

Deloitte.



Second Party Opinion

ALTEO Energiaszolgáltató Nyrt.
Green Financing Framework
March 1, 2023



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Scope of the Second Party Opinion

Deloitte Üzletviteli és Vezetési Tanácsadó Zártkörűen Működő Részvénytársaság (Deloitte Zrt.) (“Deloitte”) has been engaged to provide a Second Party Opinion on the Green Financing Framework of ALTEO Energiaszolgáltató Nyrt. (“ALTEO”) as follows:



Subject of the Second Party Opinion

Version 1.0 of the ALTEO Green Financing Framework, effective from March 1, 2023.



Aim of the Second Party Opinion

To prepare a Second Party Opinion in accordance with the Guidelines for Green, Social and Sustainability Bonds External Reviews¹ of the International Capital Market Association (ICMA) and the Guidance for Green, Social, and Sustainability-Linked Loans External Reviews² of the Loan Market Association (LMA). Purpose of the review:

- **Part A:**
Assessment of the alignment of the Green Financing Framework with the four core components of the International Capital Market Association’s (ICMA) Green Bond Principles³ (2021, with June 2022 Appendix 1, “GBP”)⁴
- **Part B:**
Assessment of the alignment of the Green Financing Framework with the definition of Green Bond in the ICMA’s Green Bond Principles 2021.
- **Part C:**
Assessment of the alignment of the Green Financing Framework with the four core components of the Loan Market Association’s (“LMA”) Green Loan Principles⁵ (2021, “GLP”),⁶
- **Part D:**
Assessment of the alignment of the Green Financing Framework with the definition of Green Loan in the LMA’s Green Loan Principles 2021.

¹ https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/External-Review-Guidelines_June-2022-280622.pdf

² https://www.lma.eu.com/application/files/7516/4623/8848/Guidance_for_Green_Social_and_Sustainability-Linked_Loans_External_Reviews.pdf

³ The ICMA Green Bond Principles document is commonly referred to in several translations in Hungarian (e.g. Green Bond Principles, Green Bond Standards). We understand that the Framework uses the Green Bond Principles translation.

⁴ https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles_June-2022-280622.pdf

⁵ The LMA Green Loan Principles document is commonly referred to in several translations in Hungarian (e.g. Green Loan Principles, Green Loan Standards). We understand that the Framework uses the Green Loan Principles translation.

⁶ https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/LMA_Green_Loan_Principles_Booklet-220318.pdf



Relevant standards

- Guidelines for Green, Social and Sustainability Bonds External Reviews of the International Capital Market Association (ICMA),
- Green Bond Principles (2021, with June 2022 Appendix 1) of the International Capital Market Association (ICMA) (hereinafter the “ICMA GBP”),
- The Guidance for Green, Social, and Sustainability-Linked Loans External Reviews of the Loan Market Association (LMA), the Green Loan Principles (2021) of the Loan Market Association (LMA), hereinafter the “LMA GLP”.



Scope

In relation to ALTEO's Green Financing Framework and the referenced documents (effective as of March 1, 2023, see Appendix 2, Scope of application – List of referenced documents), this document does not cover future or updated versions of the applicable standards, the ICMA Guidelines for Green, Social and Sustainability Bonds External Reviews (hereinafter the ICMA Guidelines for External Reviews) and the LMA Guidance for Green, Social, and Sustainability-Linked Loans External Reviews (hereinafter the LMA Guidelines for External Reviews), or any amendments or subsequent reissues of the Green Financing Framework.

Executive Summary

Our responsibility

Independent conclusions are drawn by Deloitte regarding the Green Financing Framework based on the criteria set out in its procedures for providing a Second Party Opinion and the criteria set out in the ICMA and LMA Guidelines for External Reviews. ALTEO's management is responsible for preparing the Green Financing Framework.

The Second Party Opinion was given by members of Deloitte's Sustainability and Climate Change team.

Our procedures are designed and implemented to provide a Second Party Opinion on the alignment of ALTEO's Green Financing Framework with the criteria in ICMA's Green Bond Principles and LMA's Green Loan Principles. Our conclusions are to be interpreted in conjunction with the Restrictions section of this document.

In performing review, we applied Deloitte's quality control standards and complied with the independence and other ethical criteria set out in the Code of Ethics of the International Ethics Standards Board for Accountants (IESBA).

Our methodology⁷

Second party opinion procedures are conducted by Deloitte based on ICMA's Guidelines for Green, Social and Sustainability Bonds External Reviews and LMA's Guidance for Green, Social, and Sustainability-Linked Loans External Reviews.

The Second Party Opinion is composed of four parts (Part A, Part B, Part C and Part D), which assess the alignment of the Green Financing Framework with the selected applicable standards described:

Part A: Assessment of alignment with the four core components of the ICMA's Green Bond Principles 2021;

Part B: Assessment of alignment with the definition of Green Bond in the ICMA's Green Bond Principles 2021;

Part C: Assessment of alignment with the four core components of the LMA's Green Loan Principles 2021;

Part D: Assessment of alignment with the definition of Green Loan in the LMA's Green Loan Principles 2021.

As part of the Second Party Opinion, Deloitte determines whether ALTEO's Green Financing Framework is aligned with the core components of the ICMA GBP and the LMA GLP. Deloitte does not provide a second party opinion in the case of partial alignment⁸. If our review does not identify any deviations from any of the mandatory criteria required by the ICMA GBP and the LMA GLP, the Second Party Opinion on alignment is issued.

⁷ For our detailed methodology, see Appendix 3 – Detailed Methodology

⁸ For detailed explanation see the Restrictions section.

