100%	100%	99%	99%
Solar power plants	100%	99%	100%	100%
POWER PLANTS NOT OWNED BY ALTEO GROUP				
Natural gas	96%	82%	89%	85%
Biogas	97%	97%	96%	92%
Solar Power	100%	100%	100%	-

In the case of our heat energy service, availability data are published broken down by heat supplied to the district heating provider or large industrial customers.

Heat energy	2019	2020	2021	2022
AVERAGE AVAILABILITY RATE OF ALL POWER PLANTS	98%	92%	94%	94%
POWER PLANTS OWNED BY ALTEO GROUP				
Natural gas	98%	92%	97%	97%
Heating power plants	99%	91%	97%	97%
Industrial and commercial services	98%	97%	100%	-
POWER PLANTS NOT OWNED BY ALTEO GROUP				
Natural gas	97%	89%	90%	92%

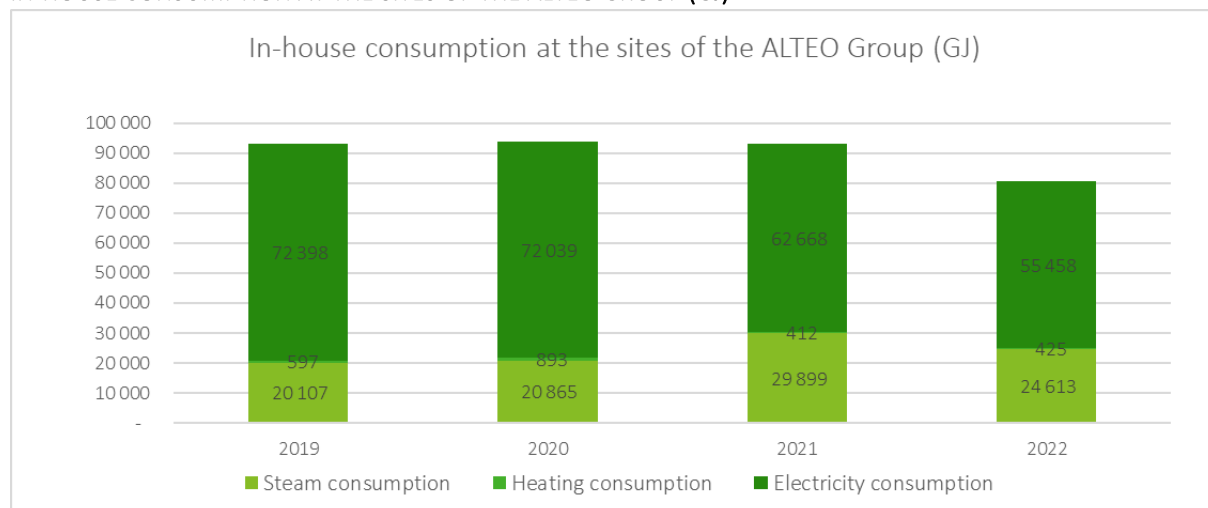
For further information on the ALTEO Group's energy production, operation and maintenance principles and the monitoring of business sites, go to page 62 of the 2021 Integrated Report.

In-house consumption

302 (3-3), [302-1]

In-house consumption is used to denote the electricity and heat energy required to operate our sites. From a sustainability perspective, the data on in-house consumption highlight the effectiveness of the company's energy efficiency targets, and they show us how much energy is in demand on the part of the ALTEO Group's own and operated power plants, and how such demand is satisfied. Compared to 2021, there was no considerable change in the amount and distribution of consumed energy.

IN-HOUSE CONSUMPTION AT THE SITES OF THE ALTEO GROUP (GJ)



4.2 Environmental compliance

2-27

ALTEO Group's environmental expectations and requirements, including the tasks related to ensuring environmental compliance, are set out in the Integrated Management System (IMS). Compliance with external and internal, i.e. statutory and IMS requirements, is audited through internal and external audits and during official inspections.

We are always prepared to deal with any environmental impacts associated with the materials and technologies we use. Through our policies and training, we seek to eliminate improper or non-compliant uses and to disseminate appropriate knowledge, including the procedure to be followed in the event of non-conformity. The members of the Group are in possession of all the necessary environmental permits and have all the appropriate policies in place, and our experts work with particular care. No environmental fines were imposed in 2022 or in the three years before, but the Hungarian Energy and Public Utility Regulatory Authority (HEPURA) imposed a HUF 550,000 fine on ALTEO for late data reporting. The internal audits carried out in 2022 have made a number of development-driven findings that we consider to be of paramount importance to ensure continued compliance and have resulted in the successful completion of the annual external SGS audit.

Disaster Management

[G4-DMA Crisis]

The ALTEO Group considers the legal requirements to be the minimum level of operation and, as such, has contingency strategies and emergency plans in place which have been developed in cooperation with the stakeholders, as required by law. However, in addition to the legal requirements, the primary focus of our HSE approach is on additional key issues specific to our activities, and our natural and social environment. Fire hazard is one such major risk. The key to our fire prevention and disaster management activities is prevention, one of the key elements of which is the reporting of near-miss accidents¹⁵. More information on the fire preparedness and responsibilities of our facilities can be found on page 94 of the 2021 Integrated Report 2021, as well as in the fire safety regulations and fire alert plans at the various facilities, but these are only available to our employees and those on the premises.

It is essential that we do not only to prevent emergencies, but also that we are prepared for them. To this end, we have legally compliant emergency plans in place, which are continuously reviewed (as per statutory frequency or promptly after changes at the given site) and shared with staff in the form of training courses; and emergency exercises are also held every year.

There were no fires, work-related accidents resulting in working days lost or subcontractor accidents in 2022. We are proud that on January 9, 2023, the ALTEO Group exceeded 1,000 days without work-related accidents resulting in working days lost, and we aim to maintain this trend by organizing additional HSE awareness programs in 2023.

Process safety

[G4- G4-DMAVálság folybíz]

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. In terms of process safety, the possibility of minimizing the risks arising from our operations is ensured by the system-level alignment of the various elements of our Integrated Management System (Energy Management System (ISO 50001, EnMS) and the Occupational Health and Safety Management System (ISO 45001; OHSMS), which complement the Quality Management System and Environmental Management Systems).

403-2

As part of the Integrated Management System, environmental impact registers were introduced for the assessment of risks. Risk management measures are initiated and implemented for processes deemed to pose a risk.

However, continuous monitoring and development is only one element of ensuring process safety. The safety of operations is ensured by preventative maintenance, as well as our technical support system (extRIM), which supports our management system.

¹⁵ "near-miss accident" means an event that causes no injury, albeit by sheer luck only (see: the table Number of work accidents).

4.3 Management of greenhouse gases (GHG)

EU5, 305 (3-3)

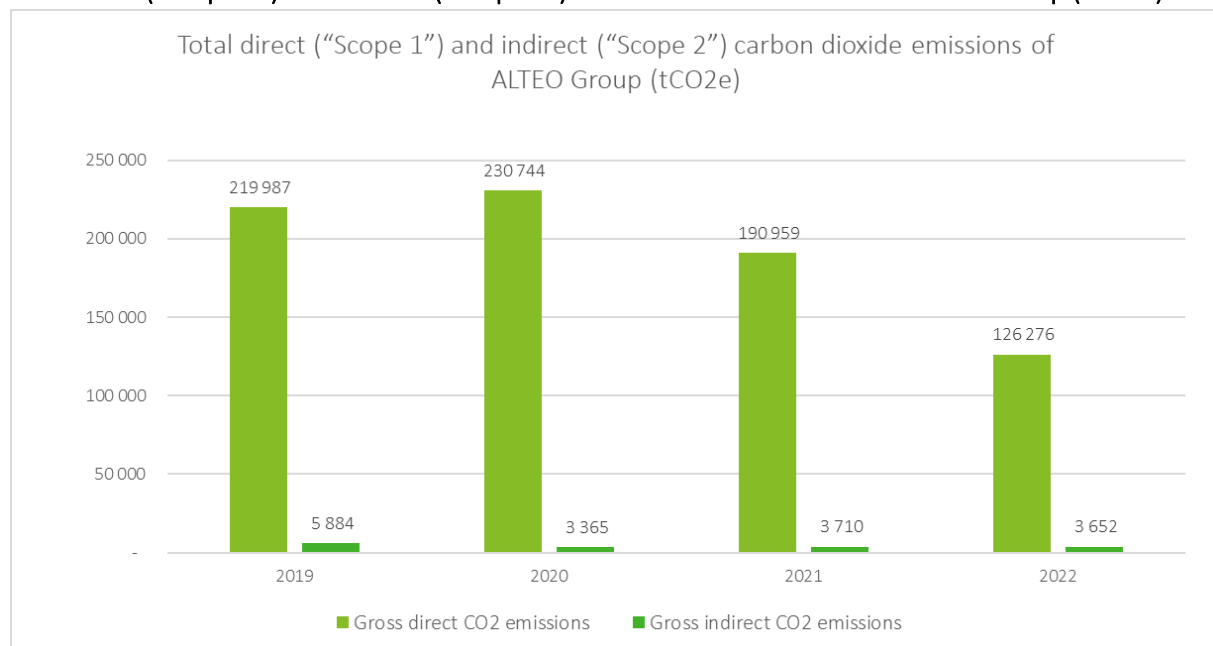
Energy production has both positive and negative impacts on the environment, society and the economy. Affordable and secure energy is essential for the functioning of the economy and brings many benefits to society, but the way energy is currently extracted, transported and used produces emissions that contribute to global warming, with serious social and economic consequences.

This is why, in order to operate sustainably, we are not only committed to increasing the use of renewable energy sources in our energy production portfolio, but also to minimizing the company's existing environmental footprint. To this end, we are continuously reducing our greenhouse gas emissions, to the extent possible and in line with the principle of precaution. Our aim is to achieve a mix of renewables and high-efficiency natural gas power plants that provides the flexibility to balance the uneven production of weather-dependent technologies in the electricity grid.

305-1, 305-2

As in previous years, the ALTEO Group applies a financial verification approach to the consolidation of emissions in its direct ("Scope 1") and indirect ("Scope 2") carbon calculations. To convert emissions from petrol, diesel and purchased heat into carbon dioxide equivalents, we used the conversion factors available in Defra's annual update. Of the greenhouse gases, Defra's methodology takes into account carbon dioxide, methane and nitrous oxide, which are used to calculate the Company's emissions in carbon dioxide equivalent.

Total direct ("Scope 1") and indirect ("Scope 2") carbon dioxide emissions of ALTEO Group (tCO₂e)



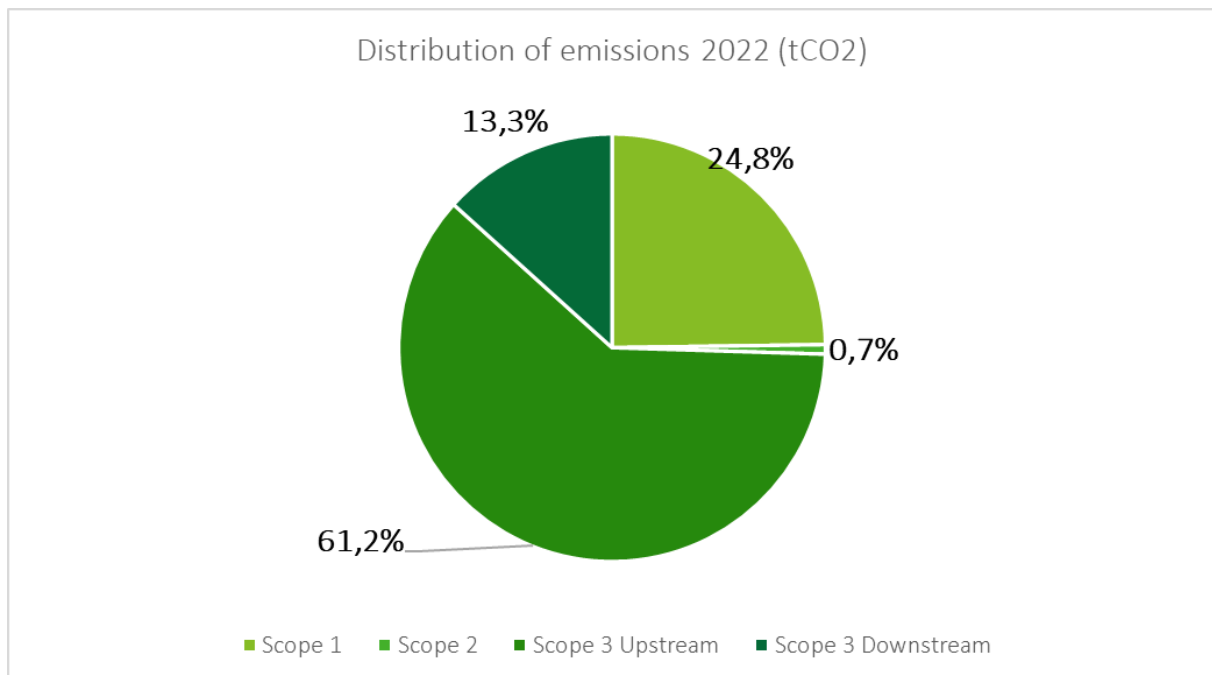
305-4 The total direct and indirect CO₂ emissions of the ALTEO Group dropped from 190,000 metric tons in 2021 to 126,000 metric tons in 2022, partly due to a reduction in the volume of heat energy produced by ALTEO-owned power plants.

305-3

ALTEO's other indirect ("Scope 3") emissions were measured for the first time in the calendar year 2021. No new materiality assessment was carried out for the Scope 3 categories, as there were no material changes in the Company's operations in 2022 compared to the 2021 assessment. The calculation methodology and data reporting has been refined in line with the requirements of the *WBCSD/WRI GHG Protocol Value Chain (Scope 3) Accounting and Reporting Standard* in order to provide a more comprehensive picture of the Group's value chain emissions. Scope 3 emissions account for approximately 74% of ALTEO's total emissions in 2022, amounting to 379,861.2 metric tons of CO₂e. (The calculation is based on the CO₂ equivalent of the emissions of the following gases: CO₂, CH₄, N₂O, HFCs, PFCs, SF₆.)

The increase in Scope 3 emissions in 2022 compared to last year's 344,052.5 tons of CO₂e is mainly due to general changes. For Category 3 (Fuel & Energy), we observed an increase of around 60,000 tons of CO₂e emissions compared to 2021, due to an increase in the amount of energy bought and sold in wholesale. For Categories 1 (Raw Materials & Services) and 2 (Capital Goods), the change compared to last year's results is likely due to changes in the amount of capital goods acquired, and raw materials and services purchased. For Categories 4 (Upstream transport) and 9 (Downstream transport), no clear conclusion can be drawn as to the reason for the changes seen this year compared to last year's updated results.

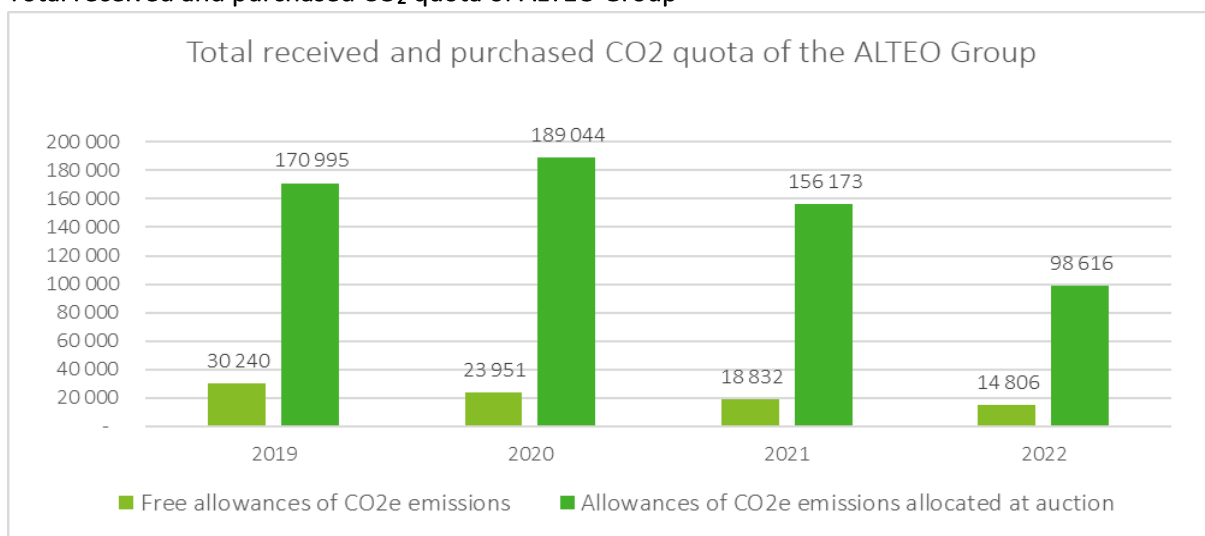
Through its waste trading and recovery activities, ALTEO has also contributed to the prevention of 70,507.7 tons of CO₂e GHG emissions.



Our facilities that are part of the European Union’s carbon emissions trading system (EU ETS)¹⁶ are the Győr Power Plant, the Sopron Power Plant, the Kazincbarcika Heating Power Plant, the Tiszaújváros Heating Power Plant, and the Füredi utca Heating Power Plant.

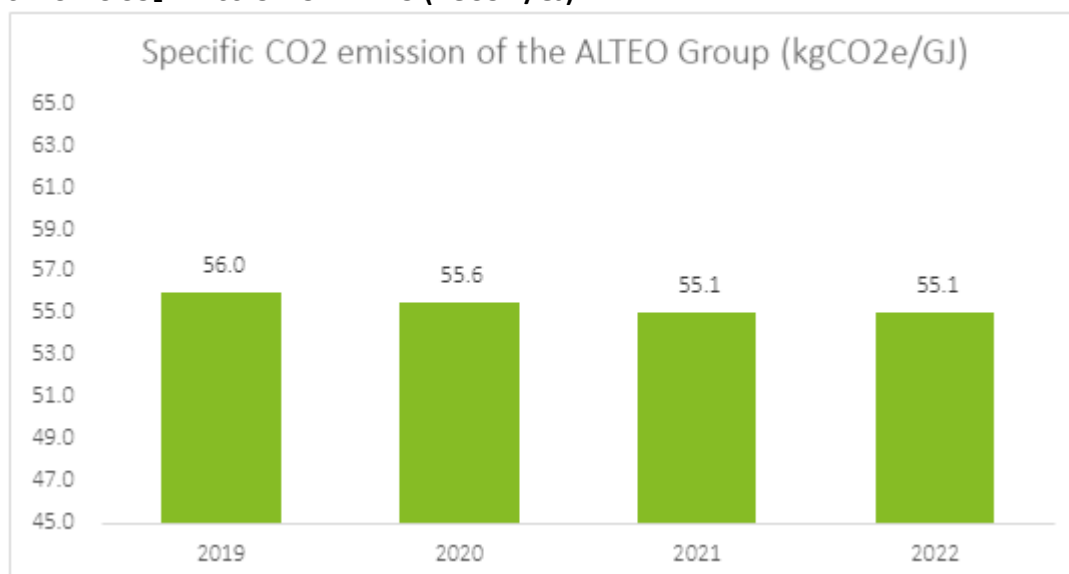
ALTEO Group’s aforementioned power plants participate in the EU-ETS emissions trading system and also receive emission unit allocations. In 2022, freely allocated allowances were only enough for around 13% of total emissions of the power plants of the ALTEO Group; therefore, we had to purchase a large amount of CO₂ quotas at auctions.

Total received and purchased CO₂ quota of ALTEO Group



The specific CO₂ emissions of power plants owned by ALTEO Group dropped slightly in recent years. As an energy producing company, emission intensity, i.e. the volume of emissions per unit of energy produced, is another key indicator in addition to total emissions.

SPECIFIC CO₂ EMISSION OF ALTEO (KGCO₂ /GJ)



¹⁶ For further information on the EU ETS mechanisms, see page 66 of the 2021 Integrated Report.

Air quality protection

305 (3-3)

Several air pollutants are emitted into the air in connection with the activities of the ALTEO Group, for example, flue gas from gas engines contains nitrogen oxides (NO_x), carbon monoxide (CO) and non-methane hydrocarbon and carbon-based organic compounds (TOC), 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. 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 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. We believe it is important to be aware of, monitor and communicate transparently about our environmental impacts, and this Integrated Report is one element of this. All of our sites have baseline permits defining the use of the environment, which include the requirements applicable to point sources, measurements and compliance.

Ensuring accredited emissions measurement¹⁷, submitting the related annual reports to the authorities and communication with the authorities is the responsibility of the HSE area, while the operation of the continuous emissions-metering equipment¹⁸ and compliance with daily limit values are the tasks of power plant managers, 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.

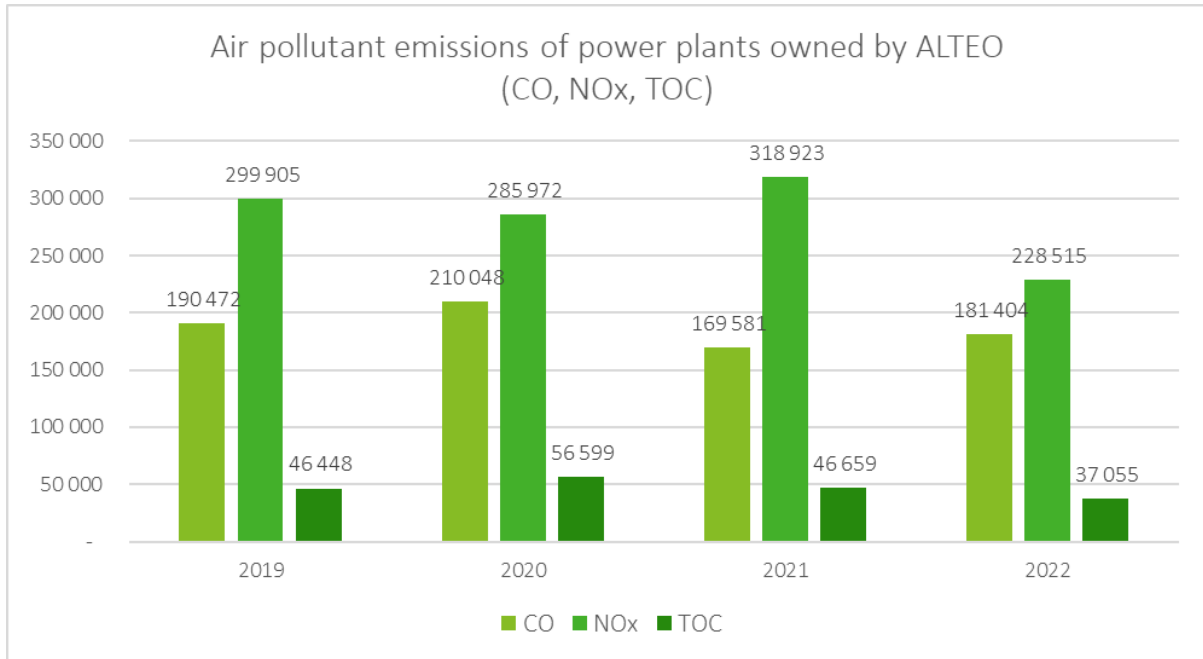
For ALTEO-owned power plants, carbon monoxide increased slightly, while nitrogen oxides and TOC emissions decreased significantly in 2022, and there were no emissions of sulfur-dioxide and particulate matters.

For ALTEO-operated power plants, nitrogen oxide and TOC emissions increased, but carbon monoxide emissions dropped, as did sulfur-dioxide emissions. There have been no particulate matter emissions in 2022.

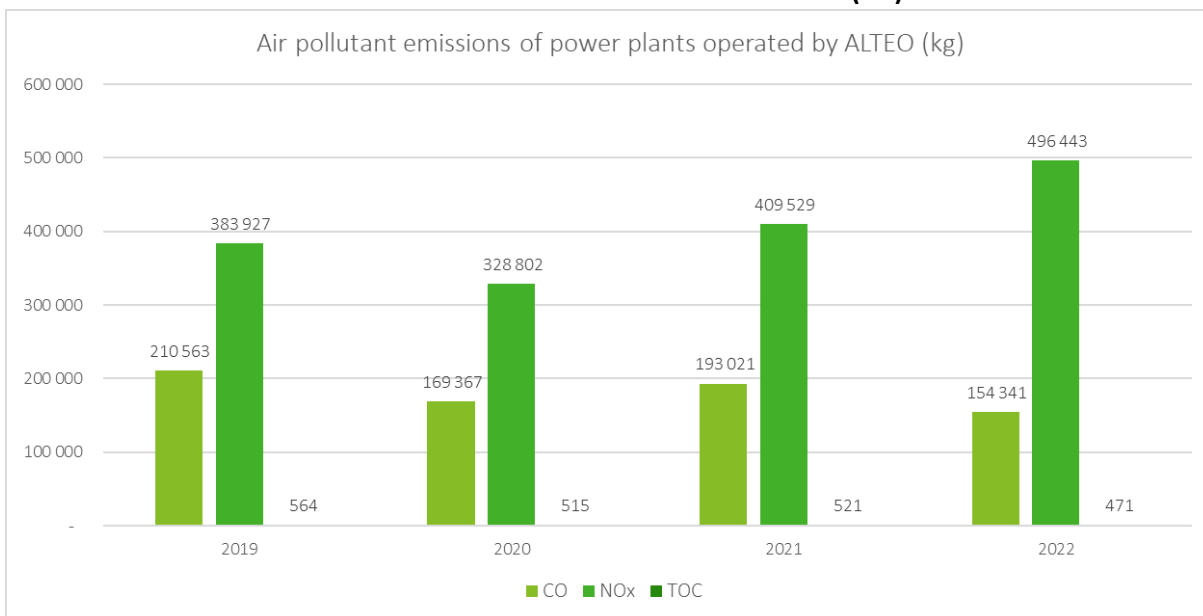
¹⁷ With authorization from the competent environmental authority, air pollutant emissions from only one of similar types of equipment (gas engines and boilers) are checked by accredited testing at the Győr, Zugló, Kazincbarcika, Ózd and Tiszaújváros sites of ALTEO-Therm Kft., but a different unit is selected on a rotational basis for each testing period.

¹⁸ Emissions at the TVK Power Plant and the BC Power Plant are measured on an ongoing basis.

305-7 AIR POLLUTANT EMISSIONS OF POWER PLANTS OWNED BY ALTEO (CO, NOx, TOC)

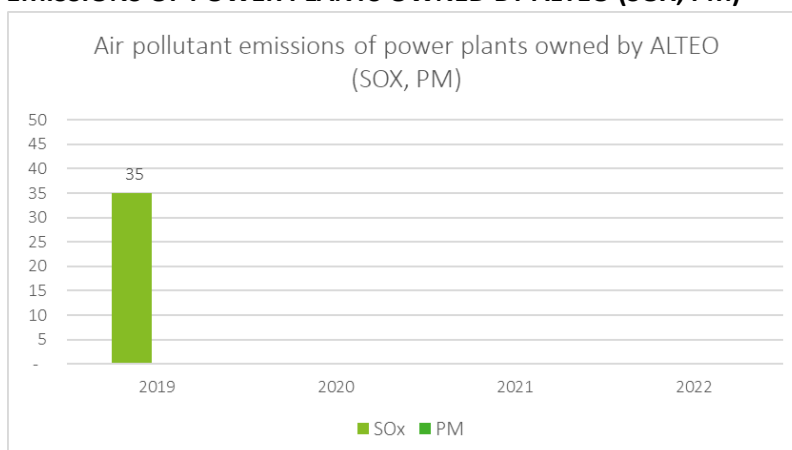


AIR POLLUTANT EMISSIONS OF POWER PLANTS OPERATED BY ALTEO (KG)

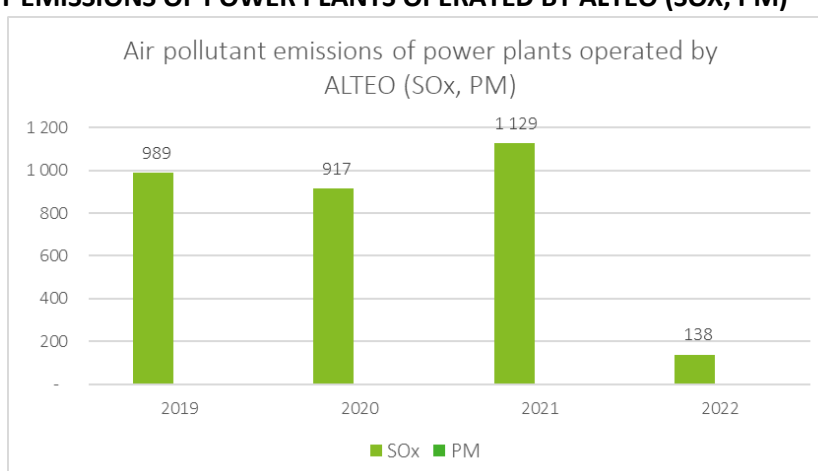


The sulfur dioxide and particulate matter (PM) emissions of power plants owned by ALTEO have been decreasing year after year, and since 2019 there were no such emissions at all. That is attributable in part to the fact that no oil firing was used in our power plants, since fuel oil is essentially only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

AIR POLLUTANT EMISSIONS OF POWER PLANTS OWNED BY ALTEO (SOX, PM)



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, the volume flow rate of the flue gas and equipment annual service hours.