General Observations

Based on the review of ALTEO's Green Financing Framework, we have found the following:

General Observations
ALTEO's Green Financing Framework is aligned with the mandatory criteria for green bonds set out in the ICMA's Green Bond Principles 2021 and for green loans set out in the LMA's Green Loan Principles 2021. Please note that the Framework does not meet all the criteria set out in the GBP and LMA GLP non-binding proposals. The latter does not affect the issuing of the Second Party Opinion on alignment with the ICMA GBP and LMA GLP.

Summary of the Second Party Opinion⁹

During the review of ALTEO's Green Financing Framework, we have found the following:

Part A

ICMA GBP component	Finding	Justification of the finding
Use of Proceeds	Aligned	The Use of Proceeds chapter of the Framework is aligned with the criteria required by the ICMA GBP. The use of proceeds and their expected environmental benefits are clearly defined, and the eligible green project category is aligned with the ICMA GBP.
Process for Project Evaluation and Selection	Aligned	The Process for Project Evaluation and Selection chapter of the Framework is aligned with the criteria required by the ICMA GBP. The Process for Project Evaluation and Selection chapter of the Framework clearly describes the objectives of the investments financed and refinanced with the proceeds from green bonds.
Management of Proceeds	Aligned	The Management of Proceeds chapter of the Framework is aligned with the criteria required by the ICMA GBP. The management of proceeds is clearly described in the Framework. The proceeds from green bonds are recorded separately by the Company as required by the ICMA GBP.
Reporting	Aligned	The Reporting chapter of the Framework is aligned with the criteria required by the ICMA GBP. The Framework clearly defines the form and frequency of reporting on the allocation of the use of proceeds, and those of impact assessment reporting.

⁹ Please read the Second Party Opinion section of this document for our conclusions on the alignment of the Framework with the ICMA GBP and the LMA GLP.

Part B

ICMA GBP component	Finding	Justification of the finding
Green Bond Definition	Aligned	<p>The definition of green bond stipulated in the Framework is aligned with the definition of green bond in the ICMA GBP. The term green bond is used in the Framework as defined by the ICMA GBP, i.e. green bonds are any type of bond instrument where the proceeds or an equivalent amount will be exclusively applied by the Company to finance or refinance eligible projects and which are aligned with the criteria set out in the Green Financing Framework.</p> <p>Green bonds must be aligned with the four core components of the ICMA GBP. Green bonds cannot be considered interchangeable with bonds that are not aligned with the four core components of the ICMA GBP.</p>

Part C

LMA GLP component	Finding	Justification of the finding
Use of Proceeds	Aligned	<p>The Use of Proceeds chapter of the Framework is aligned with the criteria required by the LMA GLP. The use of proceeds and their expected environmental benefits are clearly defined, and the eligible green project category is aligned with the LMA GLP.</p>
Process for Project Evaluation and Selection	Aligned	<p>The Process for Project Evaluation and Selection chapter of the Framework is aligned with the criteria required by the LMA GLP. The Process for Project Evaluation and Selection chapter of the Framework clearly describes the objectives and expected environmental benefits of the investments financed and refinanced with proceeds from green loans.</p>
Management of Proceeds	Aligned	<p>The Management of Proceeds chapter of the Framework is aligned with the criteria required by the LMA GLP. The management of proceeds is clearly described in the Framework. The proceeds from green loans are recorded separately by the borrower, as required by the LMA GLP, in order to maintain transparency. If the green loan represents one or more tranches of a loan facility, the borrower clearly specifies the proceeds from green loans, treats these loans separately from the rest of the loan facility, and tracks them appropriately.</p>
Reporting	Aligned	<p>The Reporting chapter of the Framework is aligned with the criteria required by the LMA GLP. The Framework clearly defines the form and frequency of reporting on the allocation of the use of proceeds, and those of impact assessment reporting. Information on the management of proceeds must be easily accessible and up-to-date until the loan</p>

transaction is drawn down in full and, if necessary, thereafter in the event of material changes.

Part D





LMA GLP component	Finding	Justification of the finding
Green Loan Definition	Aligned	<p>The definition of green loan given in the Framework is aligned with the LMA GLP definition of green loan. Green loans are any type of loan instrument where the proceeds or an equivalent amount will be exclusively applied by the borrower to finance or refinance eligible projects and which are aligned with the criteria set out in the Green Financing Framework. Green loans must be aligned with the four core components of the LMA GLP. Green loans cannot be considered interchangeable with loans that are not aligned with the four core components of the LMA GLP.</p> <p>Revolving loans can be categorized as green loans under the LMA GLP if the use of their proceeds is sufficiently identifiable and meets the requirements of Appendix 4 of the LMA GLP.</p>

Second Party Opinion

To the management of ALTEO:

ALTEO has prepared the Green Financing Framework, under which it intends to finance or refinance green projects in whole or in part. ALTEO has engaged Deloitte to provide a Second Party Opinion on the alignment of the Green Financing Framework with the four core components of the ICMA’s Green Bond Principles (2021, with June 2022 Appendix 1, “GBP”) and with the four core components of the LMA’s Green Loan Principles (2021, “GLP”). Our external review work was carried out in accordance with the ICMA Guidelines for External Reviews and the LMA Guidelines for External Reviews, as detailed in the Our Methodology, Our Responsibility and Restrictions sections of this document.

In summary, based on the documents provided by ALTEO and described above, no information has come to our attention that causes us to believe that the Green Financing Framework is not aligned in all material respects with the four core components of the ICMA GBP and the LMA GLP or with the ICMA GBP definition of green bond or the LMA GLP definition of green loan.