4.4 Climate change

305 (3-3)

The energy industry, and thus ALTEO Group, has a major role in managing the global coordination problem of climate change. That is why we aim, among other things, to reduce the use of fossil fuels, increase the share of renewables and promote decarbonization.

Our sustainability objectives, and in particular our carbon footprint reduction targets, are presented in detail on pages 25.

This year, we are reporting our results using the TCFD voluntary reporting guidelines¹⁹, which focus on climate change-related financial risks, and our plans for 2024 include achieving EcoVadis, the world's most trusted business sustainability rating.

¹⁹ See: TCFD table.

Risks and opportunities associated with climate change

In order to disclose the process of identifying and assessing climate-related risks and opportunities, and as recommended by the TCFD, the ALTEO Group has carried out a climate scenario analysis in 2022.

Based on the analysis, the table below shows the **key climate-related risks identified** and their potential impact on the Group's financial income:

Category	Risk	Timeframe for potential implementation		
		2025	2030	2050
Policies and laws	Risk of increased operating expenses and management burden due to expanded climate change reporting requirements (1.5 °C scenario only)		▲	▲
Technology	Increased costs of procuring new technologies to implement climate policies		▲	▲
	Lack of appropriate technological solutions for the sector (or lack of access to such solutions, e.g. renewable energy sources or electricity)	▲	▲	▲
	Risk of capacity constraints due to temperature-induced increase in electricity demand	▲	▲	▲
Market	Risk of impairment of fossil fuel assets due to rising fuel costs as a result of the introduction of a carbon price component.		▲	▲
	The risk of an increase in the financial burden related to potential development investments (CAPEX), in particular due to the need to take into account rising CO ₂ prices and EU Taxonomy requirements in investment decisions.		▲	▲
	Negative impact on the business, financial position and operating profit or loss due to unaffordable energy costs for consumers.	▲		▲
Reputation	Risk of worse perception by investors due to ESG rating deterioration if ESG risk is not properly managed		▲	▲
Physical risks (acute)	Risk of disruption to logistics processes caused by weather events	▲	▲	▲
	Disruption to production processes caused by extreme weather events	▲	▲	▲
Physical risks (chronic)	The impact of heat waves on employees' health, safety and working conditions	▲	▲	▲
	Increased energy consumption and higher energy costs in own operations due to rising temperatures		▲	▲

The **key climate-related opportunities identified** and their potential impact on the Group's financial results:

Type of opportunity	Opportunity	Timeframe for potential implementation		
		2025	2030	2050
Products and services	Increased revenue and competitive advantage due to growing interest in renewable energy	✓	✓	✓
	The opportunity presented by changes in consumer preferences due to increased demand for products with a lower or neutral environmental impact	✓	✓	✓
	Increase in revenue, brand value and employee motivation as a result of communicating ALTEO's climate commitment and the Company's green reputation	✓	✓	✓
Market	Increased available capital and/or reduced capital costs due to superior climate performance	✓	✓	✓
Reputation	Opportunity to improve investor perception through comprehensive climate risk management and external ESG rating	✓	✓	✓
	Opportunities to attract new talent and retain employees through better environmental perception.	✓	✓	✓

The results of the analysis show that tightening legal regulations pose a risk in the 1.5 °C scenario, while technology-type risks would result in a similar level of risk for the Company in both scenarios. Risks related to market developments (mainly the risk of the depreciation of fossil fuel assets, potential increases in investment CO₂ prices and the need to take into

account EU Taxonomy requirements) are a higher, long-term increasing risk for the 1.5 °C scenario and a medium, decreasing risk for the 4 °C scenario.

The various physical risks (acute, chronic) show medium, decreasing risks in the 1.5 °C scenario, while in the 4 °C scenario, they result in high, steadily increasing risks to the Company's financial results from 2030 onwards.

Outstanding opportunities include the exploitation of the growing demand for renewable energy and the shift in consumer preferences towards more sustainable products and services.

Investments in activities contributing to climate change mitigation

ALTEO-1

Innovation is an important part of our business strategy and a key driver in developing low-carbon solutions. The ALTEO Group has, to date, won two R&D grants for projects related to energy storage testing, and has built energy storage facilities in Zugló and Kazincbarcika. These key projects can bring us closer to addressing one of the biggest problems with renewables, namely the problem of storing the energy we produce.

As part of this strategy, we have also set up ALTEO Group's E-mobility division to promote the wider use of electric cars. We plan to install and operate charging stations mainly in office buildings, car parks, company sites, residential buildings and apartment buildings, but we also offer the installation of public charging stations as part of strategic partnerships. Our goal is to install 500 charging points in Hungary by 2023. For more details about ALTE-GO, please read Chapter 1.4.

As consumer demand for energy from renewable sources is also growing, one of our commitments is to increase the renewable sources in our portfolio. Our installed renewable energy production capacity is steadily increasing and currently stands at 79.3 MW, making us one of Hungary's leading energy producers.

ALTEO-3

One of the important performance indicators for our strategic objective to increase the share of renewable energy production capacity is the total amount invested in renewables and the volume of energy produced from renewables.

This indicator is published for the first time in 2022. One reason for this is that the CAPEX value aligned with the EU Taxonomy is used to produce the indicator. Among our Taxonomy-aligned activities, the activities of generating electricity from wind, hydro and solar energy, and operating infrastructure for landfill gas separation and use in landfill cells are included in the total amount invested in renewable energy.

Total amount invested in renewables in 2022: HUF 1120 million.

The volume of energy produced from own renewables: 496,800 GJ.

4.5 Water consumption

303 (3-3)

Our own and operated facilities use piped drinking water, industrial water and groundwater. The ALTEO Group is committed to ensuring full compliance with the legal requirements and to ensuring compliance with its environmental management system. As required by the UN Sustainable Development Goals²⁰, we pay special attention to protecting water resources and avoiding pollution or emergencies, and we strive to reduce our water consumption.

Water and wastewater

303-1

The power plants in the ALTEO Group's portfolio primarily use industrial water, and largest water user of the Group is Tisza-WTP Water Treatment Plant, which produces the desalinated water necessary for MOL Petrochemicals. The water treatment plant has used nearly 3.3 million cubic meters of industrial water in 2022, which accounts for more than 98% of the total water consumption. The water treatment plant takes water from the River Tisza and recirculating water condensate from various areas of use at MOL Petrochemicals as the starting point and uses a process equipment involving an ultrafiltration apparatus, reverse osmosis and a mixed bed ion exchange method to produce desalinated water. Groundwater consumption occurs only in Győr and Sopron.

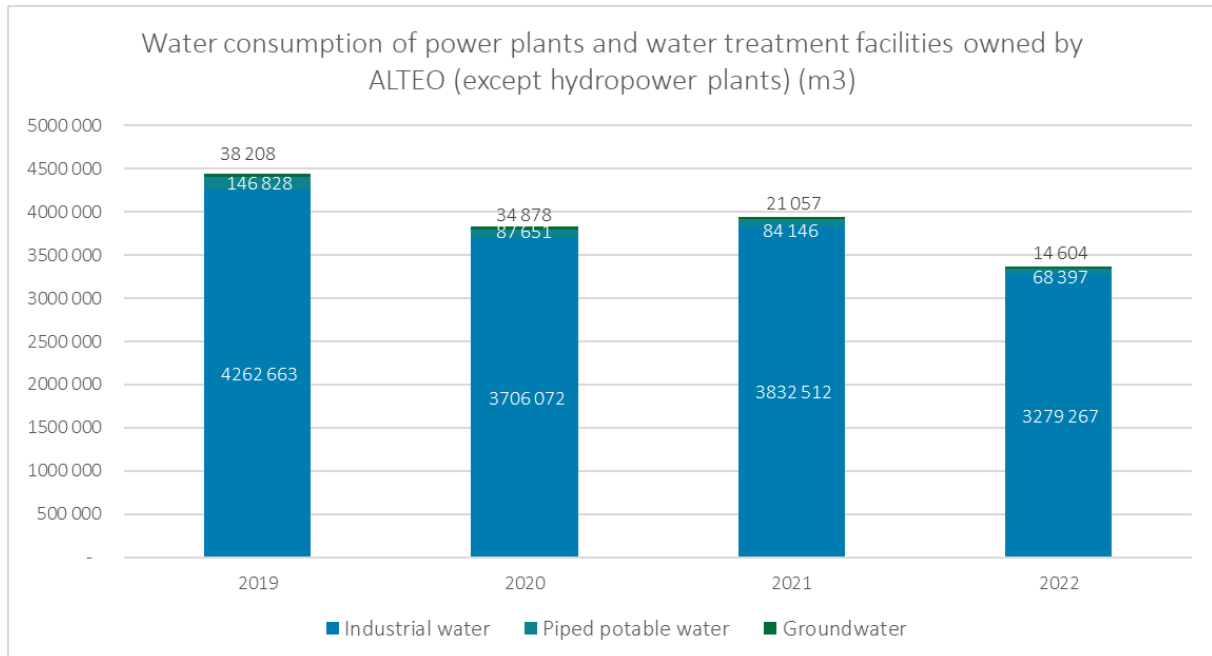
In addition to industrial water consumption, our heating power plants typically use water to replace water circulating in district heating systems. The amount of supplementary water greatly depends on the state of repair an urban district heating system is in. ALTEO Group has no direct insight nor any 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. We use piped drinking water to meet social needs at our power plants and sites. In addition to water use, we consider it important to present our facilities that recycle water, and also our wastewater-related tasks. The two plants that recycle water are the Tisza-WTP Water Treatment Plant and the plant in Sopron, where condensate water from other industrial companies is recycled after purification and desalination instead of being discharged into the sewer, thus reducing the need for fresh water abstraction. Based on the amount of condensate returned.

The volume and quality of the discharged wastewater (pH, conductivity, temperature) are continuously monitored according to our self-monitoring plan, and the most important water chemistry properties (chemical and biological oxygen demand, pH, conductivity, total phosphorus, nitrogen and total dissolved solids) are measured quarterly by an accredited laboratory. Wastewater generated in our sanitary premises is always discharged into the municipal sewer network.

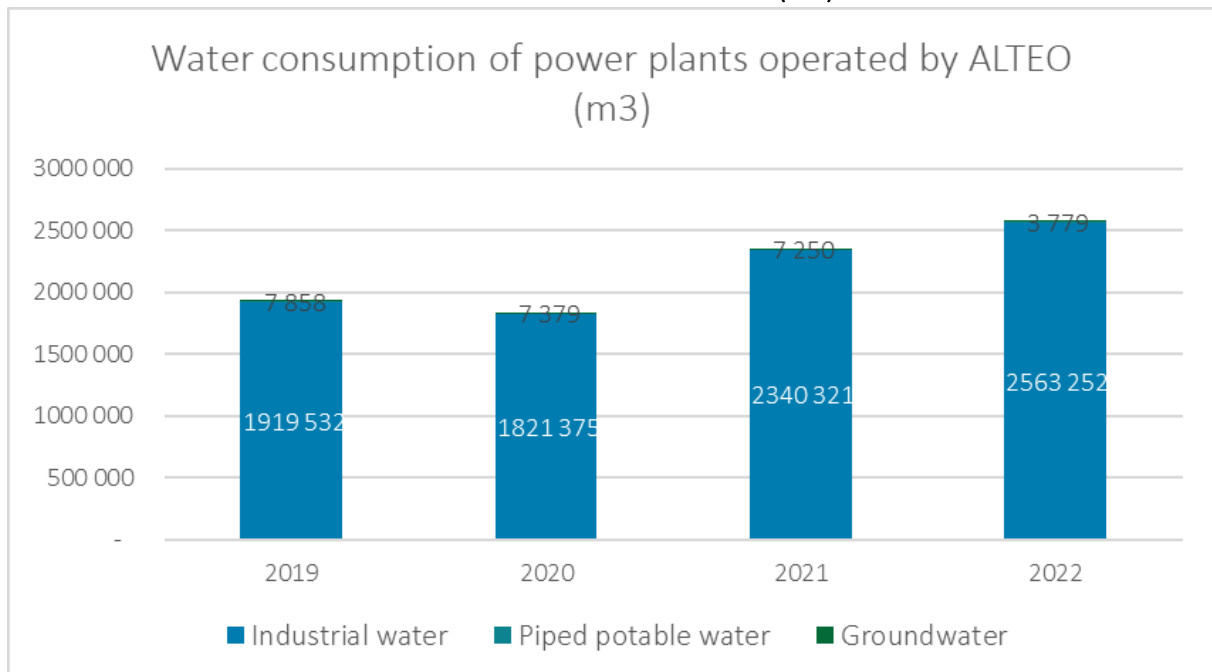
²⁰ Ensure safe, clean, accessible and affordable drinking water and adequate wastewater placement for all (UN SDG 6).

303-3 The water consumption of ALTEO-owned power plants decreased in 2022. The decrease in the use of piped drinking water is primarily due to lower water consumption at our sites outside Budapest.

WATER CONSUMPTION OF THE POWER PLANTS AND WATER TREATMENT FACILITY OWNED BY ALTEO (M3)

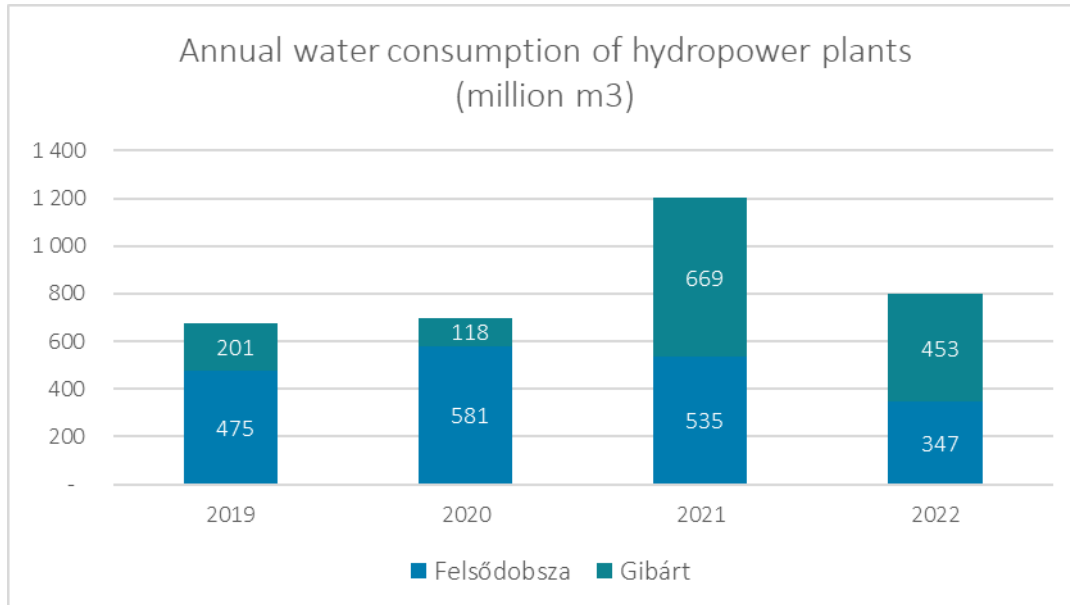


WATER CONSUMPTION OF POWER PLANTS OPERATED BY ALTEO (M3)



Annual water consumption has decreased at both the Gibárt Hydropower Plant and the Felsődobosza Hydropower Plant.

ANNUAL WATER CONSUMPTION OF THE HYDROPOWER PLANTS (MILLION M3²¹)



Groundwater

303-2

In the event of service interruptions, soil and groundwater contamination may occur, but no contamination of soil or groundwater resources occurred in 2022. As required by the laws, we have operational water quality damage elimination plans in place for our obligated sites and for our facilities with a thermal input power greater than 50 MW, which are regularly reviewed as required by law.

In accordance with our HSE approach, it is also of paramount importance to avoid potential risks and ensure adequate preparedness for possible accidents when storing hazardous substances. Like in the case of the 300 cubic meters of fuel oil stored in double-walled tanks at the MOL Petrochemicals and BorsodChem power plants, and the monitoring wells installed.²² 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

303-2

As far as wastewater generation is concerned, wastewater in urban heating power plants 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, but that 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.

²¹ Data shown are metered quantities.

²² There are three monitoring wells 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.

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

4.6 Waste management

306 (3-3) Hazardous waste, industrial non-hazardous and municipal solid waste is generated in the course of ALTEO Group's operations, along with construction/demolition waste during maintenance work. We are also committed to reducing the negative environmental impacts of our operations, including the reduction of the volume of waste.

306-1, 306-2 As per legal requirements, waste is stored in workplace and site collection bays at our compounds, separated by type and properties. We also keep a mandatory waste register to keep track of waste generated, collected, transported and collected in bulk at the sites. 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 this Integrated 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.

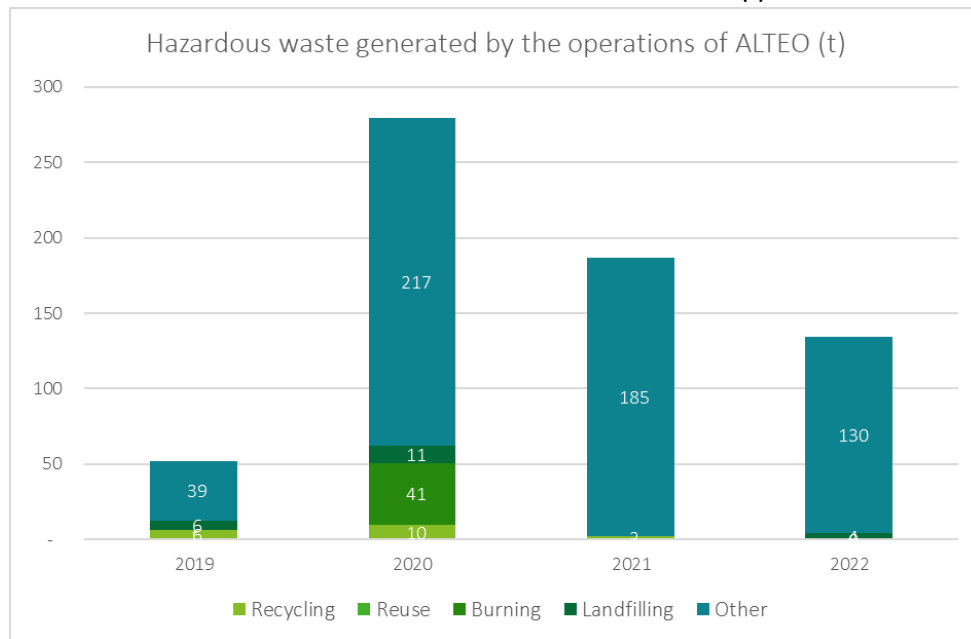
Waste generated at the sites is managed (collection, transport and disposal) by entities officially licensed in accordance with the law. The disposal method of the waste removed is in each case set out by the remover of said waste, pursuant to legal regulations and the principles set out in its permits. Due to the minimal 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

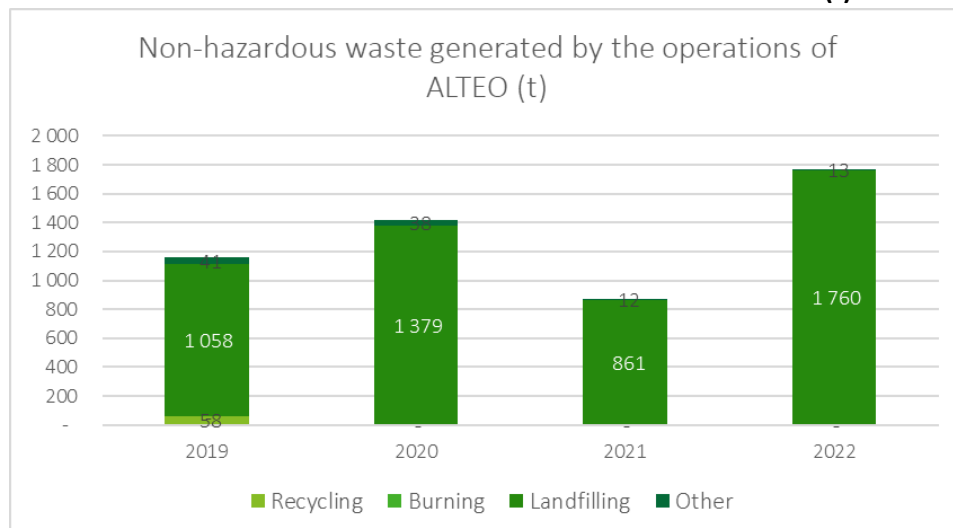
table presents data by summary groups applicable to the various management and disposal operations. Classification to the summary groups is done by ALTEO Group’s specialists.

306-3 HAZARDOUS WASTE GENERATED BY THE OPERATIONS OF ALTEO (t)



As set out in our sustainability ambitions, waste reduction is one of our priorities. In relation to this goal, we have highlighted the development of paperless office processes, increasing the recycling rate of operational waste.²³ During the treatment of hazardous waste generated by the plant’s activities, the disposal of hazardous waste by landfilling was close to 0 in 2022. We aim to increase the recycling rate of operational waste to over 50% by 2030. Most hazardous waste is disposed of through trade, collection and pre-treatment.

306-3 NON-HAZARDOUS WASTE GENERATED BY THE OPERATIONS OF ALTEO (t)



²³ Additional information can be found on page 26 of the Integrated Report.

For non-hazardous waste emitted by the ALTEO Group, landfilling continued to be the primary disposal option in 2022. However, the overall amount of waste produced by the Company has decreased significantly compared to 2020.

4.7 Protection of biodiversity

304 (3-3)

The protection of natural diversity is also an increasingly important task for our company. While our activities are not characterized by a large direct negative biodiversity impact, we consider our direct impact to be important, since our facilities affect natural habitats and our emissions associated with our activities have a general impact on the living environment.

Our infrastructure projects, such as power plants, affect large areas of land and important water bodies. We pay particular attention to keeping our environment clean and to the principles of precaution, responsible care and prevention.

Our Integrated Management Policy allows for these factors to be taken into account, as it states that our commitment to sustainable development and social responsibility means that we pay particular attention to biodiversity and land use, the conservation of natural assets, the protection of our environment, and the consistent and systematic improvement of our environmental performance. However, this commitment constitutes only the first step towards addressing and reducing our biodiversity impacts and eventual risks. No doubt this issue is an important one, however, we need more information to identify the next steps, and to effectively define a specific set of targets and to set up a monitoring system. Therefore it is our sustainability objective to complete a biodiversity and water-focused risk assessment.

304-1

Of all the power plants owned or operated, only the Gibárt Hydropower Plant is part of a Natura 2000 priority site for nature conservation and a special area of conservation for birds as an ecological corridor. None of our other sites are located in or are immediately adjacent to any protected areas or areas of high biodiversity value outside protected areas. During the survey, distance up to 2 kilometers was considered immediately adjacent area. Areas with Natura 2000 status are considered to be protected or non-protected areas with high biodiversity, and the relative location of these areas and power plants has been reviewed in this context. We will ensure that the operation of the Gibart Hydropower Plant will not have a significant impact on the conservation status of the species and habitat types located in the area by complying with the requirements and conservation measures set out in the power plant permit.

A list of own or operated power plants is available on the [ALTEO website](#).

The establishment of a solid foundation for IMS and HSE was essential to ensure that we integrate environmental and social considerations into our daily operations on a systemic level. Thanks

to this strict system, we received a high score and a "Strong" management rating in the Biodiversity and Land Use category of the Sustainalytics ESG certification.

304-2

In order to assess the significant impact of our activities and services on biodiversity, and to integrate biodiversity monitoring and objectives into our strategy, we have set the following targets and commitments:

- Preparation of a water-focused risk assessment and biodiversity assessment for our sites in 2023.
- Development of a Biodiversity Action Plan by 2025
- HUF 100 million investment in pilot projects to support biodiversity conservation by 2025
- Integration of biodiversity as a factor in the corporate IMS

5 Creating social value

The key messages of the chapter:

- We have reviewed the benefits offered to our employees and, in view of the economic situation, we have given them a mid-year salary compensation
- Minimizing Health, Safety and Environmental Protection (HSE) risks remains a focus area for us, we can report 0 work accident also in 2022
- We started working on a succession program in 2022 for areas involving specialized job areas
- Increasing diversity has been identified as a key objective, and as a step towards that diversity the ALTEO Female Managers' Club has been established
- To raise awareness to our sustainability goals, we organized our first Sustainability Picnic for ALTEO middle managers
- In the first year we organized a volunteering day, our employees spent more than 500 hours volunteering, amongst others through participation in TiszaPartProject

5.1 Our employees

2-18

The dynamically changing organizational structure of the ALTEO Group is also linked to continuous development and acquisitions. The central HR Department, based at ALTEO Nyrt., is responsible for the employee management 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.

Our goal is to ensure that all employees of the ALTEO Group are committed and motivated to building the common future of the Group. Stability, challenging tasks that ensure continuous

development, and competitive compensation provide the basis for the loyalty and motivation of our employees.

Compensation

401-2

In 2022, the benefit elements were reviewed in the areas of health insurance, Cafeteria, sport benefits (individual and group benefits), Employee Share Ownership Plan (ESOP: detailed above) and company benefits. In view of the economic situation, we have given our employees an extraordinary mid-year salary compensation. We pay higher wages than required by law for periods of sick leave (85% instead of 70%), take out group insurance for them, and provide funeral aid to the deceased's family, if necessary, for costs incurred as a consequence of the death of a direct relative of an employee. Additionally, employer's voluntary pension fund contributions help our employees in generating secure and effective advance savings for their retirement years.

Within the framework of the Performance Bonus System (PBS) we set personalized tasks and personal development targets for the current year, and their performance is evaluated in the subsequent year.

Generally, the measurement period runs from January 1 until December 31 in the current year. The first step in the Performance Bonus System process is Setting the objective, followed by a one-step assessment of the achievement of the objectives in February of the year following the current year. Objectives are defined as the result of an agreement between the immediate superior and the subordinate, in which the "top-down" approach is applied, in line with the level of the corporate hierarchy. Three main types of objectives are distinguished, i.e. Objectives that are based on individual performance, development and the business results of the Group/business unit. The basic principle of the Bonus paid calculation is to multiply the annual amount of the Employee's gross monthly basic salary paid for the current year (pro rata temporis, taking into account the mid-year changes) by the Bonus cap and the percentage result of the appraisal.

Compensation policy

The purpose of our compensation policy aims to contribute to the success of our business and sustainability strategy, and long-term interests of the Company.

We believe that our top managers and employees perform their tasks with greater commitment and with a genuine owner's mindset if they are also shareholders of the Company, benefit from its profits and the value created by their work and also share in the Company's successes as well as its risks. In this spirit, the ALTEO Board of Directors has set up an Employee Share Ownership Program (ESOP). For more details on the ESOP, please see page 39. of the report.

2-21

	2021	2022
Annual compensation of the person with the highest compensation	55,498,464	61,677,000
Annual median of employee compensation of the entity (excluding the person with the highest compensation)	9,500,531	11,193,738
Total annual compensation²⁴ ratio	584%	551%

2-20 The draft version of the remuneration policy serving compliance with Act LXVII of 2019 on Encouraging Long-Term Shareholder Engagement and the Amendments of Further Regulations for Harmonization Purposes (hereinafter: “Remuneration Policy”) is drawn up by the Board of Directors of the Company, and it is adopted by a resolution passed by simple majority, it is submitted to the General Meeting for an advisory vote. The Board of Directors reviews the Remuneration Policy at least every three years, and if it deems its amendment to be justified, it submits the revised version of the Remuneration Policy to the General Meeting for approval. If the General Meeting rejects the proposed Remuneration Policy, the Board of Directors must submit the revised remuneration policy for a repeated advisory vote at the next General Meeting. Implementing the Remuneration Policy is the task and responsibility of the Chief Executive Officer. The CEO reports to the Board of Directors as needed on the implementation of the Remuneration Policy, prepares and submits to the Board of Directors the draft of the Remuneration Report and also reports on the Company’s situation to the Supervisory Board four times each year, as part of which it also details the implementation of the Remuneration Policy.