Second Party Opinion		Alignment
Part A		<i>We are not aware of any information that would lead us to believe that the Green Financing Framework is not aligned in all material respects with the mandatory criteria of the ICMA’s Green Bond Principles 2021.</i>
Part B		<i>We are not aware of any information that would lead us to believe that the Green Financing Framework is not aligned in all material respects with the definition of green bond as per the ICMA’s Green Bond Principles 2021.</i>
Part C		<i>We are not aware of any information that would lead us to believe that the Green Financing Framework is not aligned in all material respects with the mandatory criteria of the LMA’s Green Loan Principles 2021.</i>
Part D		<i>We are not aware of any information that would lead us to believe that the Green Financing Framework is not aligned in all material respects with the definition of green loan as per the LMA’s Green Loan Principles 2021.</i>

Alastair Teare
Partner, Member of the Board of Directors

Zoltán Szöllősi
Partner, Member of the Board of Directors

Budapest, March 1, 2023

Second Party Opinion

The following external review is to be read in conjunction with ALTEO’s Green Financing Framework and the related documentation, as described in Appendix 2 – Scope of Application – List of Referenced Documents.



Part A

Assessment of the Alignment with the ICMA’s Green Bond Principles 2021

The purpose of the Framework is to define in a transparent manner what is considered a green bond and what the objectives of green bond issuance are. A key guideline of the document is the ICMA’s Green Bond Principles issued in 2021.

The Framework has 10 chapters. Chapter 1 is the Executive Summary, which describes the purpose of the Framework and summarizes the other elements of the document. Chapter 2 is the introduction which presents ALTEO's mission, its commitment to sustainable financing, and the interpretation of the ICMA GBP green bond definition and the LMA GLP green loan definition. Chapter 3 sets out ALTEO's sustainability objectives. Chapter 4 describes the scope of the Company's activities and the five pillars of its sustainability strategy. Chapter 5 contains a detailed description of the use of proceeds and a list of the activities eligible for financing. Chapter 6 describes the steps of project evaluation and selection, the process of classification into the green category, for which the ALTEO Green Committee is responsible, while Chapter 7 describes the details of the management of proceeds. Chapter 8 details the criteria for reporting, including the criteria for the Allocation and Impact Assessment Report. Chapter 9 contains guidance on updating the Framework, and finally Chapter 10 contains the results of the Second Party Opinion (“SPO”).





As per our assessment below, the Framework meets all of the criteria required by the ICMA GBP but, at the same time, does not comply with some of the recommended Proposals. For detailed definitions of the ICMA GBP criteria, see Appendix 3 – Detailed Methodology.

1. Use of Proceeds

The amount equivalent to the net green bond proceeds is used by ALTEO to finance and refinance projects with an environmental impact in Hungary that meet the criteria defined below. From among the project categories supporting environmental objectives as defined in the ICMA GBP, ALTEO uses the categories of Renewable Energy, Energy Efficiency and Pollution Prevention and Control to determine eligible projects.







No.	ICMA GBP criterion ¹⁰	Comments	Alignment
1.1	Use of green bond proceeds	<i>The use of proceeds and the contribution of eligible projects to the ICMA GBP's eligible project categories are clearly defined.</i>	

¹⁰ For our detailed definitions of the criteria, see Appendix 3 – Detailed Methodology

1.2	Clear environmental benefits	<i>For each of the eligible project categories, clearly identifiable environmental benefits have been determined.</i>	
1.3	Categories of eligible green projects	<i>The Framework describes the categories of eligible green projects in alignment with the ICMA GBP eligible green project categories. Under the Framework, projects aligned with the following green project categories are eligible: renewable energy, energy efficiency, certified eco-efficient products, and/or circular economy adapted products, production technologies and processes.</i>	
Recommended criteria			
1.4	Refinanced green projects	<i>Based on the Framework, the Allocation Report provides an estimate of the ratio of financing and refinancing.</i>	
1.5	National and international taxonomies	<i>In addition to the ICMA GBP, the Framework also refers to the guidelines of the Guidelines on Issuance of Green Bonds published by the Central Bank of Hungary.</i>	

2. Process for Project Evaluation and Selection

ALTEO uses the proceeds from green bonds exclusively to finance and refinance activities that qualify as green as per the criteria set by the ICMA in the Framework. The selection and evaluation of projects eligible for financing and refinancing is based on the criteria set out in the chapter Use of Proceeds, and the tracking and review thereof is the responsibility of the ALTEO Green Committee. The Framework excludes from the scope of eligible projects those that are related to the following activities: gambling, coal-fired energy production, nuclear energy production, pornography, tobacco, arms and defense industries.





No.	ICMA GBP criterion ¹¹	Comments	Alignment
2.1	Environmental sustainability objective	<i>The environmental sustainability objectives of eligible green projects are clearly defined.</i>	
2.2	Eligibility criteria for green bond issuance	<i>The ALTEO Green Committee evaluates green projects and instruments on the basis of the criteria set by the ICMA and those set out in the chapter Use of Proceeds.</i>	
2.3	Assessment of suitability	<i>For each project to be supported, the social and/or environmental risks are assessed, and mitigation measures are defined where necessary.</i>	
Recommended criteria			
2.4	Environmental strategy and objectives	<i>The Framework positions the categories of activities eligible for financing and refinancing in line with ALTEO's overall objective, strategy, policies and processes related to environmental sustainability.</i>	
2.5	Green standards or certifications	<i>The Framework is built around the requirements defined by the ICMA GBP. Green standards and certifications obtained¹² are published on the Company's website and in its integrated report.</i>	
2.6	Identifying and managing known risks of negative social and/or environmental impacts	<i>The Company has appropriate processes in place to mitigate potentially material social and environmental risks associated with financing or refinancing.</i>	

¹¹ For our detailed definitions of the criteria, see Appendix 3 – Detailed Methodology

¹² Documents referenced in the ICMA's Green Bond Principles (2021, with June 2022 Appendix 1), which are nationally or internationally accepted standards or certifications (e.g. BREEAM or LEED energy performance certificates)

3. Management of Proceeds




The proceeds from green bonds are allocated on the basis of the decision of the ALTEO Green Committee. The Committee decides on the amount of support to be allocated to the various projects. The Committee is responsible for ensuring that the proceeds from green bonds are only used to finance or refinance activities that qualify as green. Pending the full distribution of proceeds, ALTEO's finance/economic department decides on the investment of proceeds not yet distributed or allocated, in line with ALTEO's investment policy and the criteria indicated in the Framework. The proceeds from green bonds are recorded separately by the Company.