2-19 The Company reserves the right to pay maximum 50% of the variable fee elements and rewards, otherwise due to Directors in cash pursuant to the Remuneration Policy, in the form of transferring title to ALTEO shares to the Director. Bonus payment is subject to meeting the financial/non-financial and social responsibility criteria detailed in the bonus agreement for the current period.

Recognition plan

Within the framework of our recognition plan for the year 2022, in February 2023 (with transfer on February 7, 2023), we allocated a total of 1,911 shares to employees who contributed to ALTEO’s achievements in 2022 through their loyalty, knowledge and outstanding performance and who became eligible for such recognition under the recognition plan.

Again this year, we rewarded our role models (for expertise, customer focus, positive attitude, task-orientation), and once again we awarded loyalty prizes to our staff who have been with us for more than 10 years, lifetime achievement awards to our retiring colleagues, we elected

²⁴ The concept of compensation includes any salary, bonus, remuneration in shares or options, non-private equity compensation plans, changes in the value of retirement, and deferred compensation.

the manager of the year, and team of the year, innovation and health and safety awards were also awarded, based on their applications.

Two new awards were introduced in 2022, one of which was the Sustainability Ambassador Award. We aim to raise the awareness of our employees to the importance of sustainability even further, and to reward those who encourage environmental awareness and seek ways to minimize their carbon footprint. The other, a newly created award, reinforcing the culture of feedback and recognition, went to the leader who has given the most support to colleagues to assist them in developing.

Surveys, developments

Multiple surveys were conducted during the year with a view to increase employee satisfaction, improve the internal flow of information, and work more efficiently. Our previous survey on the demand for work from home has now been followed by a home office and hybrid working efficiency survey. The joint processing and communication of our results at company level helped us to close our surveys with a high participation rate.

Last year, we placed a strong emphasis on supplier selection and development, so that this year we can find the best professionals in this narrow market with the help of recruitment agencies that have comprehensive knowledge of the company and the areas. To increase our own resources, we have introduced new advertising channels, increased the company's participation in job fairs, increased the involvement of colleagues and the promotion of our employee referral scheme. Setting the strategic direction for employer branding in 2022, we started to implement actions, and in our specialized areas we started to work on developing a succession program through dual training.

We continue to use our HR Helpdesk (available on two platforms: P2U and email) to answer day-to-day HR-related questions from our staff. Also in 2022, in response to the high number of enquiries on specific topics, we held regular information sessions and consultations to support the efficiency of the administration.

HR digitization played a key role also in 2022, and we have transferred our personnel records to a digital platform. With the help of the options offered by our new intranet platform, our colleagues outside Budapest can now easily send us relevant HR documents, their processing status can be easily tracked, and commenting and feedback is also possible now. In addition, our colleagues are regularly kept informed (we provide them with up-to-date information on internal and external events), and such information sessions are recorded and can be viewed at any time. As a proof of our staff's satisfaction, the HR colleague in charge of the interface was awarded the 2022 Customer Focus Role Model Award.

402-1 In the interest of maintaining our employees' sense of safety and motivation, particular attention has been devoted to internal communication, and to providing information to our staff in a timely manner and in the appropriate form. Staff and management are kept regularly informed through site visits, an open-door policy, staff meetings and forums, the use of an

internal mailing system, the provision of an online ALTEO Academy, and the use of an internal Intranet.

The Works Council is a five-member representation body, which provided a further opportunity for reinforcing cooperation between employees and the management. Employees can send requests and queries to the Works Council via email or anonymously through internal communication channels, or at face-to-face meetings. In 2022, a number of issues were discussed with management that were of major concern and issue to colleagues. These include: the AlteoFitt – Wellbeing and Health Program, the rules of the work from home and hybrid work arrangements, the extension and development of the Compensation Plan and benefit elements, and the transformation of the Performance Management System.

We are also proud that in 2022, the Employer Branding Strategy has been completed and the implementation of its objectives has been launched.

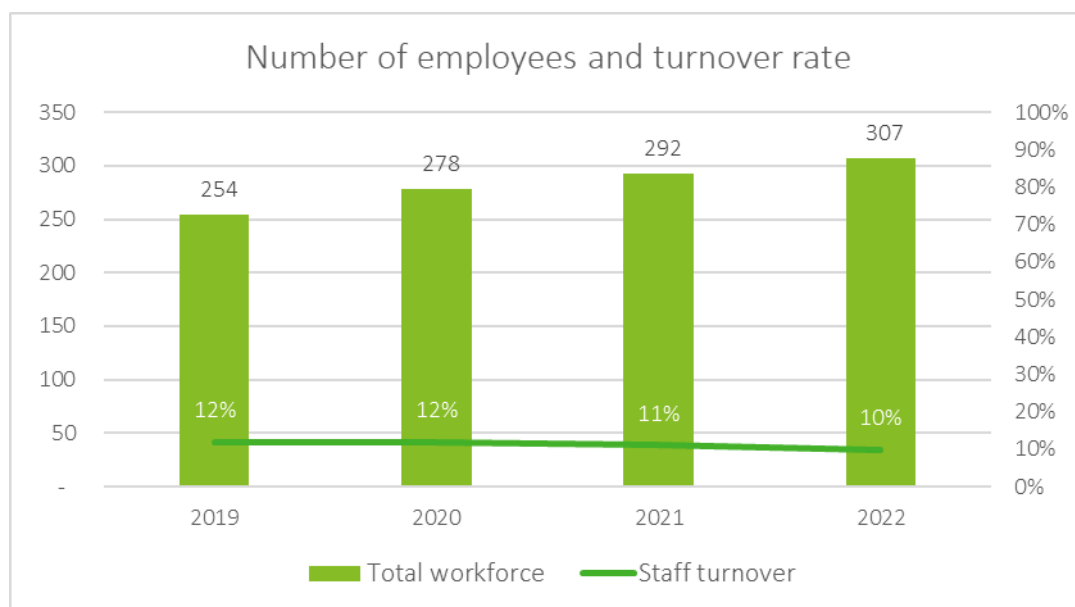
Employee headcount and gender ratio

2-7

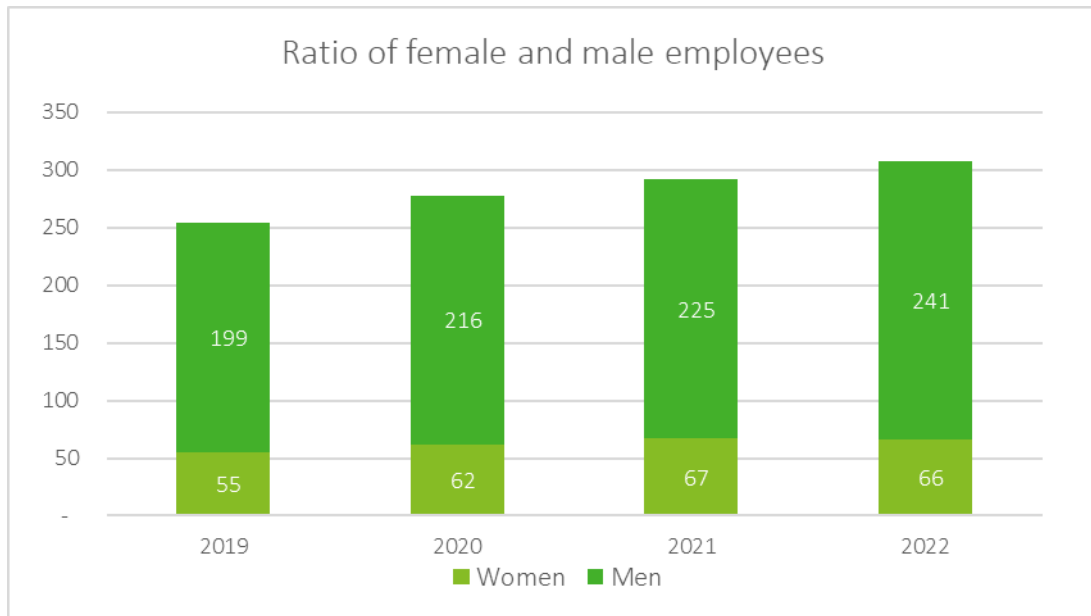
At ALTEO, male employees are over-represented in the workforce due to the nature of the industry. In order to promote diversity, this indicator was defined as one of the Compliance targets in 2022, and the Company’s female managers jointly founded the ALTEO Female Managers’ Club, which aims to share experience, to offer mutual support, and to involve external experts.

At the end of 2022, the Group had 66 female and 241 male colleagues, i.e. a total of 307 employees. In 2022, the total number of employees increased by +5% by the end of the year compared to 2021. The proportion of female employees has decreased slightly compared to the previous year (from 23% to 21%), but there is still an increase compared to 19% in 2018.

NUMBER OF EMPLOYEES AND TURNOVER RATE



RATIO OF FEMALE AND MALE EMPLOYEES



2-8 We do not use hired labor, but we may subcontract parts of certain large-scale projects (e.g. implementation projects or major overhauls) that we are unable to carry out ourselves due to the nature or scale of the work.

The vast majority of our staff (98%) work full-time, with only 4 women and 1 man employed in part-time.

2-7

The majority of our employees are on permanent contracts.

Number of employees by sex and type of contract	2019	2020	2021	2022
Total	254	278	292	307
Full-time	244	269	285	302
Men	198	215	225	240
Women	46	54	60	62
Part-time	10	9	7	5
Men	1	1	-	1
Women	9	8	7	4

Staff turnover

2-7, 401-1

Our long-term goal is to keep the ratio of unwanted staff departures permanently low. The ALTEO Group is considered an attractive place to work, as evidenced not only by the number of new employees, but also by the fact that turnover has fallen from 11% to 10% in 2022.

Number of staff members leaving	2019	2020	2021	2022
Men	24	27	21	18
<30	4	1	2	5
30-50	14	17	10	9
50<	6	9	9	4
Women	7	7	10	12
<30	3	1	3	2
30-50	4	6	6	7
50<	-	-	1	3
Total	31	34	31	30

53% of our new male colleagues were between 30-50 years old and therefore had previous work experience, and 54% of our new female colleagues were also in the same age group. At the same time, we also place great emphasis on recruiting and ‘training’ new career starter colleagues, which is reflected in the 25% ratio of new hires under the age of 30.

Number of new hires	2019	2020	2021	2022
Men	34	39	32	38
<30	7	8	7	10
30-50	21	24	19	20
50<	6	7	6	8
Women	18	15	13	13
<30	6	3	4	3
30-50	11	11	8	7
50<	1	1	1	3
Total	52	54	45	51

Training and education 404-1

One of our key values is our professionalism, and wide-spread knowledge and experience. Our trainings includes both mandatory trainings required by law and internal policies for the job (e.g. fire safety qualification, first aid course, boiler technician training, HSE training) and courses built on internal knowledge sharing (e.g. IT, SAP training). In addition, we encouraged our staff to participate in online and face-to-face trainings and professional conferences, as well as continuing professional development through study contracts. During the year, we supported the further professional training of five new colleagues, two of whom successfully obtained their diplomas.

Our trainings were continuously available throughout the year, mostly face-to-face, both in-house and off-site. Our internal knowledge sharing platform, the ALTEO Academy, continues to be very popular and in addition to



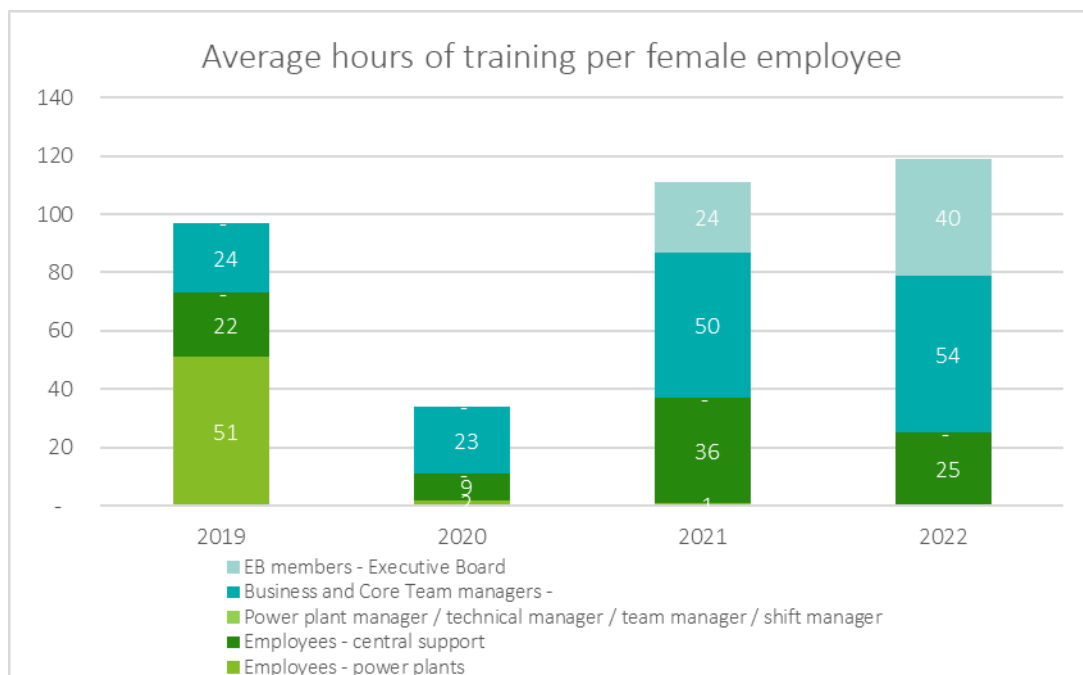
this, we have also focused on mental health sessions and programs, with the long-term aim of promoting a healthy mind and lifestyle.