No.	ICMA GBP criterion ¹³	Comments	Alignment
3.1	Transparent tracking of green bonds	<i>The ALTEO Green Committee, set up by the issuer, is responsible for monitoring and reporting on the use of green bonds, based on data provided by internal processes and IT systems.</i>	
3.2	Tracking green and non-green details	<i>The Framework pays special attention to ensure that the proceeds from issuance are not used to finance or refinance activities that are not considered green, which is supervised by the ALTEO Green Committee.</i>	
3.3	Internal governance of the issuer	<i>The Framework stipulates that funds are to be used to finance green projects within 24 months. The Green Committee decides on the distribution of the proceeds from green bonds.</i>	
Recommended criteria			
3.4	Third-party auditing of the management of proceeds	<i>An external auditor is involved in monitoring the management of the proceeds.</i>	

¹³ For our detailed definitions of the criteria, see Appendix 3 – Detailed Methodology

4. Reporting

Under the Framework, ALTEO undertakes to publish, at least once a year, a report to investors on the allocation and use of the proceeds from green bonds. The Allocation and Impact Assessment Reports, relating to the Framework and to be annually published, are published for the first time after the issue of a bond under the terms of the Framework and at least once a year thereafter, until the maturity of the bond and in the event of material changes. In the case of financing individual investments, at least two Impact Assessment Reports are prepared for each investment, one before the project is implemented and one after implementation, taking specific data into account. The latter can be published as part of the annual report. The Allocation Report and the Impact Assessment Report will be available on ALTEO's public websites. In the Allocation Report, ALTEO discloses information on the proceeds from the issuance of green bonds. The Allocation Report and the Impact Assessment Report will be available on ALTEO's public websites. Both reports are externally verified.

No.	ICMA GBP criterion ¹⁴	Comments	Alignment
4.1	Annual green report of the bond issuer	<i>ALTEO prepares an Allocation and Impact Assessment Report, published for the first time after the issue of a bond under the terms of the Framework and at least once a year thereafter, until the maturity of the bond and in the event of material changes.</i>	
4.2	Updated green project details	<i>The Framework stipulates that ALTEO must disclose information on the proceeds from the issuance of green bonds in the Allocation Report. The Impact Assessment Report, prepared after the implementation of the projects, can be presented as part of the annual report. The Allocation Report and the Impact Assessment Report will be available on ALTEO's public websites.</i>	
Recommended criteria			
4.3	Sustainability KPIs and methodology	<i>The Framework defines specific quantitative sustainability indicators to be used in the Impact Assessment Report for the three categories of projects eligible for financing and refinancing.</i>	

¹⁴ For our detailed definitions of the criteria, see Appendix 3 – Detailed Methodology



Part B

Assessment of the alignment with the definition of Green Bond in the ICMA's Green Bond Principles 2021

The Green Financing Framework includes the definition of green bond used by the Framework and is aligned with the Green Bond Principles (2021, with June 2022 Appendix 1). Green bonds are defined by ALTEO as per the ICMA GBP criteria, pursuant to which green bonds are any type of bond instrument where the proceeds or an equivalent amount will be exclusively applied by the Company to finance or refinance eligible projects and which are aligned with the criteria set out in the Green Financing Framework. Green bonds must be aligned with the four core components of the ICMA GBP.

No.	ICMA GBP criterion ¹⁵	Comments	Alignment
5.1	Green bond definition	<i>ALTEO's green bond definition is aligned with the definition in the 2021 Green Bond Principles (ICMA GBP 2021) and its criteria for the use of proceeds.</i>	

¹⁵ For our detailed definitions of the criteria, see Appendix 3 – Detailed Methodology



Part C

Alignment with the LMA's Green Loan Principles 2021

The purpose of the Framework is to define in a transparent manner what is considered a green loan and what the objectives of green loan use are. A key guideline of the document is the LMA's Green Loan Principles issued in 2021.

In respect of the structure of the Framework and the brief description of chapters, the contents of Part A "Assessment of the Alignment with the ICMA's Green Bond Principles 2021" are applicable.

As per our assessment below, the Framework meets all of the criteria required by the LMA GLP but, at the same time, does not comply with some of the recommended Proposals. For detailed definitions of the LMA GLP criteria, see Appendix 3 – Detailed Methodology.

1. Use of Proceeds

The amount equivalent to the net loan bond proceeds is used by ALTEO to finance and refinance projects with a positive environmental impact in Hungary that meet the criteria defined below. From among the project categories supporting environmental objectives as defined in the LMA GLP, ALTEO uses the categories of Renewable Energy, Energy Efficiency and Pollution Prevention and Control to determine eligible projects.

No.	LMA GLP criterion ¹⁶	Comments	Alignment
1.1	Use of green loan proceeds	<i>The use of proceeds and the contribution of eligible green projects to the eligible LMA GLP project categories are clearly defined.</i>	
1.2	Clear environmental benefits	<i>For each of the eligible project categories, environmental benefits have been clearly identified.</i>	
1.3	Categories of eligible green projects	<i>The Framework describes the categories of eligible green projects in alignment with the LMA GLP eligible green project categories. Under the Framework, projects aligned with the following green project categories are eligible: renewable energy, energy efficiency, certified eco-efficient products, and/or circular economy adapted products, production technologies and processes.</i>	
1.4	Green loan separation within a credit facility	<i>If the green loan represents one or more tranches of a loan facility, the Company treats the proceeds from the green loan separately from the rest of the loan facility.</i>	






Recommended criteria

1.5	Refinanced green projects	<i>The Framework also includes refinancing loans. The terms for refinancing are the same as for financing.</i>	
1.6	Ratio of financing and refinancing	<i>The Framework requires the Company to provide an estimate of the ratio of financing and refinancing.</i>	

¹⁶ For our detailed definitions of the criteria, see Appendix 3 – Detailed Methodology

2. Process for Project Evaluation and Selection





ALTEO uses the proceeds from green loans exclusively to finance and refinance activities that qualify as green as per the criteria set by the LMA in this Framework. The criteria and process for the selection and evaluation of projects eligible for financing and refinancing, and the activities excluded from projects eligible for green loan financing are the same as those described in Part A – Process for Project Evaluation and Selection assessing alignment with the ICMA’s Green Bond Principles.