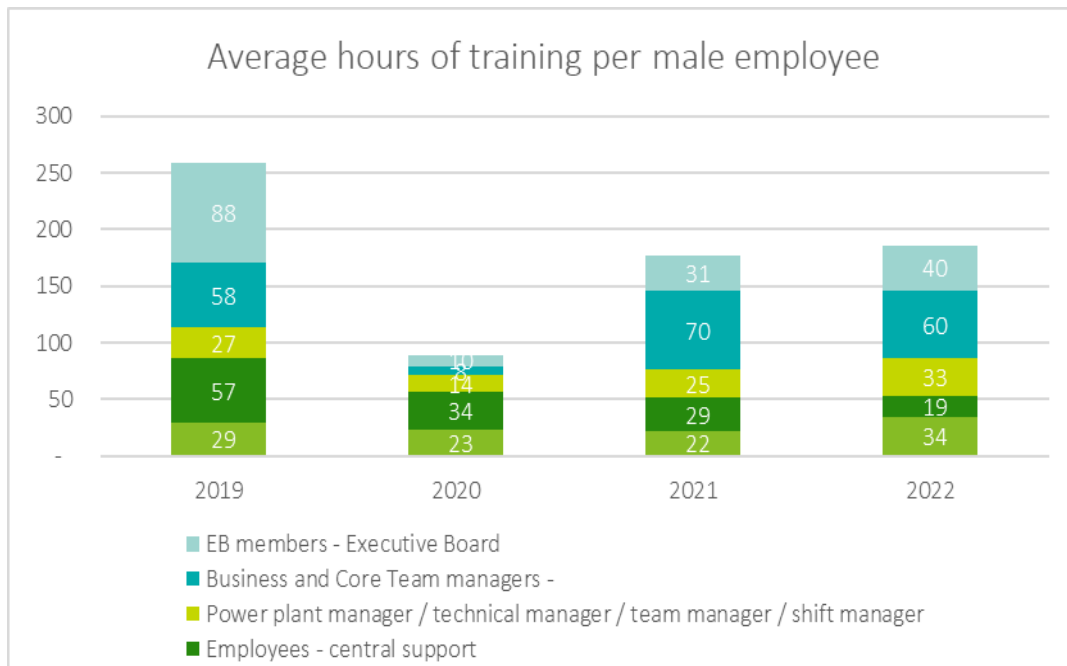
During the year, we continued our core HR-organized competence development training programs on Excel, Office, assertiveness, stress management, change management, project management, time management, with 12 training sessions on nine different topics organized over the year. 9 events were held, and a Leadership Academy was added to the series of events, targeting the members of the management and addressing leadership issues, with 10 different events launched for them.

Our internal mandatory and other developmental training courses are now available to employees on the P2U platform, where new employees can take onboarding training using new interactive, colorful learning materials.

Supporting the development of our management was a key priority in 2022. As part of an executive coaching program, they have undergone a 360-degree assessment, and have been provided with a number of skills development programs. (E.g. management styles, motivation, group dynamics and culture, executive communication).

More than 50% of the training courses planned for 2022 was completed, with an average of 30 hours of training per person, thanks to centrally organized trainings.





5.2 Health and safety

Occupational health and safety

403 (3-3)

We are proud that "Safety 1st" is not only a top priority for ALTEO, but the fruits of years of focused development and preparation are also reflected in our results, with no accidents resulting in lost working day in 2022. This is a truly outstanding result, as our blue-collar workers do jobs with a high risk of work accidents.

It is a fundamental goal in our Integrated Management System (IMS) to reduce HSE risks to a calculated and acceptable level, and to prevent work accidents, fire damage, and environment pollution. Health and safety is treated as part of the IMS, 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 IMS. 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 inclusion 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.

403-1, 403-8 The Occupational Health and Safety Management System (OHSMS) covers every activity and all employees: our own employees and employees working at sites. The OHSMS application is not a statutory obligation, rather ALTEO's own internal objective.

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

Employees may suspend work if they consider a situation dangerous. Employees are informed of the option, and receive training about the use of that system. Dangerous 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 table Number of work accidents). To encourage near-miss accident reporting, we run a quasi-accident competition every year, rewarding the 'applicant' reporting the most near-miss accidents. Management aims for zero work accidents and (related to that) the reporting of all near-miss accidents.

In addition to this, we always rely on the honest opinions of our employees, so in addition to ongoing communication, we have conducted a Sustainability and HSE Culture Survey at ALTEO Group level for the second year. This survey allows us to measure the effectiveness of the measures we have implemented so far and to involve our colleagues in the development process. We use the feedback from the survey to ensure that our processes, tools and requirements are improved year after year.

403-2, 403-7 Our occupational health and safety activities are based on a workplace risk assessment for each site, an OHSMS risk assessment, which forms the basis of our integrated risk assessment and is reviewed annually, and an LMRA assessment of the maintenance activities in accordance with the SCC standard. The outcome of the risk assessment is used to improve our processes, and measures are taken where the risk is higher. 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.

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 IMS procedures. The health and safety officer may participate in the investigation of work accidents and occupational diseases, in equipment commissioning procedures and HSE inspections. The workplace health and safety regulations and information are available to all employees electronically. Employees are informed about changes in rules and procedures through training and other means of communication.

The Director of Sustainability and HSE keeps employees informed about changes in health and safety regulations. The Company has a Parity board in which the employer, the Director of Sustainability and HSE, and employees are also represented.

Health and safety training

403-5

All newly hired employees participate in IMS and HSE trainings. As part of the training, they learn about the operation of the IMS, risk factors, rules of conduct, reporting HSE events, as well as the rules to be followed in case of fire and other emergencies.

This knowledge is updated during annual repeater courses that all employees must attend. (Main topics: usage 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 employees.

Better first aid is a cornerstone of workplace health and safety. To this end, we organize First Aid trainings for our employees every year.

In the interest of 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

403-6

We launched our ALTEOFitt – Wellbeing and Health Program in 2021, as part of which we regularly organize preventive and health promoting activities, and following a demand-based survey, we purchased some massage chairs, stationary bikes and table tennis tables for our sites and central office building in 2022, in order to help promote the health of our employees.

Occupational health

403-3, 403-10

Occupational disease risks are regularly reviewed and risk mitigation measures are assigned to the identified risks. Occupational health and safety risk assessment is carried out with the involvement of an occupational health service provider to assess occupational health and

safety risks, to determine the level of exposure to hazardous materials and thus take risk mitigation measures that are needed. All our employees undergo an occupational health check every year, and our benefits include a Company Care health insurance for all our employees, which serves the well-being of our employees and the maintenance of their health. We continuously monitor the quality of the service, we ask for feedback from the employees in this regard, as a result of which in 2022 we have chosen a new, unified occupational health service provider. None of our employees reported occupational illness in the past four years.

Work accidents

403-9, 403-10

Thanks to the Occupational Health and Safety preventive measures taken by the ALTEO Group, the preparedness of and care taken by our employees, no serious or fatal work accidents occurred in 2022, neither in the case of ALTEO employees, nor in the case of those working on our premises or on our behalf.

ALTEO EMPLOYEES	2019	2020	2021	2022
Number of fatal work accidents	-	-	-	-
Number of serious work accidents	-	-	-	-
Number of notifiable work accidents	-	1	-	-
Number of near-miss accidents	140	119	184	150
Number of hours worked	408.307	468.052	480.423	501.008

NON-ALTEO EMPLOYEES	2019	2020	2021	2022
Number of fatal work accidents	-	-	-	-
Number of serious work accidents	-	-	-	-
Number of notifiable work accidents	-	2	-	-
Number of subcontractors (companies)	312	385	368	275
Number of non-ALTEO staff (headcount of subcontractors)	3.547	4.288	3.546	3.677
Number of hours worked	179.400	247.984	184.392	215.913

ALTEO EMPLOYEES	2019	2020	2021	2022
Fatality rate	-	-	-	-
Serious work accident rate	-	-	-	-
Work accident rate	-	0.427	-	-

NON-ALTEO EMPLOYEES	2019	2020	2021	2022
Fatality rate	-	-	-	-
Serious work accident rate	-	-	-	-
Work accident rate	-	1.613	-	-

5.3 Local communities

In planning and designing our activities we always have an eye on the future just like every other energy industry facilities. Facilities like ours can have an impact on the lives of local communities living in their surroundings even for decades, so we consider it important to represent this approach not only from a technical point of view, but also in our relations with local communities, including municipalities.

The impact of our activity on local communities is primarily economic in nature: we provide jobs for the local population and entrepreneurs, and we pay local taxes. We also stimulate regional infrastructural development and support the work of local organizations through sponsorship.

In District III of Budapest, where our head office is located, in 2022 we joined a unique initiative in which a training was implemented to develop civil, corporate and municipality cooperation. The main mission of the program was to promote local sustainability. The Civil Business School initiated by the Óbuda-Békásmegyer Municipality provided 22 entities with practical knowledge about establishing partnerships with companies and institutions, and at the end of the program, a district portfolio containing thirteen Social and Environmental Services was created. ALTEO also supported the program with corporate best practices and a venue, while during the program we were given an insight into the activities of several NGOs working in the district. For example, our litter collection program in the fall was implemented with the assistance of NGOs and the enthusiastic participation of our employees.

3-3

We continuously strive to minimize the impacts we cause as negative externalities to communities (e.g. emissions, noise, wastewater). For that purpose, we comply with the competent authorities' regulations, and regularly check compliance.

Local communities are our key stakeholders. Whenever we have a new investment or some other projects, a person responsible for the investment or project affecting local communities is appointed at each location and site. This is the project manager during the implementation of the investments, and the facility manager during the operation (e.g. power plant manager). Their responsibilities include developing and running programs at the site that support the development of the local community. Regular school and professional association visits take place at our sites within the framework of those programs. The purpose is to ensure that people know and understand our activity as thoroughly as possible, together with all its possible and actual effects.

2-25

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 actions, and provide feedback to the complainant. There were no complaints made to us in 2022.

An exemplary cooperation of companies committed to sustainability was launched with the CseppetSem program, a nationwide program to collect household used cooking oil. It was initiated by ALTEO, Shell Hungary Zrt. and Biotrans Kft. By the end of 2022, anyone could drop off their used cooking oil in a sealed container or PET bottle at 120 Shell filling stations. 100% of the used oil or grease is turned into biodiesel, for recycling purposes. This way, we also contribute to the education of the local community and help to shift attitudes.



We consider education and attitude shaping as one of the key issues of sustainability, so in 2022 we joined the "Cool Companies" of the Edison Platform, within this initiative we also launched a special Sustainability Award. In 2022 this prize was awarded to the Heroes' Square Foundation. The initiative started with the collaboration of a few private individuals who decided that they wanted to do something against indifference, to make Hungary a more livable and solidarity-based society. The mission of the "school", which has been in operation since 2013, is to enable people to be able and willing to do something, to stand up for each other, so that solidarity and compassion become a social norm.

In addition, we also work in-house to make sustainability an integral part of everyday life. In 2022, we organized our first Sustainability Picnic, where we made ALTEO's middle managers aware of our sustainability goals in an informal way, by organizing a tour by bike and a pleasant vegan picnic. There is no question that managers are responsible for achieving our goals, but it is often not easy to define what role they play in the process and how they can support to their colleagues. Armed with the experience gained during the picnic, they can strengthen the Social Responsibility and ESG approach within the company more easily.

One of the main objectives of our sustainability program (Chapter 1.6) is to make our CSR programs regular, to support our employees and encourage them to participate in more CSR programs. Unfortunately, the development of our detailed CSR plan was not completed in 2022, but this task will be carried forward to 2023. The goal originally set for 2025 to devote a minimum of 500 working hours to participating in volunteer programs on an annual basis has already been achieved in 2022 during the first volunteering days. At the spring event, during the Family Day our employees planted native fruit tree seedlings in schools to compensate for the carbon footprint created, while at the fall program they undertook to clean the banks of the Tisza and the Danube in the framework of the Clean Bank Project, at two locations. While the Greendependent institution helped us organize the spring tree planting, our fall litter collection event was organized with the cooperation the FÁK a Rómain Association, Egy Jó Dolog Association and the Civil Impact Nonprofit Kft., and our employees enthusiastically dedicated hours of volunteering work to the cause.

This year our Christmas partner gift budget was not spent on a tangible gift this year, but instead it was used to alleviate the energy poverty of a selected charity. The Szimbiózis Foundation, which operates a live-in home and assisted housing for people with disabilities, was selected in the form of a tender. Our funds were used to help the foundation to purchase the necessary wood, so its residents could spend the holidays in heated rooms.

Charitable initiatives

In 2022, an office fundraising was initiated and coordinated by the office management. The unwanted, but still usable garments were delivered to the team of the Fővárosi Közterület Fenntartó Vállalat in Budapest.

In 2022, ALTEO also donated to the UNICEF Climate Heroes Sustainability Program. A forum will be created by the young climate Heroes, which will enable young people and decision-makers, professionals and corporate actors in Hungary to exchange ideas about sustainability issues. In addition to financial support, our company contributed to the success of the program with professional events, factory visits, active professional participation, and, as the main prize, an electric scooter and the climate Hero Award.



6 Business performance

6.1 Economic and financial performance

A reference to the Annual Report was used for the first time in the 2021 Integrated Annual Report, in which, instead of repeating economic data, we directed the reader to the data of the accounts prepared in accordance with the International Financial Reporting Standards adopted by the European Union. Please find our detailed IFRS report below.

Our report includes general financial information, our results, a description of the key elements of our accounting policy, it also covers the risks that the ALTEO Group faces, including the risks of industry, environmental regulation, technology and weather dependence.

We are involved in a number of economically relevant value-creating processes, of which investments in activities contributing to climate change mitigation and investments in the development of renewable energy production are the primary ones for our stakeholders.

6.2 Indirect economic impacts

As a company listed on the Budapest Stock Exchange and as one of the dominant players in the Hungarian energy market, we also contribute to the development of the Hungarian economy, both through our activities and through our investments. Hungary is the primary location of our operation. Through our sites and investments, we are present in several regions

of Hungary, and we try to pay special attention to the development of economically disadvantaged areas by creating modern, safe and competitive workplaces.

The ALTEO Group strives not only as an employer, but also as part of the local community to operate responsibly and transparently, to protect and conserve the place in which we all live. We try to procure the services used at our sites from local small and medium-sized enterprises, providing them with long-term predictability.