No.	LMA GLP criterion ¹⁷	Comments	Alignment
2.1	Environmental sustainability objective	<i>The environmental sustainability objectives of eligible green projects are clearly defined.</i>	
2.2	Eligibility criteria for green borrowing	<i>The ALTEO Green Committee evaluates green projects and instruments on the basis of the criteria set by the LMA and those set out in the chapter Use of Proceeds.</i>	
2.3	Assessment of the social and environmental risks of projects	<i>For each project to be supported, the social and/or environmental risks are assessed, and mitigation measures are defined where necessary.</i>	
Recommended criteria			
2.4	Environmental strategy and objectives	<i>The Framework positions the categories of activities eligible for financing and refinancing in line with ALTEO's overall objective, strategy, policies and processes related to environmental sustainability.</i>	
2.5	Green standards or certifications	<i>The Framework is built around the requirements set by the LMA GLP. Green standards and certifications obtained are published on the Company's website and in its integrated report.</i>	

¹⁷ For our detailed definitions of the criteria, see Appendix 3 – Detailed Methodology

3. Management of Proceeds




The proceeds from green loans are allocated on the basis of the decision of the ALTEO Green Committee. The Committee decides on the amount of support to be allocated to the various projects. The Committee is responsible for ensuring that the proceeds from green loans are only used to finance or refinance activities that qualify as green. Pending the full distribution of proceeds, ALTEO's finance/economic department decides on the investment of proceeds not yet distributed or allocated, in line with ALTEO's investment policy and the criteria indicated in the Framework. Proceeds from green loans are recorded separately by the Company. If the green loan represents one or more tranches of a loan facility, the Company treats the proceeds from the green loan separately from the rest of the loan facility.

No.	LMA GLP criterion ¹⁸	Comments	Alignment
3.1	Transparent monitoring of green loan proceeds	<i>The ALTEO Green Committee, established by the issuer, is responsible for monitoring and reporting on the use of green loans, based on data provided by internal processes and IT systems.</i>	
3.2	Tracking green and non-green loan proceeds	<i>The Framework pays special attention to ensure that the proceeds from green loans are not used to finance or refinance activities that are not considered green, which is supervised by the ALTEO Green Committee. The Framework also requires the separate management of proceeds from the green tranches of loan transactions.</i>	
3.3	Internal governance of the borrower	<i>The Framework stipulates that funds are to be used to finance green projects within 24 months. The Green Committee decides on the allocation of proceeds from green loans on an aggregated basis.</i>	
Recommended criteria			
3.4	Third-party verification of the management of proceeds	<i>The monitoring of the management of proceeds is externally verified within the framework of the Allocation Report.</i>	

¹⁸ For our detailed definitions of the criteria, see Appendix 3 – Detailed Methodology

4. Reporting

Under the Framework, ALTEO undertakes to publish, at least once a year, a report to investors on the allocation and use of the proceeds from green loans. The Allocation and Impact Assessment Reports, relating to the Framework and to be annually published, are published for the first time after a borrowing under the terms of the Framework and at least once a year thereafter, until the maturity of the loan and in the event of material changes. In the case of financing individual investments, at least two Impact Assessment Reports are prepared for each investment, one before the project is implemented and one after implementation, taking specific data into account. The latter can be published as part of the annual report. The Allocation Report and the Impact Assessment Report will be available on ALTEO's public websites. In the Allocation Report, ALTEO discloses information on the proceeds from taking out green loans. The Allocation Report and the Impact Assessment Report will be available on ALTEO's public websites. Both reports are externally verified.

No.	LMA GLP criterion ¹⁹	Comments	Alignment
4.1	Annual green report of the borrower	<i>ALTEO prepares an Allocation and Impact Assessment Report, published for the first time after borrowing under the terms of the Framework and at least once a year thereafter, until the maturity of the loan and in the event of material changes.</i>	
4.2	Updated green project details	<i>The Framework sets out the data dimensions required in ALTEO's annual green report, and these dimensions are aligned with LMA GLP requirements. Furthermore, the Allocation Report describes the detailed information related to proceeds from green loans. The Impact Assessment Report, prepared after the implementation of the projects, can be presented as part of the annual report. The Allocation Report and the Impact Assessment Report will be available on ALTEO's public websites.</i>	
Recommended criteria			
4.3	Sustainability KPIs and methodology	<i>The Framework defines specific quantitative sustainability indicators to be used in the Impact Assessment Report for the three categories of projects eligible for financing and refinancing.</i>	

¹⁹ For our detailed definitions of the criteria, see Appendix 3 – Detailed Methodology



Part D

Assessment of the alignment with the Green Loan Definition of the LMA's Green Loan Principles 2021

The Green Financing Framework includes the definition of green loan used by the Framework, and is aligned with the Green Loan Principles (2021). Green loans are defined by ALTEO as per the LMA GLP criteria, pursuant to which green loans are any type of loan instrument where the proceeds or an equivalent amount will be exclusively applied by the Company to finance or refinance eligible projects and which are aligned with the criteria set out in the Green Financing Framework. Green loans must be aligned with the four core components of the LMA GLP. Green loans cannot be considered interchangeable with loans that are not aligned with the four core components of the LMA GLP.

No.	LMA GLP criterion ²⁰	Comments	Alignment
5.1	Green loan definition	<i>ALTEO's green loan definition is aligned with the definition in the 2021 Green Loan Principles (GLP 2021) and its criteria for the use of proceeds.</i>	

²⁰ For our detailed definitions of the criteria, see Appendix 3 – Detailed Methodology

Restrictions

This Second Party Opinion is valid for ALTEO's Green Financing Framework in effect as at March 1, 2023. The scope of the Second Party Opinion does not extend to the future or updated versions of the applicable standards, the ICMA Guidelines for External Reviews and the LMA Guidelines for External Reviews or any amendments or subsequent reissues of the Green Financing Framework. The Second Party Opinion is issued only in relation to ALTEO's Green Financing Framework, and does not apply to bonds issued and loans taken out under this Framework. The Green Financing Framework and the bonds issued and loans taken out thereunder are the responsibility of ALTEO's management.

In the course of our review, we did not carry out an audit of the books or due diligence in accordance with international or national standards or legislation, and we do not issue an auditor's report or other assurance report.

The Second Party Opinion and the information presented are based on information received from ALTEO. Alignment with the selection criteria is based solely on the documents submitted by ALTEO. Although Deloitte has exercised due care in compiling the Second Party Opinion, it makes no warranty, express or implied, as to the accuracy, completeness or usefulness of such information, and accepts no liability for the consequences of relying on such information for investment or other purposes. The Second Party Opinion does not provide legal, financial or other advice on investment decisions.

Our responsibility in providing the Second Party Opinion is solely to ALTEO's management, and we do not accept any liability for any other purpose or vis-à-vis third party. Any further reliance by any third party on the Green Financing Framework is entirely at the third party's own risk.

The Second Party Opinion shows the alignment of the Green Financing Framework with the applicable standards, but does not guarantee full compliance, nor does it ensure compliance with future versions of the applicable market standards. Deloitte is not responsible for the actual impact of the projects to be financed/refinanced with the bond and loan proceeds under the Green Financing Framework, and measurement thereof and reporting thereon is the responsibility of ALTEO's management.

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Appendices

1. Appendix 1. Indicative Categories of Eligibility for Green Projects²¹

The eligible categories include, but are not limited to the following categories (listed in no specific order):

- renewable energy, including production, transmission, appliances and products;
- energy efficiency, such as in new and refurbished buildings, energy storage, district heating, smart grids, appliances and products;
- pollution prevention and control, including reduction of air emissions, greenhouse gas control, soil remediation, waste prevention, waste reduction, waste recycling and energy/emission-efficient waste to energy;
- environmentally sustainable management of living natural resources and land use, including environmentally sustainable agriculture; environmentally sustainable animal husbandry; climate smart agricultural inputs such as biological crop protection or drip-irrigation; environmentally sustainable fishery and aquaculture; environmentally sustainable forestry, including afforestation or reforestation, and preservation or restoration of natural landscapes;
- terrestrial and aquatic biodiversity conservation, including the protection of coastal, marine and watershed environments;
- clean transportation, such as electric, hybrid, public, rail, non-motorized, multi-modal transportation, infrastructure for clean energy vehicles and reduction of harmful emissions;
- sustainable water and wastewater management, including sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flood mitigation;
- climate change adaptation, including efforts to make infrastructure more resilient to impacts of climate change, as well as information support systems, such as climate observation and early warning systems;
- circular economy adapted products, production technologies and processes, such as the design and introduction of reusable, recyclable and refurbished materials, components and products; circular tools and services; and/or certified eco-efficient products; and
- green buildings that meet regional, national or internationally recognized standards or certifications for environmental performance.

The above list is based on the categories specified in the Green Bond Principles dated June 2021 and is identical to the categories in the Green Loan Principles dated February 2021. The list must be checked regularly for future updates. The list is indicative and sets out the most commonly used project types. There are already a number of categories and sets of criteria for green projects on the market that can be used as additional guidelines. Borrowers and other stakeholders can refer to examples via the links listed on the ICMA website www.icmagroup.org/resourcecentre.

²¹ The project categories supporting environmental objectives as set out in the LMA's Green Loan Principles are the same as those described in the ICMA's Green Bond Principles (2021, with June 2022 Appendix 1)

Appendix 2 Scope of Application – List of Referenced Documents

During the compilation of the Second Party Opinion, ALTEO was responsible for providing information and documentation on the following:

- ALTEO's Green Financing Framework and the documents referred to therein.

The Second Party Opinion extends to the following document:

Document number	Document name	Description
1.	ALTEO Green Financing Framework (version: 1.0, last amended: March 1, 2023, effective from: March 1, 2023)	ALTEO's Green Financing Framework effective from March 1, 2023, which sets out the criteria to be met by ALTEO in relation to the issuance of green bonds and taking out green loans.