6.3 Numerical reports / financial statements

Annex 1: Consolidated Annual Report of ALTEO Nyrt. for the Financial Year 2022

7 GRI Index

GRI Index							
Declaration		The Sustainability Report of the ALTEO Group is presented in accordance with the Global Reporting Initiative (GRI) Standards framework, in line with the 2021 requirements of the framework, and covers the period from January 1, 2022 to December 31, 2022.					
GRI 1 taken into consideration		GRI 1: Foundation 2021					
GRI Sector Standard used		No appropriate GRI Sector Standard					
GRI STANDARD/ OTHER SOURCE	Disclosure	Chapter	Page	No requirement(s)	Reason	Explanation	GRI SECTOR STANDARD REF. NO.
General/Comprehensive Disclosures							
GRI General Disclosures, 2021	2-1 Organizational details	1.3 Introduction to ALTEO	page 6				
	2-2 Entities included in the organization's sustainability reporting	1.3 Introduction to ALTEO	page 6				
	2-3 Reporting period, frequency and contact point	2. About the Integrated Report	page 30				
	2-4 Restatements of information	2. About the Integrated Report	page 30				
	2-5 External assurance	2.5 Assurance letter	page 30				
	2-6 Activities, value chain and other business relationships	1.3 Introduction to ALTEO 3.2 Corporate governance 3.3 Compliance 4.1 The future of energy	page 9, page 42, page 47, page 54				
	2-7 Employees	1.3 Introduction to ALTEO 5.1 Our employees	page 6, pages 86-88				
	2-8 Workers who are not employees	5.1 Our employees	page 87				
	2-9 Governance structure and composition	3.2 Corporate governance	page 39				
	2-10 Nomination and selection of the highest governance body	3.2 Corporate governance	page 39				
	2-11 Chair of the highest governance body	3.2 Corporate governance	page 39				
	2-12 Role of the highest governance body in overseeing the management of impacts	3.2 Corporate governance	page 39				
	2-13 Delegation of responsibility for managing impacts	3.2 Corporate governance	page 41				
	2-14 Role of the highest governance body in sustainability reporting	3.2 Corporate governance	pages 40-42				
	2-15 Conflicts of interest	3.3 Compliance	page 48				Conflict of interest is regulated by Section 13.4 of the Articles of Association.
	2-16 Communication of critical concerns	3.3 Compliance	page 47				
	2-17 Collective knowledge of the highest governance body	3.2 Corporate governance	page 41				
	2-18 Evaluation of the performance of the highest governance body	5.1 Our employees	page 82				The performance of the members of the Board of Directors is evaluated in accordance with Chapter 5.1.
	2-19 Remuneration policies	5.1 Our employees	page 84				
	2-20 Process to determine remuneration	5.1 Our employees	page 84				
	2-21 Annual total compensation ratio	5.1 Our employees	page 84				
	2-22 Statement of the highest decision-maker on sustainable development strategy	1.1 Letter from the CEO	page 4				
	2-23 Policy commitments	1.3 Introduction to ALTEO 3.3 Compliance	page 7, pages 45-47 page 52				
	2-24 Embedding policy commitments	3.3 Compliance	page 45, page 49				
	2-25 Processes to remediate negative	5.3 Local communities	page 96				
	2-26 Mechanisms for seeking advice and raising concerns	3.3 Compliance	page 47				
	2-27 Compliance with laws and regulations	3.3 Compliance 4.2 Environmental Compliance	page 48, page 64				No fines or non-pecuniary penalties were levied on ALTEO for non-compliance during the reporting period.
	2-28 Membership associations	1.5 Awards, memberships	page 25				
	2-29 Approach to stakeholder engagement	2.1 Introduction of key stakeholder groups	page 32				
	2-30 Collective bargaining agreements	N/A				Not applicable	As in previous years, ALTEO did not apply a collective bargaining agreement in 2021.

GRI STANDARD/ OTHER SOURCE	Disclosure	Chapter	Page	No requiremen t(s)	Reason	Explanation	GRI SECTOR STANDARD REF. NO.
Material Topics							
GRI 3: Material	3-1 Process to determine material topics	2.2 Materiality assessment	page 33				
	3-2 List of material topics	2.2 Materiality assessment	pages 33-35				
Anti-corruption							
GRI 3: Material topic 2021	205 (3-3) Management of material topics	3.3 Compliance	page 45				
GRI 205	205-3 Confirmed incidents of corruption and actions taken	3.3 Compliance	page 47			No cases of potential corruption came to our knowledge in the reporting period.	
Energy							
GRI 3: Material topic 2021	302 (3-3) Management of material topics	4.1 The future of energy	page 63				
GRI 302	302-1 Energy consumption within the organization	4.1 The future of energy	page 54, page 59 page 63				
Hydropower							
GRI 3: Material topic 2021	303 (3-3) Management of material topics	4.5 Water consumption	page 75				
GRI 303	303-1 Interactions with water	4.5 Water consumption	page 76				
	303-2 Management of water discharge-related impacts	4.5 Water consumption	page 78				
	303-3 Water withdrawal	4.5 Water consumption	page 76				
Biodiversity							
GRI 3: Material topic 2021	304 (3-3) Management of material topics	4.7 Protection of biodiversity	page 81				
GRI 304	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	4.7 Protection of biodiversity	page 82				
	304-2 Significant impacts of activities, products, and services on biodiversity	4.7 Protection of biodiversity	page 82				
Environment							
GRI 3: Material topic 2021	305 (3-3) Management of material topics	4.3 Management of greenhouse gases (GHG)	page 66, page 72				
GRI 305	305-1 Direct (Scope 1) GHG emissions	4.3 Management of greenhouse gases (GHG)	page 66				
	305-2 Energy indirect (Scope 2) GHG emissions	4.3 Management of greenhouse gases (GHG)	page 66				
	305-3 Other indirect (Scope 3) GHG emissions	4.3 Management of greenhouse gases (GHG)	page 67				
	305-4 GHG emissions intensity	4.3 Management of greenhouse gases (GHG)	page 67				
	305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	4.3 Management of greenhouse gases (GHG)	page 70				
Waste							
GRI 3: Material topic 2021	306 (3-3) Management of material topics	4.6 Waste management	page 79				
GRI 306	306-1 Waste generation and significant waste-related impacts	4.6 Waste management	page 79				
	306-2 Management of significant waste-related impacts	4.6 Waste management	page 79				
	306-3 Waste generated	4.6 Waste management	page 80				
Employment							
GRI 401	401-1 New employee hires and employee turnover	5.1 Our employees	page 88				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	5.1 Our employees	page 83				
Labor/Management Relations							
GRI 402	402-1 Minimum notice periods regarding major operational changes in the operation of the organization, and whether such are specified in the collective bargaining agreement	5.1 Our employees	page 86				

GRI STANDARD/ OTHER SOURCE	Disclosure	Chapter	Page	No requirements			GRI SECTOR STANDARD REF. NO.
				Requirement(s)	Reason	Explanation	
Occupational Health and Safety							
GRI 3: Material topic 2021	403 (3-3) Management of material topics	5.2 Health and safety	page 90				
GRI 403	403-1 Occupational health and safety management system	5.2 Health and safety	page 91				
	403-2 Hazard identification, risk assessment, and incident investigation	5.2 Health and safety	page 91				
	403-3 Occupational health services	5.2 Health and safety	page 93				
	403-4 Worker participation, consultation, and communication on occupational health and safety	5.2 Health and safety	page 92				
	403-5 Worker training on occupational health and safety	5.2 Health and safety	page 92				
	403-6 Promotion of worker health	5.2 Health and safety	page 93				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	5.2 Health and safety	page 91				
	403-8 Workers covered by an occupational health and safety management system	5.2 Health and safety	page 91				
	403-9 Work-related injuries	5.2 Health and safety	page 93				
	403-10 Work-related ill health	5.2 Health and safety	page 93			None of employees reported occupational illness to the Company in the past four years. This topic is discussed on page 87 of the 2021 Integrated Report, in section "Promotion of employee health as key priority".	
Training and Education							
GRI 404	404-1 Average hours of training per year per employee	5.1 Our employees	page 89				
Customer Privacy							
GRI 3: Material topic 2021	418 (3-3) Management of material topics	3.3 Compliance	page 49				
GRI 418	418-1 Protection of personal data, number of complaints	3.3 Compliance	page 49				
Indicators outside the GRI Standard							
EU1	Installed electrical capacity	4.1 The future of energy	page 55, page 58				
EU2	Volume of heat energy produced / Amount of electricity produced	4.1 The future of energy	page 56, page 58				
EU5	Allocated CO2e emissions allowances broken down by carbon trading framework	4.1 The future of energy	page 66				
EU11	System efficiency - Efficiency	4.1 The future of energy	page 61				
EU30	Availability	4.1 The future of energy	page 62				
ALTEO-1	Investments in activities contributing to climate change mitigation	4.4 Climate change	page 74				
ALTEO-2	Innovation aimed at product and service improvement	3.1 Corporate strategy and business model	page 39			See the Financial Report for the indicator.	
ALTEO-3	The total amount invested in renewables and the volume of energy produced from renewables	4.4 Climate change	page 75				
G4 DMA Vkez.	Disaster management / Process safety	4.2 Environmental compliance	pages 64-65				
G4 DMA Redelk	Availability	4.1 The future of energy	page 62				

8 Disclosures proposed by TCFD

Corporate governance	Disclosure of climate-related risks and opportunities for corporate governance.
a) Board supervision of climate-related risks and opportunities.	ALTEO's Board of Directors supervises the Group's climate strategy, sustainability objectives and climate-related risks. The Company's Green Committee is the highest-level internal forum that, as the CEO's advisory body, deals with sustainability-related issues. The primary objective of the Green Committee, which meets quarterly, is to prepare and implement the Company's sustainability strategy and sustainability efforts at Company level. The committee is composed of supervisory board members, senior executives (CEO and Deputy CEO in charge of sustainability and circular economy) and experts, and it monitors and approves corporate policies and long-term objectives related to sustainable development, monitors compliance with the green financing framework, and ensures that the ESG approach and climate risks are kept on the agenda. For more information on the Green Committee, see page 35 of this report.
(b) The role of Management in assessing and managing climate-related risks and opportunities.	During the management review, convened once a year by the CEO, managers review and monitor the fulfillment of the tasks set out in the Sustainability strategy, programs, and, if necessary, define new tasks. This includes the annual Climate Risk Review. For more information on the role of the Executive Board, see pages 35 and 36 of this report.
Strategy	The actual and potential impacts of climate-related risks and opportunities on the entity's business, strategy and financial planning, where such information is relevant.
(a) A description of the risks and opportunities related to climate change identified by the entity in the short, medium and long term.	ALTEO considers climate change issues among the main priorities of the entity, therefore, in 2022, the Group prepared a climate scenario analysis in accordance with the TCFD recommendation, for the result of which see pages 69 and 70 of this report.
(b) The impact of climate-related risks and opportunities on the entity's business, strategy and financial planning.	Based on the results of the climate scenario analysis, the Company's strategic objectives are determined, and are subject to continuous monitoring and management in accordance with the risk management process. These risks are reviewed on an annual basis.
(c) The resilience of the entity's strategy, taking into consideration a description of the various climate change scenarios, including a 2 °C or lower scenario.	In the climate scenario analysis, 1.5 °C and 4 °C scenarios were considered. For detailed descriptions of both, please see pages 67 and 68 of this report.
Risk management	Disclosure of how the entity identifies, evaluates and manages climate-related risks.
(a) The entity's processes for identifying and assessing climate-related risks.	Risks were identified in accordance with ALTEO's risk analysis methodology. The impact and probability of a given risk occurring are assessed on a three-step scale. For more details on risk assessment, please see pages 51 of this report.

(b) The entity's processes for the management of climate-related risks.	In 2023, to quantify the exact financial impact, ALTEO will incorporate climate change risks and opportunities into its corporate risk management processes.
(c) A description of the integration of processes to identify, assess and manage climate-related risks into the overall risk management of the entity.	
Metrics and targets	Disclosure of metrics and targets used to assess and manage climate-related risks and opportunities, where such information is relevant.
(a) The metrics used to assess climate-related risks and opportunities in accordance with the strategy and risk management process.	In 2023, to quantify the exact financial impact, ALTEO will incorporate climate change risks and opportunities into its corporate risk management processes.
(b) Scope1, Scope2, and, where applicable, Scope3 greenhouse gas emissions and associated risks.	For a detailed report on Scope 1, Scope 2, and Scope 3 emissions, please see pages 61 to 62 of this report.
(c) Metrics used to address climate-related risks and opportunities, including the use of scientifically based metrics and performance against those objectives.	During the year 2022, emission reduction metrics were defined by the Group, which are listed on page 23 of this report. ALTEO has also committed to setting scientifically sound (SBTi) GHG emission reduction targets by 2024.

9 EU taxonomy report

With the adoption of the **EU Taxonomy Regulation**²⁵ in 2020, large companies will be required to disclose the extent to which their activities are considered sustainable from 2023 onwards.

Activities that are considered sustainable, i.e. “Taxonomy-aligned” and “eligible” within the meaning in which it is used by the law, must be defined according to the classification system of the EU Taxonomy Regulation (or its delegated regulations).

Article 3 of Regulation (EU) 2020/852 defines the criteria by which an economic activity can be considered sustainable:

- contributes substantially to one of the six environmental objectives,
- complies with the technical screening criteria (TSC) for the activities,
- it does not significantly harm (DNSH) any of the other five objectives,
- it complies with the Minimum Social Safeguards required (MSS).

If the activity meets the above criteria, it is considered “taxonomy-aligned”.

We also examined the reporting elements of the Commission Delegated Regulation (EU) 2022/1214 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities and concluded that there is no added value yet in supplementing our report with these content elements because ALTEO does not carry out activities related to nuclear energy production, and in the case of fossil fuel operated power plants, life-cycle emissions are not yet close to the values specified in the additional regulation.

9.1 Eligibility screening

We examined the main areas of activity of ALTEO at the group level, and classified the activities that could potentially be taxonomy-eligible or taxonomy-aligned. In the course of that study, apart from ALTEO’s activities related to energy storage and material recovery, all of the Company’s activities were deemed taxonomy-aligned.

9.2 Alignment screening

According to the evaluation logic of the EU taxonomy, alignment screening was carried out in three steps. First, compliance with the technical screening criteria (TSC) was assessed, and then, after screening according to the activity related DNSH, compliance with minimum safeguards (MMS) was assessed at the group level and at the level of the activity as well.

Examination of technical screening criteria (TSC)

The selected activities were examined from a TSC perspective on the basis of relevant technical documentation.

Does not significantly harm

Activities that met the technical screening criteria were also examined for the other DNSH criteria.

²⁵ 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 – <https://eur-lex.europa.eu/legal-content/HU/TXT/HTML/?uri=CELEX:32020R0852&from=EN>

Climate change mitigation

There is no adaptation activity for ALTEO, so as far as climate change mitigation is concerned, there was no need to examine the criteria for avoiding significant harm.

Climate change adaptation

The adaptation criteria are set out in Annex A. A detailed assessment was carried out to support the compliance of the activities.

Annex A screening (i.e. compliance with climate change adaptation requirements) covered all eligible activities.

To carry out the climate risk assessment, we used the resources of the IPCC (Intergovernmental Panel on Climate Change) and the EEA (European Environment Agency) in our assessment. In addition, the European Climate Adaptation Platform (Climate-ADAPT) database was used to select the relevant climate risks. We have considered all relevant key future climate risks that are relevant in Hungary according to the Climate-ADAPT database.