While drafting the Second Party Opinion, we also consulted other documents not covered by the Second Party Opinion:

Document number	Document name	Description
1.	Draft Rules of Procedure of the ALTEO Green Committee	Draft rules of procedure of the ALTEO Committee set up in relation to the Green Financing Framework effective from March 1, 2023. The Green Committee is responsible for the selection of green investments eligible for funding from green bond and green loan proceeds, the evaluation of projects, the preparation of the Impact Assessment and Allocation Report and the review of the Framework.
2.	ALTEO Integrated Report 2021	ALTEO Group's Integrated Report for 2021 which includes sustainability performance indicators in addition to the Company's business performance. ²²
3.	ALTEO Corporate Strategy	ALTEO Group's corporate strategy which summarizes the strategic business and sustainability objectives. ²³

²² <https://alteo.hu/fenntarthatosag/>

²³ <https://alteo.hu/fenntarthatosag/>

Appendix 3 Detailed Methodology

The Second Party Opinion is based on the ICMA and LMA Guidelines for External Reviews and applies the following criteria in analyzing the alignment of the Framework with the ICMA GBP and the LMA GLP:

Part A Assessment of the alignment with the four core components of the ICMA's Green Bond Principles 2021

Part B Assessment of the alignment with the Green Bond Definition of the ICMA's Green Bond Principles 2021

Part C: Assessment of the alignment with the four core components of the LMA's Green Loan Principles 2021

Part D: Assessment of the alignment with the Green Loan Definition of the LMA's Green Loan Principles 2021

Part A: Alignment with the ICMA's Green Bond Principles 2021

The external review examines alignment with the ICMA's Green Bond Principles (GBP). The Green Bond Principles of the International Capital Market Association aim to promote consistency across financial markets. The ICMA GBP are internationally recognized voluntary issuance guidelines that promote transparency, disclosure and reporting in the green bond market.

As such, the ICMA GBP provide an international standard in the form of voluntary recommended guidelines based on four core components: 1. Use of proceeds, 2. Process for project evaluation and selection, 3. Management of proceeds and 4. Reporting. Within these components, the criteria that form the core of the Second Party Opinion methodology for analyzing consistency between the Framework and the ICMA GBP have been defined.

In compiling the Second Party Opinion, the following criteria are assessed for each component:

1. Use of Proceeds

Criterion 1.1: Does the issuer have processes in place to ensure that the use of bond proceeds is aligned with the green project definition of the ICMA GBP?

Criterion 1.2: Does the issuer have processes in place to ensure that the green projects identified have clear environmental benefits that are assessed and, where possible, quantified, measured and reported by the issuer?

Criterion 1.3: Does the Framework describe the categories of eligible green projects in alignment with the ICMA GBP eligible green project categories?

Recommendations:

Recommended criterion 1.4: Where the funds are to be used, in whole or in part, for refinancing, does the issuer provide an estimate of the ratio of financing and refinancing?

Recommended criterion 1.5: Does the Framework include a statement on its consistency with international and national initiatives, taxonomies or nomenclatures other than the ICMA GBP?

2. Process for Project Evaluation and Selection

Criterion 2.1: Does the issuer have processes in place to ensure that the environmental sustainability objectives of eligible green projects are clearly communicated to its investors?

Criterion 2.2: Does the issuer have processes in place to ensure clear communication with investors, based on which they can determine how their projects align with eligible categories? Does the issuer have procedures in place to ensure that the green projects identified have clear environmental benefits?

Criterion 2.3: Does the issuer have processes in place to ensure clear communication of additional information on the processes by which it identifies and manages the perceived social and environmental risks associated with the project(s)?

Recommendations:

Recommended criterion 2.4: Does the issuer position the information described above in the context of its overall environmental sustainability objectives, strategy, policies and/or processes?

Recommended criterion 2.5: Does the issuer disclose all green standards or certifications it intends to comply with?

Recommended criterion 2.6: Does the issuer have a process in place to identify measures to mitigate the material risks of negative social and/or environmental impacts from the project(s)? Such mitigation measures could include clear and relevant trade-off analysis and monitoring of material risks.

3. Management of Proceeds

Criterion 3.1: Does the issuer stipulate that the proceeds from green bond are to be credited to a dedicated account or for these to be adequately monitored to maintain transparency and promote product integrity?

Criterion 3.2: Does the Framework require that, as long as the green bond is under payment, the monitored proceeds are to be adjusted to the allocation of eligible green projects during the given period? Does the issuer undertake to disclose to investors the types of temporary placement envisaged for the unallocated proceed balance?

Criterion 3.3: Does the issuer clearly define whether the proceeds from green bonds are managed on a bond-by-bond or aggregate basis?

Recommendation:

Recommended criterion 3.4: Does the Framework include that the management of proceeds is carried out with the help of an external auditor or other third party which verifies the internal monitoring method and the allocation of proceeds from the green bond?

4. Reporting

Criterion 4.1: Does the issuer have procedures in place to ensure that up-to-date information on the use of proceeds is made available to investors annually until full drawdown and, if necessary, in the event of material developments thereafter?

Criterion 4.2: Does the issuer have processes in place to ensure that, as part of the annual report, it provides a list of green projects for which it has allocated green bond proceeds, including a brief description of the projects, the amounts allocated and their expected impact?

Recommendation:

Recommended criterion 4.3: Does the issuer use qualitative performance indicators and, where appropriate, quantitative performance indicators (e.g. energy intensity, electricity generation, greenhouse gas emissions reduced/avoided, etc.)? Does the issuer disclose the key methodology and/or assumptions underlying the quantitative measures?

Part B: Assessment of the alignment with the definition of Green Bond in the ICMA's Green Bond Principles 2021

The ICMA GBP provide an international standard based on four core components. The components are: 1. Use of Proceeds, 2. Process for project evaluation and selection, 3. Management of Proceeds and 4. Reporting. Green bonds must comply with the four components listed above, as defined in the ICMA GBP. Green bonds cannot be considered interchangeable with bonds that are not aligned with the four core components of the ICMA GBP.

Criterion 5.1: Is the Framework's green bond definition aligned with the following?

“Green Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or refinance, in part or in full, new and/or existing eligible green projects which are aligned with the four core components of the ICMA GBP.” Green projects are projects that fall within the eligible categories of the non-exhaustive list in Appendix 1. Green projects may be related to more than one category.

Part C: Alignment with the LMA's Green Loan Principles 2021

Part C examines alignment with the LMA's Green Loan Principles. The LMA GLP contains voluntary, recommended guidelines, which are to be applied by market participants on a deal-by-deal basis depending on the underlying characteristics of the transaction, which seek to support integrity in the development of the green loan market by clarifying the instances in which a loan may be categorized as “green”.