Sustainable use and protection of water and marine resources

During the assessment of compliance with Annex B, the operating and environmental permits were reviewed.

Transition to a circular economy

In the case of transition to a circular economy, although the waste management services related to the activities are not yet available in Hungary (material recovery of solar power plant and wind turbine accessories), according to the technical data of all relevant activities, it complies with the requirement. Until proper material recovery is ensured in our country, we will ensure storage of the disassembled elements in the appropriate manner.

Prevention and reduction of environmental pollution

During the verification of compliance under Annex C, operating and environmental permits have been reviewed.

Protection and restoration of biodiversity and ecosystems

During the verification of compliance under Annex D, operating and environmental permits have been reviewed.

Compliance with Minimum Safeguards (MSS)

ALTEO is committed to respecting human rights and complies with the UN Business and Human Rights guidelines and the OECD guidelines for multinational enterprises. ALTEO is a listed company with a strict corporate governance system that ensures compliance with the requirements related to human rights, corruption, taxation and competition law stipulated in the guidelines related to minimum social safeguards. In drafting the taxonomy report, compliance with all criteria was examined separately at Group level, and their MSS risk was considered for each activity. The ALTEO group meets all criteria at the enterprise level and no MSS risk was identified for any of its activities subject to the Taxonomy. Further relevant information related to MSS at the company level is available in ALTEO's disclosures related to Ethics and Compliance.

9.3 Additional information on indicators

In accordance with the requirements of the EU Taxonomy regulation, we have calculated the proportion of our Company's so-called taxonomy-aligned and taxonomy-eligible activities in terms of the revenues and all of the Company's activities in terms of "CAPEX" and "OPEX" expenditures.

Revenues from taxonomy-aligned and taxonomy-eligible activities

The proportion of the sales revenue from taxonomy-aligned and taxonomy-eligible activities was quantified by taking into account the net revenue from products or services, including from intangible assets. For electricity generation activities, sales revenue is determined based on the method of generation. The proportion of Taxonomy-aligned sales revenue was calculated based on the electricity sold to MAVIR and the guarantee of origin sold to third parties in the case of activities related to energy production, while the activity related to the installation of electric vehicle charging stations is a separate business within ALTEO, and as such the sales revenue statement as well as the sales revenue data of the waste management business were available.

CAPEX ratio of taxonomy-aligned activities

In the case of taxonomy-aligned activities, direct CAPEX costs were taken into account, which does not include the costs of central management activities and maintenance of central office buildings. CAPEX costs for taxonomy-aligned activities consist of property, plant and equipment.

ALTEO's taxonomy-aligned CAPEX activities are all aimed at mitigating climate change. There are currently no other activities that serve other Taxonomy goals.

OPEX ratio of taxonomy-aligned and taxonomy-eligible activities

In the case of taxonomy-aligned electricity generation, the direct costs of the relevant power plants were taken into account, including primarily, but not exclusively, costs related to operation and management, possible insurance costs and non-income tax type charges. The activity related to the installation of electric vehicle charging stations and waste management are performed as separate businesses within ALTEO, and as such cost statements were available.

Template: Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

Economic activities (1)	Codes (2)	Absolute turnover (3) mHUF	Proportion of turnover (4) %	Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)						Minimum safeguards (17) Y/N	Taxonomy-aligned proportion of turnover, year N (18) Percent	Taxonomy-aligned proportion of turnover, year N-1 (19) Percent	Category (enabling activity or) (20) E	Category '(transitional activity)' (21) T		
				Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystem (10) %	Climate change mitigation (11) Y/N	Climate change adaptation (12) Y/N	Water and marine resources (13) Y/N	Circular economy (14) Y/N	Pollution (15) Y/N	Biodiversity and ecosystem (16) Y/N							
				%	%	%	%	%	%	Y	Y	Y	Y	Y	Y							
A. TAXONOMY-ELIGIBLE ACTIVITIES																						
A.1. Environmentally sustainable activities (Taxonomy-aligned)																						
Electricity generation using solar photovoltaic technology	4.1 (Annex I) / D35.11	1,097.7	1.1%	100%								Y			Y	Y	1.1%	NA				
Electricity generation from wind power	4.3 (Annex I) / D35.11	3,276.5	3.2%	100%								Y	Y	Y	Y	Y	3.2%	NA				
Electricity generation from hydropower	4.5 (Annex I) / D35.11	513.1	0.5%	100%								Y	Y		Y	Y	0.5%	NA				
Collection and transport of non-hazardous waste in source segregated fractions	5.5 (Annex I) / E38.11	418.5	0.4%	100%								Y					0.4%	NA				
Landfill gas capture and utilisation	5.10 (Annex I) / E38.21	275.2	0.3%	100%								Y			Y		0.3%	NA				
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to)	7.4 (Annex I) / F43.1.1	171.2	0.2%	100%								Y					0.2%	NA				
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		5,752.3	5.6%														5.6%	NA				
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																						
Storage of electricity	4.10 (Annex I) / NA	1,594.9	1.5%														1.5%	NA				
Material recovery from non-hazardous waste	5.9 (Annex I) / E38.32	28.0	0.0%														0.0%	NA				
Turnover of Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		1,622.9	2%																			
Total (A.1 + A.2)		7,375.2	7.2%																			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																						
Turnover of Taxonomy-non-eligible activities (B)		95,651.9	92.8%																			
Total (A + B)		103,027.1	100%																			

Template: Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

Economic activities (1)	Codes (2)	Absolute OpEx (3) mHUF	Proportion of OpEx (4) %	Substantial contribution criteria							DNSH criteria (Does Not Significantly Harm)					Minimums brochure (17) Y/N	Taxonomy-aligned proportion of OpEx, year N (18) Percent	Taxonomy-aligned proportion of OpEx, year N-1 (19) Percent	Category (enabling activity) (20) E	Category ('transitional activity') (21) T		
				Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystem (10) %	Climate change mitigation (11) Y/N	Climate change adaptation (12) Y/N	Water and marine resources (13) Y/N	Circular economy (14) Y/N	Pollution (15) Y/N	Biodiversity and ecosystem (16) Y/N							
A. TAXONOMY-ELIGIBLE ACTIVITIES																						
A.1. Environmentally sustainable activities (Taxonomy-aligned)																						
Electricity generation using solar photovoltaic technology	4.1 (Annex I) / D35.11	187.4	0.3%	100%								Y		Y		Y	Y	0.3%	NA			
Electricity generation from wind power	4.3 (Annex I) / D35.11	642.9	0.9%	100%								Y	Y	Y		Y		0.9%	NA			
Electricity generation from hydropower	4.5 (Annex I) / D35.11	47.8	0.1%	100%								Y	Y			Y		0.1%	NA			
Collection and transport of non-hazardous waste in source segregated fractions	5.5 (Annex I) / E38.11	346.3	0.5%	100%								Y						0.5%	NA			
Landfill gas capture and utilisation	5.10 (Annex I) / E38.21	88.5	0.1%	100%								Y			Y			0.1%	NA			
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4 (Annex I) / F43.1.1	174.3	0.3%	100%								Y						0.3%	NA			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		1,487.3	2.2%															2.2%	NA			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																						
Storage of electricity	4.10 (Annex I) / NA	21.9	0.0%																			
Material recovery from non-hazardous waste	5.9 (Annex I) / E38.32	52.5	0.1%																			
OpEx of Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		74.4	0%																			
Total (A.1 + A.2)		1,561.7	2.3%																			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																						
OpEx of Taxonomy-non-eligible activities (B)		68,887.1	97.8%																			
Total (A + B)		70,448.8	100%																			

Template: Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

Economic activities (1)	Codes (2)	Absolute CapEx (3) mHUF	Proportion of CapEx (4) %	Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm')						Minimum safeguards (17) Y/N	Taxonomy-aligned proportion of CapEx, year N (18) Percent	Taxonomy-aligned proportion of CapEx, year N-1 (19) Percent	Category (enabling activity or) (20) E	Category '(transitional activity)' (21) T	
				Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystem (10) %	Climate change mitigation (11) Y/N	Climate change adaptation (12) Y/N	Water and marine resources (13) Y/N	Circular economy (14) Y/N	Pollution (15) Y/N	Biodiversity and ecosystem (16) Y/N						
A. TAXONOMY-ELIGIBLE ACTIVITIES																					
A.1. Environmentally sustainable activities (Taxonomy-aligned)																					
Electricity generation using solar photovoltaic technology	4.1 (Annex D) / D35.11	737.1	11.5%	100%								Y		Y		Y	Y	11.5%	NA		
Electricity generation from wind power	4.3 (Annex D) / D35.11	276.2	4.3%	100%								Y	Y	Y		Y	Y	4.3%	NA		
Electricity generation from hydropower	4.5 (Annex D) / D35.11	91.4	1.4%	100%								Y	Y			Y	Y	1.4%	NA		
Landfill gas capture and utilisation	5.10 (Annex I) / E38.21	15.0	0.2%	100%								Y				Y	Y	0.2%	NA		
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		1,119.8	17.5%															17.5%	NA		
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)																					
CapEx of Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		-	0%																		
Total (A.1 + A.2)		1,119.8	17.5%																		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																					
CapEx of Taxonomy-non-eligible activities (B)		5,291.1	82.5%																		
Total (A + B)		6,410.9	100%																		

10 Integrated report glossary

Ács Wind Turbine	the wind turbine with the nominal capacity of 2 MW owned by EGE, located in the area of Ács, that sells the generated electricity and electricity capacity on the electricity market and on the MAVIR ancillary services market with the help of the Virtual Power Plant. The wind farms are 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; 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; company registration number: Cg. 01-09-998498);
ALTEO Energiakereskedő	ALTEO Energiakereskedő Zártkörűen Működő Részvénytársaság, fully owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12; company registration number: Cg. 01-10-047253);
ALTEO ESOP Organization	ALTEO Employee Share Ownership Program Organization (registration number: 01-05-0000133);
ALTEO Group	the Company and the Subsidiaries together;
ALTEO or Company	ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság (registered office: H-1033 Budapest, Kórház utca 6-12; 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; company registration number: Cg. 01-09-906261);
ALTEO-Therm	ALTEO-Therm Korlátolt Felelősségű Társaság (formerly Győri Erőmű Kft.), fully owned by the Company (registered office: H-1033, Kórház utca 6-12; company registration number: Cg. 01-10-047253);
Articles of Association	the Articles of Association of the Company effective as of November 7, 2022, in a consolidated structure with amendments;
Audit Committee	the Company's Audit Committee
Audit Committee Rules of Procedure	rules of procedures of the Company's Audit Committee effective from March 24, 2017;
Balatonberény Solar Power Plant	the solar power plant owned by SUNTEO, located in the Balatonberény area and implemented by the ALTEO Group with an installed nominal capacity of nearly 6.2 MW, which will sell the generated electricity to MAVIR under the KÁT system no later than until April 30, 2044 or until the generation of the authorized quantity. The power plant is operated by ALTEO's own specialists.
Bőny Wind Turbine	the 25 MW wind turbine, owned by EURO GREEN ENERGY and located in the area of Bőny and Bábolna, which will sell the generated electricity to MAVIR under the KÁT system, until January 31, 2023 at the latest or until the generation of the authorized quantity.

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);
Debrecen I.	a small-scale power plant owned by ALTEO-Deponia, located at the Debrecen landfill site, generating electricity from the landfill gas generated at the site. The small-scale power plant has an installed nominal capacity of 639 kW. 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.	a small-scale power plant owned by ALTEO-Deponia, located at the Debrecen landfill site, generating electricity from the landfill gas generated at the site. The small-scale power plant has an installed nominal capacity of 499 kW. The small-scale power plant sells generated electric power to MAVIR under the KÁT system, and will do so 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 Naperőmű Korlátolt Felelősségű Társaság, fully owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12; company registration number: Cg. 01-09-278226);
Domaszék Solar Power Plant	the solar power plant owned by Domaszék, located in Domaszék, with an installed nominal capacity of nearly 2 MW, which sells the generated electricity to MAVIR within the framework of the KÁT system no later than until September 2042 or until the generation of the authorized KÁT quantity. The power plant is operated by ALTEO's own specialists.
ECO-FIRST	ECO-FIRST Hulladék Kereskedelmi Korlátolt Felelősségű Társaság, 66% of which is owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12; company registration number: Cg. 01-09-344380);
EDELYN SOLAR	EDELYN SOLAR Korlátolt Felelősségű Társaság, fully owned by the Company (registered office: H-1033 Budapest, Kórház utca 6-12; company registration number: Cg. 13-09-218939);
EFET	European Federation of Energy Traders;
EU ETS	The European Union's trading system for emission permits (<i>EU Emissions Trading Scheme</i>);
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.; 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.; company registration number: Cg. 01-09-733622), which merged into EURO GREEN ENERGY as of July 1, 2022 (date of legal succession);
FE-GROUP	FE-GROUP INVEST Vagyonkezelő, Tanácsadó és Nagykereskedelmi Zártkörűen Működő Részvénytársaság, 75.1% of which is owned by the Company (registered office: H-1108 Budapest, Sírkert utca 2-4; company registration number: Cg. 01-10-043873);

Felsődobsza Hydropower plant	the relevant energy-generation assets and installations of this hydropower plant operating on the Hernád River (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 0.948 MW. Sinergy sells electricity generated through the operation of the hydropower plant to MAVIR under the KÁT regime, and will do so 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, Budapest	the heating power plant owned by ALTEO-Therm and located in the area of Budapest, which cogenerates heat and electricity, sells heat to the local district heating provider at the price according to the Price regulation, until May 31, 2030. The power plant's installed electricity generation capacity is 18.1 MW, its installed thermal capacity is 16.5 MW. 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 Hernád River (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 0.98 MW. The hydropower plant holds a green premium entitlement within the METÁR system. The power plant is operated by ALTEO's own specialists.
HUF or forint	the Hungarian forint, the legal tender of Hungary;
Price Decree	Decree No. 50/2011 (XI. 30.) of the Minister of National Development determining the price of distance heating sold to distance heating suppliers, and the fee for distance heating supply for household users and institutions handled separately;
Small-scale landfill gas power plants in Debrecen	Debrecen I and Debrecen II. small-scale power plants that produce electricity from the landfill gas generated at the Debrecen landfill site.
Supervisory Board	the Company's Supervisory Board
Supervisory Board Rules of Procedures	rules of procedures of the Company's Supervisory Board effective from March 26, 2010;