The LMA GLP builds on and refers to the Green Bond Principles (GBP) issued by the International Capital Market Association (ICMA), which aim to promote consistency across financial markets. The LMA GLP are internationally recognized voluntary lending guidelines that promote transparency, disclosure and reporting in the green loan market.

As such, the LMA GLP provide an international standard in the form of voluntary recommended guidelines based on four core components: 1. Use of Proceeds, 2. Process for project evaluation and selection, 3. Management of Proceeds and 4. Reporting. Within these components, the criteria that form the core of the Second Party Opinion methodology for analyzing consistency between the Framework and the LMA GLP have been defined.

In compiling the Second Party Opinion, the following criteria are assessed for each component:

1. Use of Proceeds

Criterion 1.1: Is the use of green loan proceeds for green projects (including other related and support expenditure, including R&D expenditure) adequately indicated in the financial documents and, where possible, in marketing material?

Criterion 1.2: Is it adequately indicated that the green projects identified have clear environmental benefits that are assessed and, where possible, quantified, measured and reported by the borrower?

Criterion 1.3: Are the categories of eligible green projects appropriately indicated?

Criterion 1.4: Does the borrower separate proceeds from green loans from the remainder of the loan facility if green loans represent one or more tranches of a loan facility?

Recommended criteria:

Criterion 1.5: Does the Framework require the borrower to clarify which investments or project portfolios are eligible for refinancing and, where relevant, indicate the look-back period for the green projects refinanced?

Criterion 1.6: Where all or part of the green proceeds are used for refinancing, does the borrower provide an estimate of the ratio of financing and refinancing?

2. Process for Project Evaluation and Selection

Criterion 2.1:

Does the borrower clearly communicate that proceeds from the green loan will be used to implement the Company's green projects and achieve the Company's environmental sustainability objectives?

Criterion 2.2: Does the borrower clearly communicate to its lenders the process by which the borrower determines the alignment of projects with eligible categories (see Appendix 1 – Indicative Categories of Eligibility for Green Projects)?

Criterion 2.3: Does the borrower clearly communicate to its lenders the associated eligibility criteria for identifying and managing potentially material environmental and social risks associated with the project?

Recommended criteria:

Criterion 2.4: Are the categories of activities eligible for financing and refinancing in line with ALTEO's overall objective, strategy, policies and processes related to environmental sustainability?

Criterion 2.5: Are all green standards or certifications that the Company intends to comply with, available?

3. Management of Proceeds

Criterion 3.1: Are the green loan proceeds appropriately tracked to maintain transparency and support the integrity of the product?

Criterion 3.2: Does the Framework require that where the green loan takes the form of one or more tranches of a loan facility, each green tranche must be clearly identified, and the amounts of the green loan proceeds must be credited to a separate account or be separately and appropriately tracked by ALTEO?

Criterion 3.3: Does ALTEO have an appropriate internal process in place that requires the use of green loan proceeds for green projects within 24 months?

Recommended criteria:

Criterion 3.4: Does ALTEO have an appropriate process in place to monitor the management of proceeds?

4. Reporting

Criterion 4.1: Does the borrower provide up-to-date information on the use of proceeds to the lender annually until the loan transaction is drawn down in full and, if necessary, thereafter in the event of material changes?

Criterion 4.2: Is the borrower able to provide the lender with details of the green projects, listing those to which green loan proceeds were allocated, along with a brief project description, the amounts allocated and their expected impact?

Recommended criteria:

Criterion 4.3: Does the lender require the borrower to use qualitative performance indicators and, where possible, quantitative performance measurements (e.g. energy intensity, electricity generation, greenhouse gas emissions reduced/avoided, etc.)? Does it require the borrower to disclose the key methodology and/or assumptions underlying the quantitative determinations?²⁴

Part D: Alignment with the green loan definition of the LMA's Green Loan Principles 2021

The LMA GLP is an international standard based on four core components and the definition of green loan. The components are: Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds and Reporting. Green loans must be aligned with the four components listed above, as defined in the LMA GLP. Green bonds cannot be considered interchangeable with loans that are not aligned with the four core components of the LMA GLP.

Criterion 5.1: Is the definition of green loan given in the Framework aligned with the following?

“Green loans are any type of loan instruments made available exclusively to finance or refinance, in whole or in part, new and/or existing eligible green projects. Green projects are projects that fall within the eligible categories of the non-exhaustive list in Appendix 1. Green projects may be related to more than one category. Considerations relating to revolving loan transactions are set out in Appendix 4.”

Appendix 4 Application to Revolving Loan Facilities

The LMA GLP were drafted such that they can be applied to a wide variety of loan transactions, including term loans and revolving loan facilities.

One of the fundamental determinants of a green loan is the manner in which the loan proceeds are used, which should be appropriately described in the finance documents and, if applicable, marketing materials. The use of proceeds component of a term loan is often easily identifiable. Revolving loan facilities, however, may not identify in similar detail such green use of proceeds, but in any case proceeds should be utilized for eligible green project(s) (Appendix 1, Indicative categories of eligibility for green projects) throughout the lifetime of the revolving loan facility. In the case of green loans that take the form of revolving loan transactions, the parties concerned should determine how best to demonstrate that the proceeds arising from the loan have been used for the agreed sustainable purposes when applying the LMA GLP. A revolving loan facility may include a specific green tranche but, where it is not possible, the borrower must report to the lenders the use of any revolving loans and/or identify green projects supported by the revolving loan facility.

Lenders may monitor and track the sustainability information provided by the borrower during the life of the loan, mindful of the need to preserve the integrity of the green loan product. Revolving loan facilities for general corporate purposes cannot be categorized as “green” without being aligned with the components listed in the LMA GLP.